

**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. 13,937**

**VERIFIED STATEMENT OF LARRY CUNNINGHAM**

Larry Cunningham, 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 1210.A(1), 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 S½ of Section 3, Township 20 South, Range 29 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 Burton Flat-Strawn Gas Pool, West Parkway-Atoka Gas Pool, and East Burton Flat-Morrow Gas Pool.

The unit is to be designated to the proposed Sharps "3" Fed. Com. Well No. 1, to be drilled at an orthodox location in the NW¼SW¼ of Section 3. The well is expected to be a gas well.

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

Oil Conservation Division  
Case No. 1  
Exhibit No. 1

The Hillman Interests 0.29296%  
2000 Grant Building  
310 Grant Street  
Pittsburgh, Pennsylvania 15219

Nicholas S. Lamont 0.02929%  
Suite 300  
129 Church Street  
New Haven, Connecticut 06510

Mill Neck Associates 0.02929%  
Suite 300  
129 Church Street  
New Haven, Connecticut 06510

(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 \$ 6500.00 /month for a drilling well, and \$ 650.00 /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 wells 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

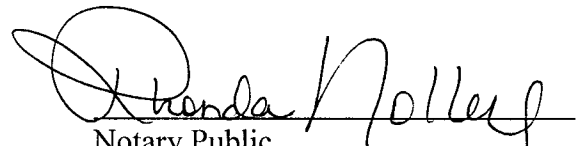
STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

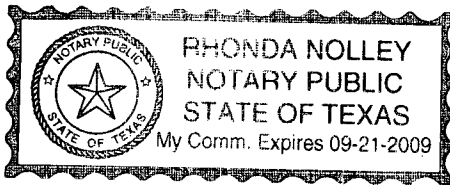
Larry Cunningham, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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

  
Larry Cunningham

SUBSCRIBED AND SWORN TO before me this 17<sup>th</sup> day of July, 2007 by Larry Cunningham.

My Commission Expires: \_\_\_\_\_

  
Notary Public





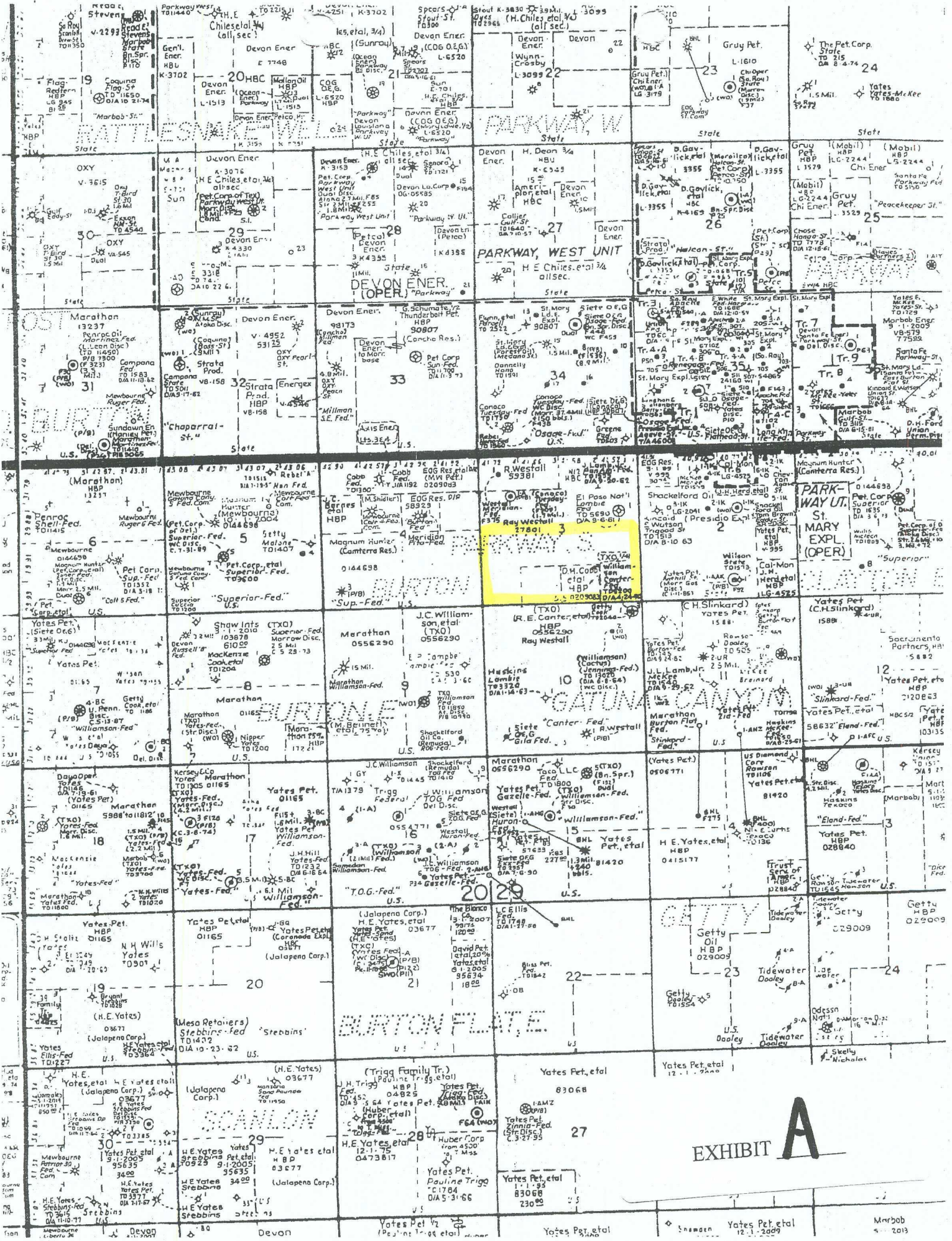


EXHIBIT A

Lamont

**MEWBOURNE OIL COMPANY**500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701(432) 682-3715  
FAX (432) 685-4170

March 15, 2007

Via Certified Mail-Return Receipt No. 5835Mr. Nicholas S. Lamont  
129 Church Street, Suite 300  
New Haven, Connecticut 06510RE: Well Proposal  
Sharps 3 Federal Com No. 1  
S/2 of Section 3, T20S-R29E  
Eddy County, New Mexico

Dear Mr. Lamont:

Reference is made to that letter dated September 14, 2006 wherein Mewbourne Oil Company proposed the drilling of the captioned well.

Prior to the date of this letter, Mewbourne has obtained elections to participate in the drilling of this well from all of the working-interest owners in the proration unit except for yourself. As proposed, Mewbourne intends to drill this well at a location being 1980' FSL & 720' FWL of Section 3. An updated AFE Cost Estimate is enclosed for your review.

Mewbourne would appreciate your participation, however, if you prefer not to participate, then Mewbourne would be receptive to obtaining a farmout or term assignment covering your interest in the proration unit. Your working interest in the S/2 Section 3 proration unit is 0.02929% (0.093752 net acres).

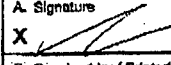
The Sharps 3 Federal Com No. 1 well is currently scheduled to spud in early May of this year. I will be glad to discuss this proposal with you again and appreciate your continued consideration to participate with us.

Sincerely,

MEWBOURNE OIL COMPANY


Larry Cunningham  
District Exploration Manager

LC/gb

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature X </p> <p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p>Mr. Nicholas S. Lamont 129 Church Street, Suite 300 New Haven, Connecticut 06510</p>		<p>B. Received by (Printed Name)</p> <p>C. Date of Delivery 3/19</p>	
<p>2. Article Number (Transfer from service label)</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>	
<p>3. Service Type</p> <p><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.</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>7006 0100 0001 2428 5835</p>			

EXHIBIT





**MEWBOURNE OIL COMPANY**

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

June 20, 2007

Via Certified Mail-Return Receipt No. 6313

Mill Neck Associates  
5200 Town Center Circle  
Fourth Floor  
Boca Raton, Florida 33486  
Attn: Mr. Leonard Mandor

Mill Neck Associates  
200 N. Congress  
Park Drive  
Delray Beach, Florida 33445

RE: Well Proposal  
Sharps 3 Federal Com No. 1  
S/2 of Section 3, T20S-R29E  
Eddy County, New Mexico

Dear Mr. Mandor:

Reference is made to that letter dated September 14, 2006 wherein Mewbourne Oil Company proposed the drilling of the captioned well.

Prior to the date of this letter, Mewbourne has obtained elections to participate in the drilling of this well from all of the working interest owners in the proration unit except for yourself. As proposed, Mewbourne intends to drill this well at a location being 1980' FSL & 720' FWL of Section 3. An updated AFE Cost Estimate is enclosed for your review.

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The Sharps 3 Federal Com No. 1 well is currently scheduled to spud in early May of this year. I will be glad to discuss this proposal with you again and appreciate your continued consideration to participate with us.

Sincerely,

**MEWBOURNE OIL COMPANY**



Larry Cunningham  
District Exploration Manager

LC/gb

# MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

Prospect: Sharps 3 Well Name & No: Sharps 3 Federal Com #1  
 Field: \_\_\_\_\_ Location: 1980' FSL & 720' FWL  
 Section: 3 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township: 20S Range: 28E  
 County: Eddy ST: NM Proposed Depth: 12,000'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
<b>INTANGIBLE COST 180</b>			
300	Permits and Surveys	\$3,000	\$1,000
301	Location, Roads and Site Preparation	\$90,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 28 days @ \$1800/day + 2 days completion	\$725,100	\$38,200
304	Fuel	\$85,000	
305	Completion / Workover Rig		\$25,000
306	Mud and Chemicals	\$65,000	\$1,000
307	Cementing	\$60,000	\$40,000
308	Logging, Wireline and Coring Services	\$45,000	\$20,000
309	Casing, Tubing & Snubbing Services	\$10,000	\$10,000
310	Mud Logging 23 days @ \$1000/day	\$23,000	
311	Testing		\$4,000
312	Treating 70Q Binary + 70K IP		\$100,000
313	Water & Other	\$25,000	\$5,000
314	Bits 1 - 26", 1-17 1/2", 2-12 1/4", 4- 8 3/4"	\$85,000	
315	Inspection & Repair Services	\$10,000	\$10,000
316	Misc. Air and Pumping Services	\$35,000	\$2,000
320	Rig Mobilization & Transportation	\$100,000	\$4,000
321	Welding and Construction	\$2,500	\$2,000
322	Engineering & Contract Supervision	\$30,000	
330	Equipment Rental	\$40,000	\$10,000
334	Well / Lease Legal	\$3,000	\$2,000
335	Well / Lease Insurance	\$10,300	
350	Intangible Supplies	\$1,000	\$2,500
355	Damages	\$10,000	
360	Pipeline and Electrical ROW and Easements		\$3,000
367	Pipeline Interconnect		
375	Company Supervision	\$20,000	\$10,000
380	Overhead Fixed Rate	\$9,000	\$9,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 10%	\$148,200	\$37,200
Total Intangibles		\$1,630,100	\$409,400
<b>TANGIBLE COST 181</b>			
797	Conductor Casing 400' of 20" 94# K65 STC @ \$111.99/l	\$44,800	
797	Surface Casing 1150' 13-3/8" 64.5# K65 ST&C @ \$37.60/l	\$43,200	
797	Intermediate Casing 3200' 9-5/8" 40# J65 LT&C @ \$26.01/l	\$83,300	
797	Intermediate Casing		
797	Production Casing 12,000' 5-1/2" 17# P110 LT&C @ \$15.83/l		\$190,000
798	Tubing 11,700' 2-7/8" 8.5# P110 EUE 8rd @ \$5.92/l		\$69,300
860	Drilling Head	\$10,000	
870	Tubing Head & Upper Section		\$20,000
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		\$8,000
891	Tanks - Other		\$5,000
895	Separation Equipment		\$22,000
896	Gas Treating Equipment		
898	Melting Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation 2500', 4", 1.88 wall, X42 w/coating		\$25,000
901	Line Pipe - Production		\$1,000
906	Miscellaneous Fittings, Valves & Accessories		\$15,000
909	Electrical Installations		
910	Production Equipment Installation		\$15,000
920	Pipeline Construction		\$35,000
Prepared by: <u>M. Young</u> Date Prepared: <u>2/15/2007</u> Total Tangibles		\$181,300	\$421,000
Company Approval: <u>M. Young</u> Date Approved: <u>2/15/2007</u> SUBTOTAL		\$1,811,400	\$831,000
Joint Owner Interest: _____ Joint Owner Amount: _____ TOTAL WELL COST		\$2,642,800	

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 935. 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: \_\_\_\_\_  
 Sharps 3 Federal Com #1 rev.xls

EXHIBIT