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 $S^{1/2}$ 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. _____ Exhibit No. ____

0.29296%

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

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

0.02929%

Mill Neck Associates 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 $\frac{6500.00}{\text{month}}$ for a drilling well, and $\frac{650.00}{\text{month}}$ 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)

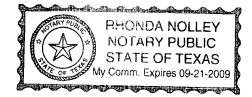
Larry Cunningham, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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

Carry Cunningham

SUBSCRIBED AND SWORN TO before me this 1/7+1/2 day of July, 2007 by Larry Cunningham.

My Commission Expires: _

Notary Public



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P. 004/000



EXHIBIT

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. 5835

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

RE: 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. I 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

2. Article Numbor 70431 (Transfer from service label)	L'0100 0001 2428 5835
	4. Resulted Delivery? (Extra Fee)
	3. Service Type D. Certified Mail Express Mail Registered Return Receipt for Merchandles Insured Mail C.O.D.
New Haven, Connecticut 06510	
Mr. Nicholas S. Lamont 129 Church Street, Suite 300	
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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.	B. Received by (Printed Name) C. Date of Delivery
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SCOODS 3 FEDERAL COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY

Hillman

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. 5828

- The Hillman Interests 310 Grant Street 2000 Grant Building Pittsburg, Pennsylvania 15219 Attn: Mr. Rich Dislandio
- RE: Well Proposal Sharps 3 Federal Com No. 1 S/2 of Section 3, T20S-R29E Eddy County, New Mexico

Gentlemen:

LC/gi

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

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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. The Hillman working interest in the S/2 Section 3 proration unit is 0.29296% (0.9375 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 a

i.		e P	Larry Cunningham	
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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.

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

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Operator has secured Operator's Extre Expense insurance covering costs of well centrel, clean up, and rearliling, as estimated in Une Item 035. Non-operator may elect not to be covered by this Operator's Extre Expense insurance only by signing below. The undersigned elects not to be covered by Operator's Extre Expense insurance for their well.

By:

EXHIBIT