PAUL BACA PROFESSIONAL COURT REPORTERS

OIL CONSERVATION DIVISION

CASE #: 14197

EXHIBIT 1

500 FOURTH STREET, NW, SUITE 105, ALBUQUERQUE, NEW MEXICO 87102

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, LEA COUNTY, NEW MEXICO.

Case No. 14,197

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 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 owner being pooled has been contacted regarding the proposed well, and has simply not decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing unit being pooled 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 underlying Lots 1, 2, NE¹/₄, and E¹/₂NW¹/₄ (the N¹/₂ equivalent) of Section 19, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in the following manner:

The SE¹/4NE¹/4 to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated South Tonto Yates-Seven Rivers Pool, Crazy Horse-Delaware Pool, Undesignated South Tonto-Bone Spring Pool, and Undesignated North Gem-Wolfcamp Pool;

The NE¹/₄ to form a 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and

The N $\frac{1}{2}$ to form a 322.75 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including

Oil Conservation Division Case No. _____ Exhibit No. ____ the Undesignated Tonto-Atoka Gas Pool and Undesignated Gem-Morrow Gas Pool.

The unit is to be dedicated to the Norte "19" Fed. Com. Well No. 1 (API No. 30-025-39160), to be drilled at an orthodox location in the $SE^{1/4}NE^{1/4}$ of Section 19.

(c) The party being pooled, its working interest in the $N\frac{1}{2}$ well unit, and its address, are as follows:

Edward R. Hudson Trust No. 4 1.22191% PH 5 222 West Fourth Street Fort Worth, Texas 76102

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. In addition, several phone calls have been made to the interest owner.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting working 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 Lea County.

(g) Overhead charges of \$7000/month for a drilling well, and \$700/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)

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. Pau Haden

SUBSCRIBED AND SWORN TO before me this 13^{h} day of October, 2008 by D. Paul Haden.

My Commission Expires: 1-19-2012

Public

GLENDA BARNETT MY COMMISSION EXPIRES January 19, 2012

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Mewbourne Oil Company

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

September 15, 2008

Edward R. Hudson Trust No. 4 Mary T. Ard, Trustee 222 W. 4th Street PH-5 Fort Worth, TX 76102

Re: Norte "19" Federal Com #1 1650' FNL & 710' FEL Section 19, T19S, R33E Lea County, New Mexico

Dear Ms. Ard:

Reference is made to my previous letter dated August 14, 2008 whereby Mewbourne Oil Company proposed drilling the captioned well at the referenced location. To date we have not received a response from you regarding the Edward R. Hudson Trust No. 4's 4.9296875% interest in the E/2NE/4 of the captioned Section 19. This interest corresponds to a 1.22191% expense interest in the proposed spacing unit which comprises the N/2 of the captioned Section 19.

Should you have any questions regarding the proposed well, please contact me at (432) 682-3715 or by email at phaden@mewbourne.com.

Sincerely yours,

MEWBOURNE OIL COMPANY

D. Paul Haden

Senior Landman

DPH/tgm



Edward R. Hudson Trust No. 4 Mary T. Ard Trustee (817) 882-9377 4.9296875%.WI

DFollow-up call 9/3/08, left message regarding air well proposal.

Mewbourne Oil Company

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

August 14, 2008

Via Certified Mail-Return Receipt No. 4199

Edward R. Hudson Trust No. 4 Mary T. Ard, Trustee 222 W. 4th Street PH-5 Fort Worth, Texas 76102

Re: Norte "19" Federal Com #1 1650' FNL & 710' FEL Section 19, T19S, R33E Lea County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 13,800 feet beneath the surface. The N/2 of the captioned Section 19 which comprises 322.75 acres will be dedicated to the well. Enclosed for your further handling is our AFE dated August 12, 2008.

Regarding the above, public records indicate the Edward R. Hudson Trust No. 4 owns a 4.9296875% leasehold interest in the operating rights in the E/2NE/4 of the captioned Section 19 from 5,000 feet subsurface to the base of the Morrow formation. Such land is subject to Federal Lease Serial No. NMLC 064790.

In the event Trust No. 4 elects to participate in the above proposed well, please sign and return one (1) copy of the enclosed AFE and I will forward you an Operating Agreement for signature. Should the Trust elect not to participate in the proposed well, Mewbourne would be agreeable to acquiring the Trust's interest on the basis of \$250.00 per net acre for a two (2) year term whereby Mewbourne would be delivered a 80% net revenue interest, subject to proportionate reduction. Currently, you have a 84% net revenue interest on an 8/8ths basis according to public records.

Sincerely yours,

MEWBOURNE OIL COMPANY

D. Paul Haden

Senior Landman

DPH/gb

| 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: Edward R. Hudson Trust No. 4 Mary T. Ard, Trustee 222 W. 4th Street PH-5 Fort Worth, Texas 76102 | COMPLETE THIS SECTION ON DELIVE A. Signature X B. Received by (<i>Printed Name</i>) C. D. Is delivery address different from item 1' If YES, enter delivery address below: 3. Service Type Certified Mail Registered Return Receipt Insured Mail C. O.D. 4. Restricted Delivery? (<i>Extra Fee</i>) | Agent Addressee Date of Delivery 1 8 2008 |
|--|--|--|
| 2. Article Number 700E (Transfer from service label) | , 0810 0005 7342 415 | 9 |
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MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

| Prospect: | Norte 19 | Well Name & No: | Norte 19 Federal C | om_#1 | | | |
|-------------------|---|--|----------------------|--------------------|--|--|--|
| Field: | | Location: | 1650' FNL & 710' FEL | | | | |
| Section: | 19 Block: Survey: | Township | 19S | Range: 33E | | | |
| | | Proposed Depth: | | | | | |
| County. | Lea ST: NM | Froposed Depth. | 13,000 | | | | |
| | Cost To | | | | | | |
| | DESCRIF | PTION | Casing Point | Completion Cost | | | |
| | | | AFE NO. | AFE NO. | | | |
| | INTANGIBLE COST 180 | | | | | | |
| 300 | Permits and Surveys | | \$1,500 | \$1,500 | | | |
| 301 | Location, Roads and Site Preparation | | \$175,000 | \$2,000 | | | |
| 302 303 | Footage or Turnkey Drilling Day Work 43 drilling/2.5 completion | | \$774,900 | \$45,100 | | | |
| 303 | Fuel | ······································ | \$150,000 | \$43,100 | | | |
| 305 | Completion / Workover Rig | · · · · · · · · · · · · · · · · · · · | | \$50,000 | | | |
| 306 | Mud and Chemicals | | \$125,000 | \$2,000 | | | |
| 307 | Cementing | | \$100,000 | \$75,000 | | | |
| 308 | Logging, Wireline and Coring Services | | \$70,000 | \$22,000 | | | |
| 309 | Casing, Tubing & Snubbing Services | | \$20,000 | \$12,000 | | | |
| 310 | Mud Logging 30 days @ \$1000/day | | \$30,000 | | | | |
| 311 | Testing | | | \$5,000 | | | |
| 312 | Treating 70Q Binary + 70K IP | | | \$200,000 | | | |
| <u> </u> | Water & Other Bits 1-17 1/2", 1-12 1/4", 6- 8 3/4" | | \$100,000 | \$1,000 | | | |
| 314 | Bits 1-17 1/2", 1-12 1/4", 6- 8 3/4" Inspection & Repair Services | | \$75,000 | \$1,000 | | | |
| 316 | Misc. Air and Pumping Services Air Package for | 12 1/4" hole | \$12,000 | \$1,500 | | | |
| 320 | Rig Mobilization & Transportation | | \$90,000 | \$2,500 | | | |
| 321 | Welding and Construction | | \$4,000 | \$5,500 | | | |
| 322 | Engineering & Contract Supervision | | \$30,000 | \$2,000 | | | |
| 330 | Equipment Rental | | \$50,000 | \$10,000 | | | |
| 334 | Well / Lease Legal | | \$10,000 | \$2,500 | | | |
| 335 | Well / Lease Insurance | | \$8,100 | | | | |
| 350 | Intangible Supplies | | \$1,000 | \$1,000 | | | |
| <u>355</u> 360 | Damages Pipeline and Electrical ROW and Easements | | \$10,000 | | | | |
| 367 | Pipeline Interconnect | | | \$6,000 | | | |
| 375 | Company Supervision | | \$32,000 | \$15,000 | | | |
| 380 | Overhead Fixed Rate | | \$9,000 | \$6,000 | | | |
| 398 | Well Abandonment | ······································ | \$15,000 | (\$15,000) | | | |
| 399 | Contingencies 10% / | 5% | \$193,300 | \$22,700 | | | |
| | Total Intangibles | | \$2,125,800 | \$477,300 | | | |
| | TANGIBLE COST 181 | | | | | | |
| 797 | Conductor Casing 40' of 20" (included in location | cost) | | | | | |
| 797 | Surface Casing 1350' 13-3/8" 54.5# K55 ST | &C @ \$69.96/ft | \$94,500 | | | | |
| 797 | Intermediate Casing 5000' 9-5/8" 40# HCK55/N80 | LT&C @ \$53.00/ft | \$265,000 | | | | |
| 797 | Intermediate Casing | | | | | | |
| 797 | Production Casing 13,800' 5-1/2" 17# HCP110/N | | | \$380,300 | | | |
| 798 | Tubing 13,000' 2-7/8" 6.5# P110 EUE | 8rd @ \$10.86ft | | \$141,200 | | | |
| 860 870 | Drilling Head Tubing Head & Upper Section | | \$10,000 | \$15,000 | | | |
| 875 | Sucker Rods | | | \$13,000 | | | |
| 880 | Packer Pump & Subsurface Equipment | <u>-</u> | | \$10,000 | | | |
| 884. | Artificial Lift Systems | | | | | | |
| 885 | Pumping Unit | | | | | | |
| 886 | Surface Pumps & Prime Movers | | | · | | | |
| 890 | Tanks - Steel | | \sim | \$14,000 | | | |
| 891 | Tanks - Other | (| | \$7,500 | | | |
| <u>895</u> | Separation Equipment Gas Treating Equipment | EXHIBIT | | \$20,000 | | | |
| 896 | Metering Equipment | | | \$6,500 | | | |
| 900 | Line Pipe - Gas Gathering and Transportation | | 1 | | | | |
| 901 | Line Pipe - Production | | | \$1,500 | | | |
| 906 | Miscellaneous Fittings, Valves & Accessories | | | \$15,000 | | | |
| 909 | Electrical Installations | | | | | | |
| 910 | Production Equipment Installation | | | \$20,000 | | | |
| 920 | Pipeline Construction | | | | | | |
| Prepared by: | | Total Tangibles | \$369,500 | \$631,000 | | | |
| Company App | proval: m. whattee Date Approved: 8/13/2008 | SUBTOTAL | \$2,495,300 | \$1,108,300 | | | |
| Joint Owner I | nterest: 1.22191% Joint Owner Amount: \$44,032.75 | соят \$3,60 | 3,600 | | | | |
| | | | | | | | |

Joint Owner: Edward R. Hudson Trust #4

Joint Owner Approval: By: Mary T. Ard, Trustee

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.

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