

**PAUL BACA PROFESSIONAL COURT REPORTERS**

**OIL  
CONSERVATION  
DIVISION**

**CASE #: 14197**

**EXHIBIT**

**1**

**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, NE $\frac{1}{4}$ , and E $\frac{1}{2}$ NW $\frac{1}{4}$  (the N $\frac{1}{2}$  equivalent) of Section 19, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in the following manner:

The SE $\frac{1}{4}$ NE $\frac{1}{4}$  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 NE $\frac{1}{4}$  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.   1

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 SE¼NE¼ of Section 19.

(c) The party being pooled, its working interest in the N½ 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.

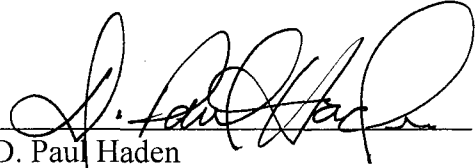
(g) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

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

VERIFICATION

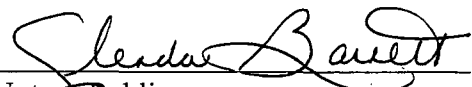
STATE OF TEXAS            )  
                                      ) ss.  
COUNTY OF MIDLAND    )

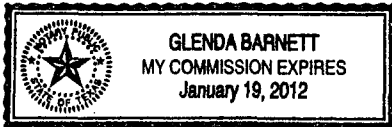
D. Paul Haden, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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

  
D. Paul Haden

SUBSCRIBED AND SWORN TO before me this 13<sup>th</sup> day of October, 2008 by D. Paul Haden.

My Commission Expires: 1-19-2012

  
Notary Public









# 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. 4<sup>th</sup> 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](mailto:phaden@mewbourne.com).

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/tgm

EXHIBIT

B

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

- 1) Follow-up call 9/3/08, left message regarding our 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. 4<sup>th</sup> 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:

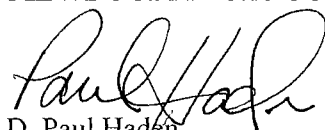
Mewbourne Oil Company as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 13,800 feet beneath the surface. The N/2 of the captioned Section 19 which comprises 322.75 acres will 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



note 19#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:

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

2. Article Number  
(Transfer from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

*[Signature]*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

**AUG 18 2008**

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

**7006 0810 0005 7342 4199**

# MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Prospect: Norte 19 Well Name & No: Norte 19 Federal Com #1  
 Field: \_\_\_\_\_ Location: 1650' FNL & 710' FEL  
 Section: 19 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township 19S Range: 33E  
 County: Lea ST: NM Proposed Depth: 13,800'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,500
301	Location, Roads and Site Preparation	\$175,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work 43 drilling/2.5 completion	\$774,900	\$45,100
304	Fuel	\$150,000	\$1,000
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
313	Water & Other	\$100,000	\$1,000
314	Bits 1-17 1/2", 1-12 1/4", 6- 8 3/4"	\$75,000	
315	Inspection & Repair Services	\$12,000	\$1,000
316	Misc. Air and Pumping Services Air Package for 12 1/4" hole	\$40,000	\$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
355	Damages	\$10,000	
360	Pipeline and Electrical ROW and Easements		\$6,000
367	Pipeline Interconnect		
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/N80 LT&C @ \$27.56/ft		\$380,300
798	Tubing 13,000' 2-7/8" 6.5# P110 EUE 8rd @ \$10.86ft		\$141,200
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		\$14,000
891	Tanks - Other		\$7,500
895	Separation Equipment		\$20,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,500
900	Line Pipe - Gas Gathering and Transportation		
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: F. Lathan Date Prepared: 8/12/2008 Total Tangibles		\$369,500	\$631,000
Company Approval: <u>m. whitton</u> Date Approved: 8/13/2008 SUBTOTAL		\$2,495,300	\$1,108,300
Joint Owner Interest: 1.22191% Joint Owner Amount: \$44,032.75 TOTAL WELL COST		\$3,603,600	

EXHIBIT C

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.

By: \_\_\_\_\_ Name: \_\_\_\_\_