

**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. 14,286

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 NMAC 19.15.4.12.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 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 Lots 1-8 of irregular Section 3, Township 21 South, Range 35 East, NMPM, to form a non-standard 310.92-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated South Osudo-Morrow Gas Pool. The unit is to be dedicated to the proposed White Wing "3" State Com. Well No. 1, to be drilled at an orthodox location in Lot 4 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:

Kaiser-Francis Oil Company	43.758443%
P.O. Box 21468	
Tulsa, Oklahoma 74121	

Wilson Oil Company, Ltd.	6.251206%
Suite 211	
69930 Highway 111	
Rancho Mirage, California 92270	

Oil Conservation Division
Case No. 1 14286
Exhibit No. 1

(d) Copies of the proposal letters sent to the uncommitted working interest owners are attached hereto as Exhibit B. In addition, Mewbourne has had several telephone discussions with personnel from Kaiser-Francis Oil Company, but has been unable to reach agreement with them. Mewbourne has been unable to reach any person at Wilson Oil Company, Ltd.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any 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

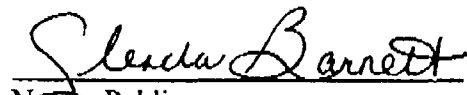
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

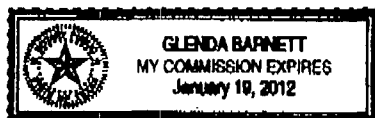
Larry Cunningham, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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

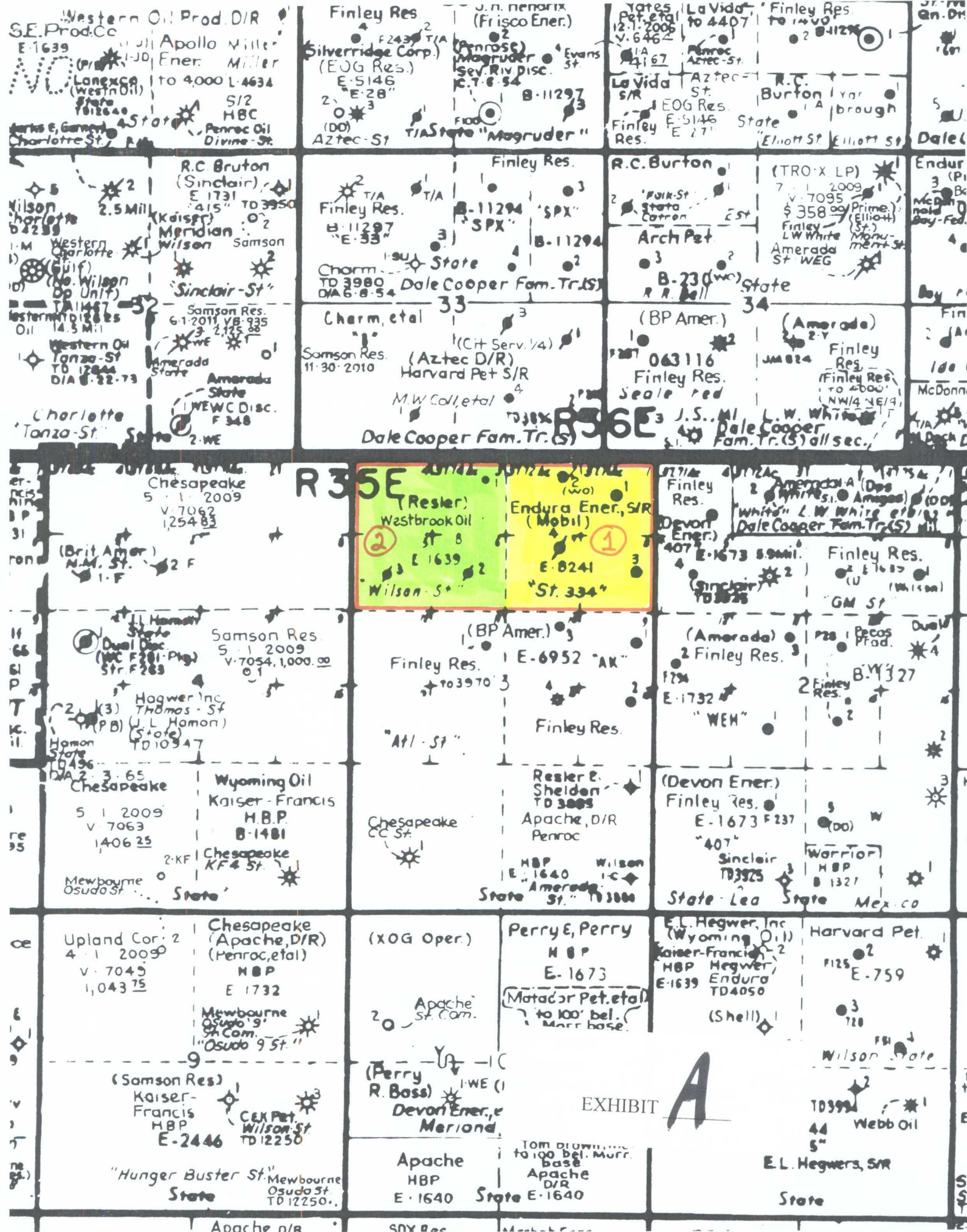

Larry Cunningham

SUBSCRIBED AND SWORN TO before me this 16th day of March, 2009 by Larry Cunningham.

My Commission Expires: 1-19-2012


Notary Public





TRACT OWNERSHIP

White Wing "3" State COM #1 Well
Lots 1 through 8 (N/3) of Section 3, T-21-S, R-35-E
Lea County, New Mexico

1. State of New Mexico Oil and Gas Lease E-8241 dated June 15, 1954 insofar only as said lease covers lost 1, 2, 7 & 8 of Section 3, T21S, R35E, Lea County, New Mexico, as to depths from the base of the Eumont Yates formation down to the base of the Morrow formation..

Leasehold Ownership

Interest

Mewbourne Oil Company

100.0%

2. State of New Mexico Oil and Gas Lease E-1639-4 dated December 10, 1947 insofar only as said lease covers the lots 3, 4, 5 & 6 of Section 3, T21S, R35E, Lea County, New Mexico, as to depths below 5,200' feet.

Leasehold Ownership

Interest

Kaiser-Francis Oil Company

87.5%

Wilson Oil Company, Ltd.

12.5%

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

CERTIFIED MAIL NO. 5558

November 17, 2008

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1468
Attn: Mr. Wayne A. Fields

Re: Proposed Morrow Test
White Wing "3" State COM #1 well
660' FNL & 660' FWL
Section 3, T-21-S, R-35-E
Lea County, New Mexico
White Wing Prospect

Gentlemen:

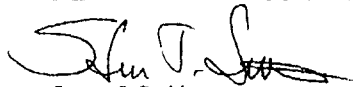
Mewbourne Oil Company ("Mewbourne") hereby proposes drilling a 12,500' Morrow test at a location 660' FNL & 660' FWL of Section 3, T-21-S, R-35-E, Lea County, New Mexico to be called the White Wing "3" State COM #1 well. Assuming a successful completion requiring 320 acre spacing, a communitized proration unit covering lots 1 through 8 (North 312.92 acres) of said Section 3 would be established. Accordingly, Mewbourne also hereby proposed the formation of a working interest unit covering Lots 1 through 8 of said Section 3. Based upon our most current title information Kaiser-Francis Oil Company ("Kaiser-Francis") appears to own an 87.5% working interest in State of New Mexico Lease E-1639 insofar only as it covers Lots 3, 4, 5 & 6 of said Section 3. If our title information is correct, Kaiser-Francis would have a 43.758443% working interest in the proposed working interest unit.

Enclosed is an AAPL 1989 Model Form JOA naming Mewbourne as Operator with an extra set of signature pages along with duplicate AFE well cost estimates for the proposed well. To indicate an election to participate in the proposed well and working interest unit, please execute and return the extra set of signature pages to the JOA along with one of the enclosed AFE well cost estimates. Should you choose not to participate, I would be glad to discuss the possibility of Mewbourne acquiring Kaiser-Francis' interest in Lot 3, 4, 5, & 6 of said Section 3 under mutually acceptable terms.

Feel free to contact me if you have any questions or would like to discuss this proposal in greater detail. I can be reached by phone number at (432) 682-3715 or via email at ssmith@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY


Steven J. Smith
Senior Landman

Attachments

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
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.		A. Signature <input checked="" type="checkbox"/> <i>Steven J. Smith</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
Article Addressed to: Kaiser-Francis Oil Company P.O. Box 21468 Tulsa, Oklahoma 74121-1468 Attn: Mr. Wayne A. Fields		B. Received by (Printed Name) C. Date of Delivery	
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <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.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Article Number (Transfer from service label)		7005 2570 0001 0978 5558	

EXHIBIT **B**

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 17, 2008

Wilson Oil Company, Ltd.
69930 HW 111, Suite 211
Rancho Mirage, CA 92270
Attn: Mr. Tug Wilson

123 Lakefront Way
Ranch Mirage, Ca 92270
(760) 324-6772

Dear Mr. Wilson:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling a 12,500' Morrow test at a location 660' FNL & 660' FWL of Section 3, T-21-S, R-35-E, Lea County, New Mexico to be called the White Wing "3" State COM #1 well. Assuming a successful completion requiring 320 acre spacing, a communitized proration unit covering lots 1 through 8 (North 310.92 acres) of said Section 3 would be established. Accordingly, Mewbourne also hereby proposed the formation of a working interest unit covering Lots 1 through 8 of said Section 3. Based upon our most current title information Wilson Oil Company, Ltd. ("Wilson") appears to own a 12.5% working interest in State of New Mexico Lease E-1639 insofar only as it covers Lots 3, 4, 5 & 6 of said Section 3. If our title information is correct, Wilson would have a 6.251206% working interest in the proposed working interest unit.

Enclosed is an AAPL 1989 Model Form JOA naming Mewbourne as Operator with an extra set of signature pages along with duplicate AFE well cost estimates for the proposed well. To indicate an election to participate in the proposed well and working interest unit, please execute and return the extra set of signature pages to the JOA along with one of the enclosed AFE well cost estimates. Should you choose not to participate, I would be glad to discuss the possibility of Mewbourne acquiring Wilson's interest in Lost 3, 4, 5, & 6 of said Section 3 under mutually acceptable terms.

Feel free to contact me if you have any questions or would like to discuss this proposal in greater detail. I can be reached by phone number at (432) 682-3715 or via email at ssmith@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith
Senior Landman

Enclosures

<p>ORDER: COMPLETE THIS SECTION</p> <p>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.</p> <hr/> <p>Article Addressed to:</p> <p style="text-align: center;">Wilson Oil Company, Ltd. 69930 Highway 111, Suite 211 Rancho Mirage, CA 92270 Attn: Mr. Tug Wilson</p>	<p>COMPLETE THIS SECTION ON DELIVERY</p> <p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Mark Stein</i></p> <p>C. Date of Delivery <i>12/16/07</i></p> <p>D. Is delivery different from item 17 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below: <input type="checkbox"/> No</p> <hr/> <p>3. Service Type <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> <hr/> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>Article Number 7005 2570 0001 0978 5565</p> <p>(Transfer from service label)</p> <p>Exam 3811 February 2004 Domestic Return Receipt 170505/17.01.1004</p>	

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: White Wing 3 Well Name & No: White Wing 3 St. #1
 Field: _____ Location: 660' FNL & 660' FWL
 Section: 3 Block: _____ Survey: _____ Township: 21S Range: 35E
 County: Lea ST: NM Proposed Depth: 12,300'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$3,000	\$1,500
301	Location, Roads and Site Preparation	\$250,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work 47 Days Drig + 2 Days Completion @ \$16,500/d + 6% GRT	\$822,000	\$35,000
304	Fuel \$3,800/day	\$178,600	\$7,600
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$150,000	\$2,000
307	Cementing	\$70,000	\$50,000
308	Logging, Wireline and Coring Services	\$50,000	\$20,000
309	Casing, Tubing & Snubbing Services	\$15,000	\$12,000
310	Mud Logging 25 days @ \$1000/day + RU	\$27,000	
311	Testing	\$1,500	\$5,000
312	Treating 70Q Binary + 70K IP		\$200,000
313	Water & Other	\$60,000	\$1,000
314	Bits 1-17 1/2", 1-12 1/4", 5- 8 3/4"	\$65,000	
315	Inspection & Repair Services	\$8,000	\$1,000
316	Misc. Air and Pumping Services Air Package for 12 1/4' hole & reverse unit		\$2,000
320	Rig Mobilization & Transportation	\$90,000	\$2,500
321	Welding and Construction	\$4,000	\$5,500
322	Engineering & Contract Supervision	\$47,000	\$2,000
330	Equipment Rental	\$40,000	\$3,500
334	Well / Lease Legal	\$10,000	\$2,500
335	Well / Lease Insurance	\$8,100	
350	Intangible Supplies	\$500	\$500
355	Damages	\$10,000	
360	Pipeline and Electrical ROW and Easements	\$5,000	\$6,000
367	Pipeline Interconnect		
375	Company Supervision	\$30,000	\$15,000
380	Overhead Fixed Rate	\$9,000	\$6,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 5%	\$196,900	\$19,400
Total Intangibles		\$2,165,600	\$407,000
TANGIBLE COST 181			
787	Conductor Casing 40' of 20" (Included in location cost)		
797	Surface Casing 1500' 13-3/8" 54.5# K55/ 48# H40 ST&C @ \$64.00/ft	\$96,000	
797	Intermediate Casing 5400' 9-5/8" 40# HCK55/80 LT&C @ \$54.22/ft	\$293,000	
797	Intermediate Casing		
797	Production Casing 12,300' 5-1/2" 17# HCP110/N80 LT&C @ \$27.24/ft		\$335,000
798	Tubing 12,000' 2-7/8" 6.5# P110 EUE 8rd @ \$10.87/ft		\$130,400
860	Drilling Head	\$9,500	
870	Tubing Head & Upper Section		\$12,000
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		\$17,000
891	Tanks - Other		\$8,000
895	Separation Equipment		\$20,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,500
900	Line Pipe - Gas Gathering and Transportation		\$40,000
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$15,000
908	Electrical Installations		
910	Production Equipment Installation		\$10,000
920	Pipeline Construction		\$21,000
Prepared by: Charles Martin Date Prepared: 7/17/2008		Total Tangibles	\$398,500
Company Approval: <u>M. Whitten</u> Date Approved: 7/17/2008		SUBTOTAL	\$2,564,100
Joint Owner Interest: 43.758443% Joint Owner Amount: \$1,574,209.99		TOTAL WELL COST	\$3,597,500

Joint Owner: Kaiser-Francis Oil Company 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: _____

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: White Wing 3 Well Name & No: White Wing 3 St. #1
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901	Line Pipe - Production		\$1,500
908	Miscellaneous Fittings, Valves & Accessories		\$15,000
909	Electrical Installations		
910	Production Equipment Installation		\$10,000
920	Pipeline Construction		\$21,000
Prepared by: Charles Martin Date Prepared: 7/17/2008 Total Tangibles		\$398,500	\$626,400
Company Approval: <u>W. White</u> Date Approved: 7/17/2008 SUBTOTAL		\$2,564,100	\$1,033,400
Joint Owner Interest: 6.251206% Joint Owner Amount: \$224,887.14 TOTAL WELL COST		\$3,597,500	

Joint Owner: Wilson Oil Company, Ltd. 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: _____