

OIL CONSERVATION DIVISION

CASE NO.
14299

EXHIBIT
7

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Prospect: Hackberry Hills Well Name & No: Hackberry Hills 1 Federal #1
Field: _____ Location: 1650' FNL & 990' FWL
Section: 1 Block: _____ Survey: _____ Township 22S Range: 25E
County: Eddy ST: NM Proposed Depth: 12,000'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$2,000	\$1,000
301	Location, Roads and Site Preparation Includes restoration	\$200,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 40 days @ \$16,500/Day + 3 Days @ TD + GRT	\$700,000	\$55,000
304	Fuel	\$96,000	
305	Completion / Workover Rig		\$30,000
306	Mud and Chemicals	\$85,000	\$1,000
307	Cementing	\$50,000	\$70,000
308	Logging, Wireline and Coring Services	\$40,000	\$20,000
309	Casing, Tubing & Snubbing Services	\$10,000	\$10,000
310	Mud Logging	\$30,000	
311	Testing	\$2,000	\$5,000
312	Treating		\$160,000
313	Water & Other	\$70,000	\$1,000
314	Bits (1-26", 1 - 12 1/4", 4 - 8 3/4")	\$55,000	
315	Inspection & Repair Services	\$3,500	\$2,500
316	Misc. Air and Pumping Services		\$2,000
320	Rig Mobilization & Transportation	\$90,000	\$2,000
321	Welding and Construction	\$4,000	\$5,000
322	Engineering & Contract Supervision	\$33,000	\$2,500
330	Equipment Rental	\$50,000	\$15,000
334	Well / Lease Legal	\$3,000	\$1,000
335	Well / Lease Insurance	\$8,000	
350	Intangible Supplies	\$1,500	\$500
355	Damages	\$3,000	
360	Pipeline and Electrical ROW and Easements		\$10,000
367	Pipeline Interconnect		
375	Company Supervision	\$30,000	\$10,000
380	Overhead Fixed Rate	\$10,000	\$8,000
398	Well Abandonment	\$12,000	(\$12,000)
399	Contingencies 10% / 10%	\$158,800	\$40,100
Total Intangibles		\$1,746,800	\$441,100
TANGIBLE COST 181			
797	Conductor Casing 90' 30" (included in location)		
797	Surface Casing 400' 20" 94# K55 STC @ \$164/ft + GRT	\$70,000	
797	Intermediate Casing		
797	Intermediate Casing 2200' 9 5/8" 40# N80/J55 LTC @ \$50/ft + GRT	\$117,000	
797	Production Casing 12,000' 4 1/2" 11.6# P110LTC @ \$19/ft + GRT		\$242,000
798	Tubing 11,800' 2 3/8" 4.7# N80 EUE 8rd @ \$7/ft + GRT		\$88,000
860	Drilling Head	\$10,000	
870	Tubing Head & Upper Section		\$20,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$12,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel -2		\$17,000
891	Tanks - Other -1		\$5,000
895	Separation Equipment		\$22,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation (3000', 4" 1.88 wall, X-42 w/coating)		\$25,000
901	Line Pipe - Production		\$2,000
906	Miscellaneous Fittings, Valves & Accessories		\$12,000
909	Electrical Installations		
910	Production Equipment Installation		\$20,000
920	Pipeline Construction 3000'		\$60,000
Prepared by: <u>F. Lathan</u> Date Prepared: <u>7/16/2008</u> Total Tangibles		\$197,000	\$531,000
Company Approval: <u>M. White</u> Date Approved: <u>7/17/2008</u> SUBTOTAL		\$1,943,800	\$972,100
Joint Owner Interest: _____ Joint Owner Amount: _____ TOTAL WELL COST		\$2,915,900	

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 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: _____