

**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. 14,377

**VERIFIED STATEMENT OF COREY MITCHELL**

Corey Mitchell, 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 owner being pooled has been contacted regarding the proposed well, and has simply not decided whether to join in the well or lease his 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 Yeso formation underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15, Township 20 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The unit will be dedicated to the Quick Draw "15" P Well No. 1, to be drilled at an orthodox location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15. The well will be an oil well.

(c) The party being pooled, his working interest in the well unit, and his last known address, are as follows:

Larry Edward Fanning  
1413 West Mermod  
Carlsbad, New Mexico 88220

1.010101%

(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.

Oil Conservation Division  
Case No. 1  
Exhibit No. 1

(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 Eddy County.

(g) Overhead charges of \$4000/month for a drilling well, and \$400/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    )

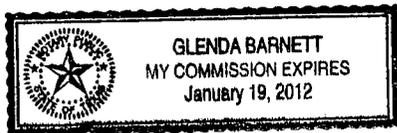
Corey Mitchell, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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

Corey Mitchell  
Corey Mitchell

SUBSCRIBED AND SWORN TO before me this 17<sup>th</sup> day of August, 2009 by Corey Mitchell.

My Commission Expires: 1-19-2012

Glenda Barnett  
Notary Public





**Summary of Communications**  
Quick Draw "15" I Well No. 1  
Quick Draw "15" O Well No. 1  
Quick Draw "15" P Well No.1

Larry Edward Fanning

- 1) Mailed lease offer letter dated 3-7-2008. Offer was subject to approval of title. Mr. Fanning accepted offer and signed the letter and returned it to me.
- 2) By title opinion dated September 25, 2008, it was discovered Mr. Fanning's interest was subject to two (2) liens.
- 3) Called Seth Brookwits with Rossrock, LLC (holder of lien against Mr. Fanning's interest) on 6-12-2009 to try and get a subordination agreement. He asked me to fax over the paperwork and he would look into it.
- 4) Faxed Seth with Rossrock, LLC on 6-12-2009 our paperwork covering the liens against Mr. Fanning's interest.
- 5) Called Seth with Rossrock, LLC on 6-18-2009 to see what information he came up with on the subordination agreement. No answer, left message to call me back.
- 6) Called Seth with Rossrock, LLC on 6-22-09. No answer, left message to call me back.
- 7) Seth from Rossrock, LLC called me on 6-23-2009 and informed me they would not be able to give us a subordination agreement. Borrower had to pay off loan.
- 8) Mailed letter dated 6-26-2009 letting Mr. Fanning know we had to release his Oil and Gas Lease due to liens that we were unable to get released. Informed him we would be willing to work with him if he was able to get the liens released.

EXHIBIT B

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

March 7, 2008

Larry Edward Fanning  
1413 W. Mermod  
Carlsbad, New Mexico 88220

Re: MOC's Quick Draw "15" Prospect  
E/2 of Section 15, T20S, R25E  
Eddy County, New Mexico

Dear Mr. Fanning:

Mewbourne Oil Company (Mewbourne) as Operator is interested in drilling one or more wells under the captioned land.

Mewbourne recently sent you an offer letter to "top lease" your interest dated January 18, 2008. We have yet to receive back a response from you and would like to follow up one last time with you on the offer.

County records indicate your mineral interest is currently subject to an Oil and Gas Lease dated July 25, 2005 leased to Xeric Oil and Gas Corporation which is due to expire July 25, 2008.

Regarding the above, Mewbourne hereby offers to purchase a "top lease" from you which term would commence July 26, 2008 at 12:00 A.M. for a primary term of three (3) years with such lease providing a 3/16 royalty interest. As a lease bonus consideration, Mewbourne is offering \$250.00 per net mineral acre.

In reference to the above, county records indicate you own an undivided 1/99 mineral interest (1.2121 net mineral acres) in the S/2SE/4 and NE/4SE/4 of the captioned Section 15.

The above offer is subject to your immediate acceptance and Mewbourne's approval of title. Please indicate your acceptance by signing and returning this letter to me within 30 days from the date of this letter. Enclosed for your convenience in returning the same is a postage paid envelope.

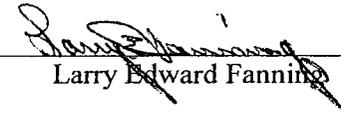
Should you have any questions regarding the above, please email me at [cmitchell@mewbourne.com](mailto:cmitchell@mewbourne.com) or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

  
Corey Mitchell  
Landman

Agreed and Accepted this 28<sup>th</sup> day of March, 2008.

By:   
Larry Edward Fanning

SS#/ID#: 525-90-9148

## PHONE CONVERSATIONS:

6-12-2009 - Called Seth with Rossrock, LLC (212) 888-2720, to try and get a subordination agreement. Rossrock, LLC is the holder of the lien against Mr. Fanning's interest. He asked me to send him the paperwork and he would look into it.

6-12-2009 - Sent paper work to Seth with Rossrock, LLC by fax. (212) 888-1732.

6-18-2009 - Called Seth with Rossrock, LLC to see what he came up with in regards to our subordination agreement request. He was not in the office, left message to call me back.

6-22-2009 - Called Seth with Rossrock, LLC. Was not in the office, left message to call me back.

6-23-2009 - Seth with Rossrock, LLC called me and informed me they were not going to be able to give us a subordination agreement.

**TRANSMISSION REPORT**

(FRI) JUN 12 2009 10:14  
MEWBOURNE OIL CO.

USER ACCOUNT :  
DESTINATION : 12128881732  
DEST. NUMBER : 12128881732  
F-CODE :  
PAGES : 5 sheets  
RESULT : OK

DOCUMENT# : 7363267-837  
TIME STORED : JUN 12 10:13  
TX START : JUN 12 10:13  
DURATION : 51sec  
MODE : ECM

**MEWBOURNE OIL COMPANY**  
500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

**FACSIMILE TRANSMITTAL COVER SHEET**

DATE: 6-12-2009  
PAGE 1 of 5 PAGES

TO: Seth COMPANY: Rossrock, LLC  
FACSIMILE NO.: (212) 888-1732 PHONE NO.:

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

## FACSIMILE TRANSMITTAL COVER SHEET

DATE: 6-12-2009

PAGE 1 of 5 PAGES

TO: Seth COMPANY: Rossrock, LLC

FACSIMILE NO.: (212) 888-1732 PHONE NO.: \_\_\_\_\_

FROM: Corey Mitchell

MESSAGE: \_\_\_\_\_

- Please see attached copy of Transcript of Judgment  
against Myrna & Larry Fanning as well as a copy of an  
Oil & Gas Lease between Larry Fanning, as Lessor and  
Mewbourne Oil Company, as Lessee.

We would like to get a Subordination Agreement. Please  
let me know what you think once you view this matter.

Thanks,

Corey

\*\*\*\*\*

**CONFIDENTIALITY NOTE:** The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

June 26, 2009

Larry Edward Fanning  
1413 W. Mermod  
Carlsbad, New Mexico 88220

Re: MOC's Quick Draw "15" Prospect  
SE/4 of Section 15, T20S, R25E  
Eddy County, New Mexico

Dear Mr. Fanning:

Mewbourne Oil Company (Mewbourne) recently purchased an Oil & Gas Lease from you covering your interest in the S/2SE/4 and NE/4SE/4 of the above captioned Section 15.

It has come to our attention that your particular interest is burdened by the following liens:

-Transcript of Judgment filed January 7, 1999, recorded in B341 P298, Eddy County Records, reflecting a judgment lien was rendered against Myrna J. Fanning and Larry Edward Fanning by Rossrock, LLC. This judgment arose out of Case No. CV-96-347 in the District Court of Eddy County, New Mexico, and is in the amount of \$51,272.12.

-A notice of claim of tax lien filed by the State of New Mexico on November 18, 1993 in B173 P346, Eddy County Records, reflecting a tax lien upon property of Larry Fanning in the amount of \$1,746.35 for 1988 taxes.

We were unable to get a Subordination Agreement from the judgment creditor in Case No. CV-96-347 or the State of New Mexico Taxation and Revenue Department and therefore, we must release the above mentioned Oil & Gas Lease.

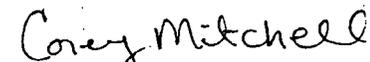
I will send you a recorded copy of the Release of Oil & Gas Lease once I receive it back from Eddy County, New Mexico.

Your interest will be subject to an upcoming Compulsory Pooling hearing unless you are able to get the liens released.

Should you have any questions regarding the above, please email me at [cmitchell@mewbourne.com](mailto:cmitchell@mewbourne.com) or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

  
Corey Mitchell  
Landman

**MEWBOURNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect: Quick Draw 15 Well Name & No: Quick Draw 15 "P" #1  
 Field: \_\_\_\_\_ Location: 990' FSL & 990' FEL  
 Section: 15 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township 20S Range: 25E  
 County: Eddy ST: NM Proposed Depth: 3500'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.			
<b>INTANGIBLE COST 180</b>						
300	Permits and Surveys	\$2,000	\$1,000			
301	Location, Roads and Site Preparation (includes 80' of conductor & cement)	\$40,000	\$1,500			
302	Footage or Turnkey Drilling					
303	Day Work 5 Days @ \$13,500/Day + 1 Days @ TD + GRT	\$71,600	\$13,500			
304	Fuel 6 Days @ 500 gal/day	\$9,000				
305	Completion / Workover Rig		\$20,000			
306	Mud and Chemicals	\$13,000				
307	Cementing	\$30,000	\$15,000			
308	Logging, Wireline and Coring Services	\$15,000	\$28,200			
309	Casing, Tubing & Snubbing Services	\$3,500	\$4,000			
310	Mud Logging	\$5,000				
311	Testing					
312	Treating 2 frac's		\$220,000			
313	Water & Other	\$8,000	\$1,000			
314	Bits	\$10,000				
315	Inspection & Repair Services		\$2,000			
316	Misc. Air and Pumping Services					
320	Rig Mobilization & Transportation	\$20,000				
321	Welding and Construction	\$5,000				
322	Engineering & Contract Supervision	\$5,000				
330	Equipment Rental	\$12,000	\$3,000			
334	Well / Lease Legal	\$3,000	\$1,000			
335	Well / Lease Insurance	\$1,200				
350	Intangible Supplies	\$500	\$500			
355	Damages	\$8,000				
360	Pipeline and Electrical ROW and Easements		\$5,000			
367	Pipeline Interconnect					
375	Company Supervision	\$10,000	\$7,500			
380	Overhead Fixed Rate	\$2,500	\$2,500			
398	Well Abandonment	\$12,000	(\$12,000)			
399	Contingencies 10% / 10%	\$28,600	\$31,400			
	<b>Total Intangibles</b>	<b>\$314,900</b>	<b>\$345,100</b>			
<b>TANGIBLE COST 181</b>						
797	Conductor Casing 80' 20" (included in location)					
797	Surface Casing 1200' 8 5/8" 24# J-55 @ \$31.80/ft	\$38,200				
797	Intermediate Casing					
797	Intermediate Casing					
797	Production Casing 3,500' 4 1/2" 10.5# J55 LTC @ \$15.63/ft.		\$54,700			
798	Tubing 3200' 2 3/8" 4.7# J-55 EUE 8rd @ \$6.89/ft		\$22,100			
860	Drilling Head 8 5/8" x 4 1/2" Larkin	\$3,500				
870	Tubing Head & Upper Section 4-1/2" x 2 3/8" Larkin		\$3,500			
875	Sucker Rods		\$14,600			
880	Packer Pump & Subsurface Equipment		\$12,000			
884	Artificial Lift Systems					
885	Pumping Unit		\$38,000			
886	Surface Pumps & Prime Movers		\$5,000			
890	Tanks - Steel Consolidated		\$8,000			
891	Tanks - Other Consolidated		\$2,800			
895	Separation Equipment Consolidated		\$7,500			
896	Gas Treating Equipment					
898	Metering Equipment		\$3,300			
900	Line Pipe - Gas Gathering and Transportation		\$3,000			
901	Line Pipe - Production		\$1,500			
906	Miscellaneous Fittings, Valves & Accessories		\$6,000			
909	Electrical Installations		\$20,000			
910	Production Equipment Installation		\$7,500			
920	Pipeline Construction		\$3,000			
Prepared by:	<u>M. Young</u>	Date Prepared:	<u>11/1/2008</u>	Total Tangibles	<b>\$41,700</b>	<b>\$212,500</b>
Company Approval:	<u>m. white</u>	Date Approved:	<u>11/1/2008</u>	SUBTOTAL	<b>\$356,600</b>	<b>\$557,600</b>
Joint Owner Interest:	_____	Joint Owner Amount:	_____	<b>TOTAL WELL COST</b>	<b>\$914,200</b>	

EXHIBIT C

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: \_\_\_\_\_