

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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FAX (432) 685-4170

VIA CERTIFIED MAIL NO. 5089

August 23, 2004

Chisos, Ltd.  
670 Dona Ana Road, SW  
Deming, NM 88030  
Attn: Ms. Sue Ann Craddock

RECEIVED

AUG 25 2004

OIL CONSERVATION  
DIVISION

Re: Notification of Election  
Compulsory Pooling Order R-12192  
Falcon Keys "33" State COM #1  
W/2 Section 33, T-16-S, R-28-E  
Eddy County, New Mexico  
Crow Flats Prospect

Dear Ms. Craddock:

In accordance with the terms of the New Mexico Oil Conservation Division Order R-12192, a copy of which is enclosed, this letter shall serve notice of Chisos, Ltd.'s right to elect to participate in the well to be drilled pursuant to the order.

Chisos, Ltd. ("Chisos") has a 25% interest in the operating rights in Federal Lease NM-048342 insofar as it covers the SW/4NW/4, N/2SW/4 & SW/4SW/4 of said Section 33 limited to depths below 3,000'. Accordingly, Chisos would have a 12.5% working interest in the well as to depths below 3,000'. Should Chisos desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of your receipt of this letter, Mewbourne Oil Company ("Mewbourne") must receive a cashier's check for \$135,325.00 being Chisos' 12.5% of the completed well costs for the well.

If you decide not to participate then you need do nothing further. In that event, Mewbourne will pay Chisos' share of the well costs and will recover Chisos' share out of production plus an additional 200%.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith  
Senior Landman

Enclosures: Order R-12192  
AFE for subject well

cc: Director/NMOCD - Santa Fe/  
Jeff Sikora/Edge Petroleum Corp. w/attachments