

Case 13359

MEWBOURNE OIL COMPANY

**P.O. BOX 7698
TYLER, TX 75711
903-561-2900
FAX 903-561-1515**

March 23, 2005

RECEIVED

MAR 23 2005

OIL CONSERVATION
DIVISION

VIA FAX (505) 989-9857

J. Scott Hall, Esq.
Miller Stratvert P.A.
150 Washington Ave., Suite 300
Santa Fe, NM 87501

Re: Mewbourne Oil Company Osudo "9" State Com. No. 1 Well
N/2 Section 9, T21S, R35E, NMPM, Lea County, New Mexico

Dear Mr. Hall:

Mewbourne Oil Company has received your letter of March 16, 2005. We will provide your clients with copies of the documents they seek. We do so because of your clients' status as respondents to the compulsory pooling proceeding, not because of their asserted interest under the Operating Agreement for the Osudo "9" State Com. No. 1 well ("JOA").

We respectfully reject your clients' demands for notices under the JOA at this time. Finley's assertion that Mewbourne "acknowledged that certain of Finley's interests both below and above 10,000' were subject to Mewbourne's Joint Operating Agreement dated August 1, 2004" is utterly without support in the record of the December 2, 2004 hearing. No witness for Mewbourne even testified at all — about anything — after Finley's witness, Mr. Ramsey, testified for the first time that Finley had made a trade with Chesapeake, much less did Mewbourne acknowledge the effect of any such trade. Further, any statements other than testimony, that might have been made by Mewbourne's representatives about the effect, with respect to the JOA, of a trade between Finley and Chesapeake would, of course, have been premised upon the presumed veracity of the testimony of Finley's witness that such a trade took place. Mewbourne does not know whether such a trade ever took place and if it did, what its terms are. Finley did not introduce any written evidence of such a trade during the hearings in Case No. 13359 and the accuracy of Mr. Ramsey's brief and summary oral testimony about such a trade appears uncertain presently, given the total lack of documentation provided to Mewbourne as the Operator of the well by the parties to the supposed trade. Mewbourne has asked Chesapeake for information about any transaction

J. Scott Hall, Esq.
March 23, 2005
Page 2

with your clients, but we have not received any documentation from any party, including your clients. (See copy of Mewbourne's February 9, 2005 letter to Chesapeake, attached).

If your clients own oil and gas leasehold interests that are subject to the JOA, by virtue of a permitted assignment from Chesapeake, then please provide Mewbourne with a copy of the recorded conveyance and assignment of those interests to your clients and Mewbourne will respond appropriately.

If your clients are parties to a fully executed written contract with Chesapeake that provides for your clients to acquire ownership of oil and gas leasehold interests that are subject to the JOA, then kindly provide a copy of that contract for Mewbourne's review in connection with your clients' demands.

If your clients are parties to any other agreement with Chesapeake by virtue of which your clients claim to be parties to the JOA, please provide Mewbourne with evidence and the details of such agreement.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, reading "Michael F. Shepard". The signature is fluid and cursive, with the first name "Michael" and last name "Shepard" clearly legible. The middle initial "F." is smaller and less distinct.

Michael F. Shepard
General Counsel

MFS/pm

cc: James Bruce, Esq.
P.O. Box 1056
Santa Fe, New Mexico 87504

W. Thomas Kellahin, Esq.
P.O. Box 2285
Santa Fe, New Mexico 87504

J. Scott Hall, Esq.
March 23, 2005
Page 3

Hon. Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Chesapeake Energy Corporation
Attn: Ms. Lynda F. Townsend
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

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

VIA CERTIFIED MAIL NO. 6314

February 9, 2005

Chesapeake Energy Corporation
Attn: Ms. Lynda F. Townsend
P. O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Re: Osudo "9" State COM #1 well
1,980' FNL & 660' FEL
N/2 Section 9, T-21-S, R-35-E
Lea County, New Mexico
Osudo Prospect

Gentlemen:

With reference to the subject well, by testimony at NMOCD hearings Mewbourne Oil Company was made aware that Chesapeake Energy Corporation either entered into or was planning to enter into an agreement of some form with James D. Finley and/or Finley Resources, Inc. (Finley) under which Finley was to have acquired an interest in the subject well as to depths below 10,000'.

As of this date, Mewbourne has not received a copy of the instrument of transfer under which Finley or any other entity acquired any interest below 10,000' in the subject lands or well from Chesapeake. Please be advised that, subject to Article VIII.D. of our JOA dated August 1, 2004, Mewbourne will continue to look solely to Chesapeake to make all elections concerning the completion of the subject well and pay all costs associated with the drilling and completing said well.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith
Senior Landman

[illegible]