

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

May 19, 2014

Via Overnight Mail
(817) 713-3830

Ard Oil, Ltd.
222 W. 4th Street, PH #5
Fort Worth, Texas 76102
Attn: Mrs. Mary T. Ard

Re: Proposed Horizontal Bone Spring Test
Tamano "11" MD Fed COM #1-H
W/2 Section 11, T-18-S, R-31-E
Eddy County, New Mexico
Tamano Prospect

Ladies and Gentlemen:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling a horizontal 2nd Bone Spring sand test in Section 11, T-18-S, R-31-E, Eddy County, New Mexico. The well will be called the Tamano "11" MD Fed COM #1-H well and will have a surface location 188' FSL & 903' FWL and a bottom hole location 330' FNL & 850' FWL of said Section 11. We anticipate drilling to a vertical depth where horizontal drilling operations will commence intended to land the well horizontal in the 2nd Bone Spring formation at a vertical depth of approximately 8,429'. We would then continue drilling horizontally to the north in the 2nd Bone Spring Sand formation to the bottom hole location at a total measured depth of 13,100'.

Because there is no Operating Agreement in place that would govern operations for this project, Mewbourne proposes forming a 320 acre working interest unit covering the W/2 of said Section 11 limited to those depths from the base of the 2nd Bone Spring carbonate down to the base of the Wolfcamp formation. Based upon the Title Opinion previously rendered for this project, Ard Oil, Ltd. ("Ard") owns an undivided 3.54197% contractual interest in the SW/4 of said Section 11. Accordingly, Ard would have a 1.77083% working interest in the proposed unit and well.

Enclosed are duplicate original AFE well cost estimates for this well, a 1989 Model Form JOA covering the W/2 of said Section 11 limited to those depths from the base of the 2nd Bone Spring carbonate down to the base of the Wolfcamp formation along with an extra set of signature pages to the JOA. To make your election to join in the proposed well and unit, please execute and return one of the enclosed AFEs along with the extra set of signature pages to the JOA. Please note that Mewbourne's AFEs provide all participants the opportunity to opt out of the "Extra Expense Well Control Insurance" that Mewbourne purchases for each well it drills. To opt out of this insurance, please be sure to sign the AFE a second time at the bottom of each AFE. If you do opt out, you must provide evidence that you have adequate well control insurance.

Oil Conservation Division
Case No. _____
Exhibit No. _____

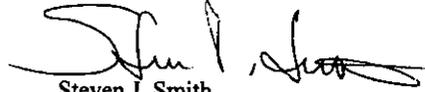
As an alternative to participation, Mewbourne hereby offers to purchase a 2 year Term Assignment of Ard's 5.66667 net acre interest in the SW/4 of said Section 11 limited to the depths described above based upon:

1. \$450.00 per net acre bonus;
2. Delivery of a 75% NRI to Mewbourne; and
3. Use of a mutually acceptable Term Assignment form.

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

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures

Steve Smith

From: trackingupdates@fedex.com
Sent: Tuesday, May 20, 2014 12:09 PM
To: Steve Smith
Subject: FedEx Shipment 770026201030 Delivered

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Your package has been delivered

Tracking # 770026201030

Ship (P/U) date: Monday, 5/19/14	Delivery date: Tuesday, 5/20/14 11:54 AM
Steve Smith Mewbourne Oil Company Midland, TX 79701 US	 Delivered Mary T. Ard Ard Oil, Ltd. 222 W 4TH ST PH 5 FORT WORTH, TX 76102 US

Shipment Facts

Our records indicate that the following package has been delivered.

Tracking number:	770026201030
Status:	Delivered: 05/20/2014 11:54 AM Signed for By: J.BRABSON
Reference:	Spyglass 17 #2
Signed for by:	J.BRABSON
Delivery location:	FORT WORTH, TX
Delivered to:	Residence
Service type:	FedEx Standard Overnight
Packaging type:	FedEx Envelope
Number of pieces:	1
Weight:	1.00 lb.
Special handling/Services:	Deliver Weekday Residential Delivery

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Well Name: Tamano 11 MD Fed Com 1H Prospect: 2nd Bone Springs
 Location: SL: 188' FSL & 903' FWL BHL: 330' FNL & 850' FWL County: Eddy ST: NM
 Sec. 11 BIK: Survey: TWP: 18S RNG: 31E Prop. TVD: 8429' TMD: 13100'

INTANGIBLE COSTS 0180		CODE	TCP	CODE	CC
Permits and Surveys		0180-0100	\$10,000	0180-0200	
Location: Roads, Pits & Site Preparation		0180-0105	\$90,000	0180-0205	\$5,000
Location: Site Restoration, Excavation & Other		0180-0106	\$160,000	0180-0206	
Day Work, Footage, Turnkey Drilling 21 days drlg/3 day comp @ \$17,000/day + GRT		0180-0110	\$381,300	0180-0210	\$54,500
Fuel 900 gal/day @ \$3.5/gal		0180-0114	\$75,600		
Mud		0180-0120	\$45,000		
Chemicals and Additives		0180-0121		0180-0221	
Cementing		0180-0125	\$90,000	0180-0225	
Logging: Wireline & Coring Services Gyro & Cased hole logs		0180-0130	\$14,000	0180-0230	
Casing, Tubing & Snubbing Services		0180-0134	\$35,000	0180-0234	\$18,000
Mud Logging		0180-0137	\$19,000		
Stimulation				0180-0241	\$800,000
Stimulation Rentals & Other				0180-0242	\$200,000
Water & Other		0180-0145	\$45,000		
Bits		0180-0148	\$80,000	0180-0248	
Inspection & Repair Services		0180-0150	\$28,000	0180-0250	\$1,500
Misc. Air & Pumping Services		0180-0154		0180-0254	\$2,500
Testing		0180-0158	\$28,500	0180-0258	\$20,000
Completion / Workover Rig				0180-0260	\$18,600
Rig Mobilization		0180-0184	\$160,000		
Transportation		0180-0185	\$15,000	0180-0265	\$1,000
Welding and Construction		0180-0168	\$5,500	0180-0268	\$7,500
Engineering & Contract Supervision		0180-0170	\$33,000	0180-0270	\$4,500
Directional Services		0180-0175	\$140,000		
Equipment Rental		0180-0180	\$160,000	0180-0280	\$8,000
Well / Lease Legal		0180-0184	\$8,000	0180-0284	\$1,000
Well / Lease Insurance		0180-0185	\$4,300	0180-0285	\$1,000
Intangible Supplies		0180-0188	\$18,000	0180-0288	\$1,000
Damages		0180-0190	\$5,000	0180-0290	
Pipeline, Road, Electrical ROW & Easements		0180-0192		0180-0292	
Pipeline Interconnect				0180-0293	
Company Supervision		0180-0195	\$50,000	0180-0295	\$6,000
Overhead Fixed Rate		0180-0198	\$8,000	0180-0298	\$7,000
Well Abandonment		0180-0198		0180-0298	
Contingencies 10% (TCP) 5% (CC)		0180-0199	\$170,800	0180-0299	\$57,900
TOTAL			\$1,879,000		\$1,215,000
TANGIBLE COSTS 0181					
Casing (19.1" - 30")		0181-0793			
Casing (10.1" - 19.0") 875' 13 3/8" 48# K55 STC @ \$32.00/ft +GRT		0181-0794	\$29,900		
Casing (8.1" - 10.0") 2185' 9 5/8" 36# K55 LTC @ \$24/ft +GRT		0181-0795	\$56,000		
Casing (6.1" - 8.0") 8850' 7" 26# P110 BTCLTC @ \$26/ft +GRT		0181-0796	\$245,800		
Casing (4.1" - 6.0") 4300' 4 1/2" 13.5# P110 LTC @ \$14/ft +GRT				0181-0797	\$64,300
Tubing (2" - 4") 8300' 2 7/8" 6.5# L80 EUE 8rd @ 6.25/ft +GRT				0181-0798	\$55,400
Drilling Head		0181-0880	\$15,500		
Tubing Head & Upper Section				0181-0870	\$15,000
Downhole Directional Equipment 20 stage pkrs/prts + GRT				0181-0871	\$250,000
Sucker Rods				0181-0875	\$38,000
Packer Pump & Subsurface Equipment				0181-0880	\$15,000
Artificial Lift Systems ESP				0181-0884	\$40,000
Pumping Unit 912 +GRT				0181-0885	\$135,000
Surface Pumps & Prime Movers 75 hp motor				0181-0886	\$6,000
Tanks - Steel 1-500 bbl				0181-0890	\$15,000
Tanks - Others				0181-0891	
Separation & Gas Treating Equipment 1 - 36x10x500# Gas Separators				0181-0895	\$15,000
Heater Treaters, Line Heaters 8x20x75# heater treater				0181-0897	\$20,000
Metering Equipment				0181-0898	\$8,000
Line Pipe - Gas Gathering and Transportation				0181-0900	\$10,000
Misc. Fittings, Valves, Line Pipe and Accessories				0181-0906	\$6,000
Cathodic Protection				0181-0908	\$5,000
Electrical Installations				0181-0909	\$20,000
Production Equipment Installation				0181-0910	\$10,000
Pipeline Construction				0181-0920	
TOTAL			\$347,200		\$727,700
SUBTOTAL			\$2,226,200		\$1,942,700
TOTAL WELL COST			\$4,168,900		

Prepared by: K. Freidenbloom Date: 5/8/2014
 Co. Approval: M. White Date: 5/9/2014

Joint Owner Interest: 1.77083000% Amount: \$73,824.13
 Joint Owner Name: ARD Oil, 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 0180-0185. 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.

Joint Owner Name: ARD Oil, Ltd. Signature: _____ Form Rev: 4/2012