

**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, LEA COUNTY,
NEW MEXICO.**

Case No. 14,086

VERIFIED STATEMENT OF STEVEN J. SMITH

Steven J. Smith, 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 1210.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 owners being pooled have been contacted regarding the proposed well, and have simply not decided whether to join in the well or farm out their interests.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying all of Section 20, Township 20 South, Range 36 East, NMPM, to form a standard 640-acre gas spacing and proration unit for any and all formations or pools developed on 640-acre spacing within that vertical extent, including the North Osudo-Morrow Gas Pool.

The units are to be dedicated to the proposed Paloma "20" State Com. Well No. 1 (API No. 30-025-38625, f/k/a the Paloma "20" State Com. Well No. 2), to be drilled at an orthodox location in the SE/4SE/4 of Section 20. The well is expected to be a gas well.

(c) The parties being pooled, their working interests in the well units, and their last known addresses, are listed in Exhibit B. The address for Jon F. Coll II in San Antonio, Texas is current and correct; applicant has sent correspondence to that address which was received by addressee.

Oil Conservation Division
Case No. _____
Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted working interest owners is attached hereto as Exhibit C. In addition to the letter, we have called the interests owners numerous times.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. 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 Lea County.

(g) Overhead charges of \$7,000.00/month for a drilling well, and \$700.00/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

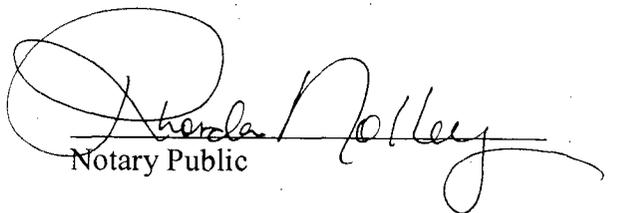
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

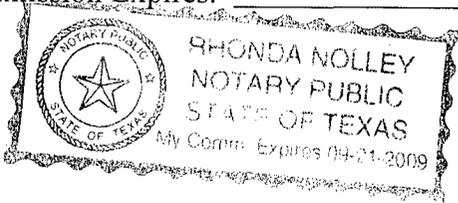
Steven J. Smith, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Steven J. Smith

SUBSCRIBED AND SWORN TO before me this 18th day of February, 2008 by Steven J. Smith.

My Commission Expires: _____


Notary Public



District I
1625 N. French Dr., Hobbs, NM 8824
Phone:(505) 393-6161 Fax:(505) 393-0...

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Form C-102
Permit 65372

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38625	2. Pool Code 82160	3. Pool Name OSUDO,MORROW, NORTH (GAS)
4. Property Code 36647	5. Property Name PALOMA 20 STATE COM	6. Well No. 002
7. OGRID No. 14744	8. Operator Name MEWBOURNE OIL CO	9. Elevation 3622

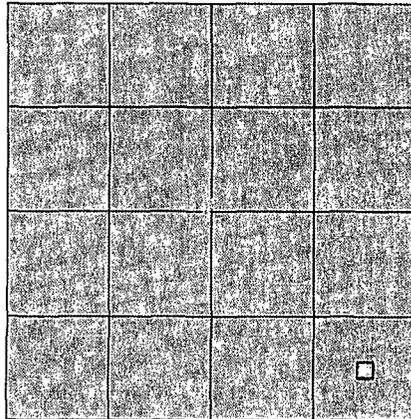
10. Surface Location

UL - Lot	Section	Township	Range	Lot Ltn	Feet From	N/S Line	Feet From	E/W Line	County
P	20	20S	36E		660	S	660	E	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Ltn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 640.00		13. Joint or Infill		14. Consolidation Code		15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Monty Whetstone
Title: Vice President Operations
Date: 12/5/2007

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Gary Jones
Date of Survey: 11/30/2007
Certificate Number: 7977

EXHIBIT A

**Uncommitted Working Interest Owners
Paloma "20" State COM #1 Well
660' FSL & 660' FEL**

All of Section 20, Township 20 South, Range 36 East, Lea County, New Mexico

<u>OWNER</u>	<u>INTEREST</u>
BMT O&G NM, LLC 201 Main Street, Suite 2900 Fort Worth, Texas 76102-3134 Attn: Mr. W. Ross Sutton	4.052413%
Patricia Penrose Schieffer c/o Larry Farris U S Trust, Bank of America 500 W. 7 th Street 4 th floor, TX1-497-04-07 Fort Worth, Texas 76102	2.768611%
ConocoPhillips Company Attn: Mr. Tom J. Scarbrough 600 N. Dairy Ashford Street 3WL-14066 Houston, Texas 77079-1100	0.629373%
Jon F. Coll, II 7335 Walla Walla San Antonio, Texas 78250-5242	0.000702%
Max Coll, III 7625-2 El Centro Blvd. Las Cruces, New Mexico 88012	0.000141%
Melanie Coll DeTemple 5653 Tobias Avenue Van Nuys, California 91411	0.000141%
Sally Rodgers Arroyo Hondo Road, Box 152 Santa Fe, New Mexico 87508	0.003934%

EXHIBIT B

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3244

BMT O&G NM, LLC
201 Main Street, Suite 2900
Fort Worth, Texas 76102-3134
Attn: Mr. W. Ross Sutton

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

BMT O&G NM, LLC ("BMT") appears to own a 16.2096517% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, BMT would have a 4.052413% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

EXHIBIT C

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
 Senior Landman

Enclosure

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> <i>[Signature]</i> <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery <i>Steven J. Smith</i> DEC 10 2007</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p>BMT O&G NM, LLC 201 Main Street, Suite 2900 Fort Worth, Texas 76102-3134 Attn: Mr. W. Ross Sutton</p>	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label) 7003 3000 0002 5335 3244</p>	

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3343

LeaCo New Mexico Exploration and Production LLC

Attn: Mr. Mario R. Moreno, Jr.
6120 S. Yale Avenue, Suite 1500
Tulsa, Oklahoma 74136-4224

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

LeaCo New Mexico Exploration and Production LLC ("LeaCo") appears to own a 11.0744423% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, LeaCo would have a 2.768611% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
 Senior Landman

Enclosure

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Stanley Allen</i> C. Date of Delivery</p>
<p>1. Article Addressed to:</p> <p>LeaCo New Mexico E&P LLC 6120 S. Yale Avenue, Suite 1500 Tulsa, Oklahoma 74136-4224 Attn: Mr. Mario R. Moreno, Jr.</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p>	<p>7003 3110 0002 5115 3343</p>



MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3435

Patricia Penrose Schieffer
c/o Larry Farris
U S Trust, Bank of America
500 W. 7th Street
4th floor, TX1-497-04-07
Fort Worth, Texas 76102

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Mrs. Schieffer:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

As a successor in interest to Penrose Production Company you appear to own a 5.3125268% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, you would have a 1.328132% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Patricia Penrose Schieffer
Paloma 20 St COM #2
December 6, 2007
Page 2 of 2

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
Senior Landman

Enclosure

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.Print your name and address on the reverse so that we can return the card to you.Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature <i>X Andrew</i> <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to: Patricia Penrose Schieffer c/o Larry Farris US Trust, Bank of America 500 W. 7 th Street 4 th Floor, TX1-497-04-07 Fort Worth, Texas 76102	B. Received by (Printed Name) <i>E. M. Taylor</i>	C. Date of Delivery <i>12/10/07</i>
2. Article Number (Transfer from service label)	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
	7003 3110 0002 5115 3435	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3299

ConocoPhillips Company
Attn: Mr. Tom J. Scarbrough
600 N. Dairy Ashford Street
3WL-14066
Houston, Texas 77079-1100

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

ConocoPhillips Company ("Conoco") appears to own a 2.5174904% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, Conoco would have a 0.629373% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
 Senior Landman

Attachments

Paloma 20#2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> <i>Tom Scarborough</i> <input type="checkbox"/> Addressee	
1. Article Addressed to: ConocoPhillips Company 600 N. Dairy Ashford Street 3WL-14066 Houston, Texas 77079-1100 Attn: Mr. Tom J. Scarborough	B. Received by (Printed Name) <i>Tom Scarborough</i>	C. Date of Delivery 12-12-07
2. Article Number (Transfer from service label)	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
7003 3110 0002 5115 3299		

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3336

Jon F. Coll, II
7335 Walla Walla
San Antonio, Texas 78250-5242

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Mr. Coll:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

You appear to own a 0.0028086% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, you would have a 0.000702% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Jon F. Coll, II
Paloma 20 St COM #2
December 6, 2007
Page 2 of 2

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
Senior Landman

Enclosure

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none">■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.■ Print your name and address on the reverse so that we can return the card to you.■ Attach this card to the back of the mailpiece, or on the front if space permits.	<p>A. Signature <input checked="" type="checkbox"/> <i>Michelle</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery <i>MICHELLE COLL</i> <i>12/11/07</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No</p>
1. Article Addressed to: Jon F. Coll, II 7335 Walla Walla San Antonio, Texas 78250-5242	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
2. Article Number (Transfer from service label)	7003 3110 0002 5115 3336

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3367

Max Coll, III
7625-2 El Centro Blvd.
Las Cruces, New Mexico 88012

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Mr. Coll:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

You appear to own a 0.0005625% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, you would have a 0.000141% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Max Coll, III
Paloma 20 St COM #2
December 6, 2007
Page 2 of 2

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith

Steven J. Smith
Senior Landman

Enclosure

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.■ Print your name and address on the reverse so that we can return the card to you.■ Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature <input checked="" type="checkbox"/> <i>Max Coll III</i> ¹² <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to: Max Coll, III 7625-2 El Centro Blvd. Las Cruces, New Mexico 88012	B. Received by (Printed Name) <i>Max Coll III</i>	C. Date of Delivery <i>12/13/07</i>
2. Article Number (Transfer from service label)	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
	7003 3110 0002 5115 3367	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3305

Melanie Coll DeTemple
5653 Tobias Avenue
Van Nuys, California 91411

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Mrs. DeTemple:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

you appear to own a 0.0005625% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, you would have a 0.000141% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Melanie Coll De Temple
 Paloma 20 St COM #2
 December 6, 2007
 Page 2 of 2

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith
 Steven J. Smith
 Senior Landman

Attachments

Paloma 20 #2

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input checked="" type="checkbox"/> <i>Steven J. Smith</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____ C. Date of Delivery _____</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <p>Melanie Coll De Temple 5653 Tobias Avenue Van Nuys, California 91411</p>	<div style="text-align: center;">  </div>
<p>2. Article Number (Transfer from service label)</p>	<p>3. Service Type <i>USPS</i></p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>7003 3110 0002 5115 3305</p>	

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 6, 2007

Certified Mail-Return Receipt No. 3411

Sally Rodgers
Arroyo Hondo Road, Box 152
Santa Fe, New Mexico 87508

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Mrs. Rogers:

Reference is made to my previous letter to you dated October 24, 2007 proposing the Paloma "20" State COM #1 well as an 11,600' Morrow test at a location 1,650' FNL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico. In response to a recent Morrow completion by Samson Resources Company offsetting Section 20 to the south in the N/2 of Section 29, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well.

We again propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit. Recognizing that we already have one well proposal before you, it is our intention that your elections for both the #1 and #2 wells be independent of one another and that, as stated in the enclosed JOA, whichever of the two wells is drilled first shall become the initial well under the JOA and our proposal to drill the other well shall automatically be rendered null and void.

You appear to own a 0.01573424% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, you would have a 0.003934% interest in the proposed well and working interest unit.

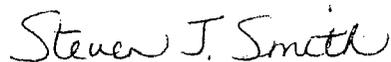
Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Sally Rogers
Paloma 20 St COM #2
December 6, 2007
Page 2 of 2

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in cursive script that reads "Steven J. Smith".

Steven J. Smith
Senior Landman

Enclosure

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 19, 2007

TO: Working Interest Owners

Re: Proposed Morrow Tests
Paloma "20" State COM #1 & 2 wells
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Ladies and Gentlemen:

Reference is made to my previous letters to you, the first dated October 24, 2007 proposing the Paloma "20" State COM #1 well and the second dated December 6, 2007 proposing the Paloma "20" State COM #2 well, both proposing 11,600' Morrow tests at two different locations in Section 20, T-20-S, R-36-E, Lea County, New Mexico.

In an effort to alleviate any confusion and hopefully make your decision process easier, Mewbourne Oil Company ("Mewbourne") hereby withdraws its proposal of October 24th to drill the Paloma "20" State COM #1 well. We will also dismiss the pending compulsory pooling case for this well that is scheduled for hearing before the NMOCD on January 10, 2008. It is our desire to focus on efforts to drill the proposed Paloma "20" State COM #2 well at the earliest possible convenience. In that regard, enclosed are revised pages to the JOA that reflect this change.

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

Sincerely,

MEWBOURNE OIL COMPANY


Steven J. Smith
Senior Landman

Enclosures

**Working Interest Owners List
Paloma "20" State COM #1 & 2 Wells**

All of Section 20, Township 20 South, Range 36 East, Lea County, New Mexico

BMT O&G NM, LLC
201 Main Street, Suite 2900
Fort Worth, Texas 76102-3134
Attn: Mr. W. Ross Sutton

Mr. Richard K. Barr and
Mrs. Beverly Barr
P.O. Box 847
Boerne, Texas 78006

Chesapeake Exploration Limited Partnership
Attn: Ms. Lynda F. Townsend
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Chevron U.S.A. Inc.
Attn: Mr. Ed Van Reet
P.O. Box 36366
Houston, Texas 77236-6366

Charles H. Coll
P.O. Box 1818
Roswell, New Mexico 88202-1818

Clarke C. Coll
P.O. Box 1818
Roswell, New Mexico 88202-1818

Eric J. Coll
P.O. Box 1818
Roswell, New Mexico 88202-1818

Jon F. Coll
P.O. Box 1818
Roswell, New Mexico 88202-1818

Jon F. Coll, II
7335 Walla Walla
San Antonio, Texas 78250-5242

Max W. Coll, II
83 La Barbaria Trail
Santa Fe, New Mexico 87505-9008

Max Coll, III
7625-2 El Centro Blvd.
Las Cruces, New Mexico 88012

Melanie Coll DeTemple
5653 Tobias Avenue
Van Nuys, California 91411

ConocoPhillips Company
Attn: Mr. Tom J. Scarbrough
600 N. Dairy Ashford Street
3WL-14066
Houston, Texas 77079-1100

Dingus Investments, Inc.
110 North Marienfeld
Midland, Texas 79701

D M Royalties, Ltd.
6300 Ridglea Place, Suite 605
Fort Worth, Texas 76116

LeaCo New Mexico Exploration and
Production LLC
Attn: Mr. Mario R. Moreno, Jr.
6120 S. Yale Avenue, Suite 1500
Tulsa, Oklahoma 74136-4224

Geronimo Holding Corporation
Attn: Mr. Carl Brininstool
1801 West Texas Avenue
Midland, Texas 79701

McCombs Energy, Ltd.
5599 San Felipe, Suite 1200
Houston, Texas 77056
Attn: Mr. Larry Wyont

Pogar Petroleum Ltd.
Attn: Mr. Randy Hall
P. O. Box 10095
Midland, Texas 79702

Rio Grande Energy, Inc.
Attn: Mr. Mike Mooney
P. O. Box 7405
Midland, Texas 79708

Sally Rodgers
Arroyo Hondo Road, Box 152
Santa Fe, New Mexico 87508

Samson Resources Company
200 North Loraine, Suite 1170
Midland, Texas 79701-4736
Attn: Mrs. Rita Buress

Patricia Penrose Schieffer
c/o Larry Farris
U S Trust, Bank of America
500 W. 7th Street
4th floor, TX1-497-04-07
Fort Worth, Texas 76102

Mr. Scott E. Wilson and
Mrs. Cynthia W. Wilson
4601 Mirador Dr.
Austin, Texas 78735-1554

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Paloma Well Name & No: Paloma 20 State Com #1
 Field: _____ Location: 660' FSL & 660' FEL
 Section: 20 Block: _____ Survey: _____ Township: 20S Range: 36E
 County: Lea ST: NM Proposed Depth: 11,600'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.			
INTANGIBLE COST 180						
300	Permits and Surveys	\$1,500	\$1,500			
301	Location, Roads and Site Preparation includes cleanup	\$100,000	\$2,000			
302	Footage or Turnkey Drilling					
303	Day Work	\$604,200	\$31,800			
304	Fuel	\$75,000	\$1,000			
305	Completion / Workover Rig		\$20,000			
306	Mud and Chemicals	\$100,000	\$2,000			
307	Cementing	\$75,000	\$60,000			
308	Logging, Wireline and Coring Services	\$50,000	\$22,000			
309	Casing, Tubing & Snubbing Services	\$15,000	\$12,000			
310	Mud Logging	\$25,000				
311	Testing	\$1,500	\$5,000			
312	Treating 70Q Binary + 70K IP		\$225,000			
313	Water & Other	\$60,000	\$1,000			
314	Bits 1-17 1/2", 1-12 1/4", 4- 8 3/4"	\$65,000				
315	Inspection & Repair Services	\$12,000	\$1,000			
316	Misc. Air and Pumping Services	\$10,000	\$1,500			
320	Rig Mobilization & Transportation	\$85,000	\$2,500			
321	Welding and Construction	\$4,000	\$5,500			
322	Engineering & Contract Supervision	\$30,000	\$2,000			
330	Equipment Rental	\$40,000	\$3,500			
334	Well / Lease Legal	\$10,000	\$2,500			
335	Well / Lease Insurance	\$8,100				
350	Intangible Supplies	\$500	\$500			
355	Damages	\$10,000				
360	Pipeline and Electrical ROW and Easements		\$6,000			
367	Pipeline Interconnect					
375	Company Supervision	\$28,000	\$10,000			
380	Overhead Fixed Rate	\$9,000	\$6,000			
398	Well Abandonment	\$15,000	(\$15,000)			
399	Contingencies 10% / 10%	\$143,400	\$40,900			
Total Intangibles		\$1,577,200	\$450,200			
TANGIBLE COST 181						
797	Conductor Casing 40' of 20" (included in location cost)					
797	Surface Casing 600' 13-3/8" 54.5# K55 ST&C @ \$37.36/ft	\$22,800				
797	Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft	\$163,500				
797	Intermediate Casing					
797	Production Casing 11,600' 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft		\$181,200			
798	Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft		\$71,900			
860	Drilling Head	\$10,000				
870	Tubing Head & Upper Section		\$15,000			
875	Sucker Rods					
880	Packer Pump & Subsurface Equipment		\$10,000			
884	Artificial Lift Systems					
885	Pumping Unit					
886	Surface Pumps & Prime Movers					
890	Tanks - Steel		\$16,000			
891	Tanks - Other		\$6,500			
895	Separation Equipment		\$25,000			
896	Gas Treating Equipment					
898	Metering Equipment		\$6,000			
900	Line Pipe - Gas Gathering and Transportation		\$25,000			
901	Line Pipe - Production		\$1,500			
906	Miscellaneous Fittings, Valves & Accessories		\$15,000			
909	Electrical Installations					
910	Production Equipment Installation		\$20,000			
920	Pipeline Construction		\$25,000			
Prepared by:	F. Lathan	Date Prepared:	12/3/2007	Total Tangibles	\$196,300	\$418,100
Company Approval:	<i>m. whitte</i>	Date Approved:	12/4/2007	SUBTOTAL	\$1,773,500	\$868,300
Joint Owner Interest:		Joint Owner Amount:		TOTAL WELL COST	\$2,641,800	

EXHIBIT **D**

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: _____