

Brooks

NEARBURG EXPLORATION COMPANY, L.L.C.

Oil and Gas Exploration
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

RECEIVED OCD

2010 APR -5 P 1:25

Case 14435

March 29, 2010

Mewbourne Oil Company
Attn: Corey Mitchell
500 West Texas, Suite 1020
Midland, Texas 79701

VIA FAX (685-4170) AND CERTIFIED
MAIL, RETURN RECEIPT REQUESTED
No 7006 3450 0001 6910 6020

Re: FAIRCHILD 24 PROSPECT
Eddy County, New Mexico
WYATT DRAW 24L No 1 WELL
2,310' FSL & 330' FWL
Section 24, T-19-S, R-25-E, N.M.P.M.
Nearburg Lease No 1757-24
NMOCD Order No R-13223

Gentlemen:

Reference is made to your March 17, 2010 proposal, which was received by this office on March 18, 2010, with AFE and copy of NMOCD Order No. R-13223 attached thereto, to drill the captioned well at the above location to a depth of 4,600' to test the Lower Yeso formation. Please find attached hereto your subject AFE, which has been executed by Nearburg, along with Nearburg's check No 0904809 in the amount of \$77,199.38, payable to Mewbourne Oil Company, being Nearburg's share of the subject well's estimated costs.

The subject AFE has been executed and returned, along with the subject payment, to signify Nearburg's election and participation in this operation with its 10.3125% working interest pursuant to the subject Force Pooling Order.

Please find attached hereto Nearburg's Well Information Requirements, which was previously provided to you. Please continue to provide Nearburg with such requested information as to this operation.

If you have any questions, please feel free to contact the undersigned.

Very truly yours,

NEARBURG EXPLORATION COMPANY, L.L.C.



Ken Dixon
Senior Landman

cc (with copy of enclosures):

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Attn: Florene Davidson

Nearburg Producing Company
 Exploration and Production
 P.O. Box 823085
 Dallas, Texas 75382-3085
 Ph. 214-561-2113 ap@nearburg.com

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
Mewbourne Oil Company	2417	3/19/10	0904809	\$77,199.38

Reference	Inv date	Invoice no.	Invoice amt	Prior pmt	Amount paid
Wyatt Draw 24 #1 AFE	3/18/2010	Afe Prepay	\$77,199.38		\$77,199.38

Prepay drilling/completion pursuant to NMOCD Case NO 14435 & Order No R-13223 @ 10.3125% WI

Detach and retain this portion for your records.

THIS CHECK IS VOID WITHOUT A BLUE AND GREEN BACKGROUND AND AN ARTIFICIAL WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW.

Nearburg Producing Company
 Exploration and Production
 P.O. Box 823085
 Dallas, Texas 75382-3085

Texas Capital Bank
 Dallas, Texas
 88-2517/1149

CHECK NO. **0904809**

DATE	AMOUNT
3/19/10	\$77,199.38

Seventy Seven Thousand One Hundred Ninety Nine Dollars and Thirty Eight Cents

Mewbourne Oil Company
 500 W. Texas, Suite 1020
 Midland, TX 79701

TO THE ORDER OF

[Signature]

BORDER CONTAINS MICROPRINTING

⑈0904809⑈ ⑆1149251781⑆ 1418000004⑈

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Well Name: Wyatt Draw 24L #1 Prospect: Wyatt Draw 24
 Location: 2310' FSL & 330' FWL County: Eddy ST: NM
 Section: 24 Blk: Survey: TNP: 19S RNG: 25E Prop. Depth: 4600'

INTANGIBLE COSTS 180				CODE	TCP	CODE	CC
Permits and Surveys				100	\$2,000	200	\$1,000
Location: Roads, Pits & Site Preparation (Includes conductor)				105	\$25,000	205	\$2,000
Location: Excavation & Other				106	\$50,000		
Day Work, Footage, Turnkey Drilling 7 days D & 1.5 day C @ \$9500/day + GRT				110	\$70,500	210	\$15,100
Fuel				114	\$11,000		
Mud				120	\$15,000		
Chemicals and Additives				121		221	
Cementing				125	\$7,500	225	\$15,000
Logging, Wireline & Coring Services				130	\$15,000	230	\$17,500
Casing, Tubing & Snubbing Services				134	\$3,500	234	\$5,000
Mud Logging				137	\$3,500		
Stimulation						241	\$100,000
Stimulation Rentals & Other						242	\$15,000
Water & Other				145	\$5,000		\$10,000
Bits				148	\$7,000	248	\$1,000
Inspection & Repair Services				150	\$1,000	250	
Misc. Air & Pumping Services				154		254	
Testing				158		258	\$2,000
Completion / Workover Rig						260	\$10,000
Rig Mobilization				164	\$28,000		
Transportation				165	\$2,500	265	\$1,000
Welding and Construction				168	\$1,500	268	
Engineering & Contract Supervision				170		270	
Directional Services				175			
Equipment Rental				180	\$15,000	280	
Well / Lease Legal				184	\$3,000	284	
Well / Lease Insurance				185	\$1,200	285	
Intangible Supplies				188	\$500	288	\$500
Damages				190	\$8,000	290	
Pipeline, Road, Electrical ROW & Easements				192		292	
Pipeline Interconnect						293	
Company Supervision				195	\$10,000	295	\$6,000
Overhead Fixed Rate				196		296	
Well Abandonment				198	\$10,000	298	-\$10,000
Contingencies 10% (TCP) 5% (CC)				199	\$29,600	299	\$9,600
TOTAL					\$325,300		\$200,700
TANGIBLE COSTS 181				CODE	TCP	CODE	CC
Casing (19.1" - 30")				793			
Casing (10.1" - 19.0")				794			
Casing (8.1" - 10.0") 850' 8 5/8" 24# J55 STC @ \$13.50/ft				795	\$11,500		
Casing (6.1" - 8.0")				796			
Casing (4.1" - 6.0") 4600' 4 1/2" 11.6# J55 LTC @ \$6.00/ft						797	\$27,600
Tubing (2" - 4") 4200' 2 3/8" 4.7# J55 EUE 8rd @ \$3.25/ft						798	\$13,700
Drilling Head				860	\$1,300		
Tubing Head & Upper Section						865	\$1,500
Sucker Rods						875	\$14,000
Packer Pump & Subsurface Equipment						880	\$10,000
Artificial Lift Systems						884	
Pumping Unit						885	\$32,000
Surface Pumps & Prime Movers						886	\$3,000
Tanks - Steel						890	\$22,000
Tanks - Others						891	\$7,500
Separation Equipment						895	
Gas Treating Equipment						896	\$5,000
Heater Treaters, Line Heaters						897	\$12,000
Metering Equipment						898	\$7,500
Line Pipe - Gas Gathering and Transportation						900	\$4,000
Misc. Fittings, Valves, Line Pipe and Accessories						906	\$10,000
Cathodic Protection						908	
Electrical Installations						909	\$20,000
Production Equipment Installation						910	\$20,000
Pipeline Construction						920	
TOTAL					\$12,800		\$209,800
SUBTOTAL					\$338,100		\$410,500
TOTAL WELL COST							\$748,600

Prepared by: M. Young Date: 12/17/2009
 Co. Approval: *m. whitton* Date: 12/18/2009
 Joint Owner Interest: .103125 Amount: \$77,199.38
 Joint Owner: Nearburg Exploration Company, L.L.C. Joint Owner Approval: By: *Terry Gant*
 Date: 12/18/2009
 Geology
 Engineering
 O.H. Operations

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 185. 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.

WELL INFORMATION REQUIREMENTS

Well Name: Wyatt Draw 24L № 1
Footage Location: 2,310' FSL & 330' FWL Section 24,
 T-19-S, R-25-E, N.M.P.M.
County/State: Eddy County, New Mexico
Operator: Mewbourne Oil Company

Operator agrees to furnish to Nearburg Exploration Company, L.L.C. and Nearburg Producing Company the information requested herein, to reasonably observe the requests made herein by Nearburg, and to allow Nearburg the rights and privileges set forth below.

A. DRILLING AND MUDLOGGER REPORTS:

Copies of any and all daily drilling and mudlogger reports containing current depth and status, general summary, deviation surveys, mud properties, daily and cumulative costs, background gas and drilling break intervals in which a show is present with a description of show and the lithology containing the show. Daily well and mudlogger reports should be e-mailed daily by 10:30 a.m. CST and, if requested, a weekly recap mailed/faxed to the following:

NEARBURG EXPLORATION COMPANY, L.L.C.
Drilling Reports
 3300 N. "A" Street, Building 2, Suite 120
 Midland, Texas 79705
 Attn: Sarah Jordan outsideopreports@nearburg.com
 FAX: (432) 687-4130

NEARBURG EXPLORATION COMPANY, L.L.C.
Mudlogs and Electric Logs
 3300 N. "A" Street, Building 2, Suite 120
 Midland, Texas 79705
 Attn: Johnny Reyes jreyes@nearburg.com and to
 Bill Elton, belton@nearburg.com
 FAX: (432) 687-5403

B. WELL DATA

The following listed data should be mailed as follows:

	NEARBURG EXPLORATION COMPANY, L.L.C. 3300 N. "A" Street, Building 2, Suite 120 Midland, Texas 79705 Attn: Johnny Reyes, Bill Elton, Butch Willis or S. Jordan, as designated below	NEARBURG PRODUCING COMPANY P. O. Box 823085 Dallas, Texas 75382-3085 Attn: Duane Davis
	<u>MIDLAND</u>	<u>DALLAS</u>
1. Copy of survey plats, permit to drill, and other regulatory forms and letters filed with any governmental agencies.	Sarah Jordan (1)	0
2. Copy of the drilling and completion procedures 48 hours prior to commencement of operation.	Butch Willis (1)	Duane Davis (1)
3. Copy of daily mud logs.	Johnny Reyes (1)	Duane Davis (1)
4. Copies of the final mud log.	Johnny Reyes (2)	Duane Davis (1)
5. Copies of the field prints of all logs run in the well.	Johnny Reyes (1)	Duane Davis (1)
Put LAS & PDS Print Files (including repeat section) on Interact. Notify Bill Elton @ belton@nearburg.com.		
6. Copies of the final composite prints of all logs run in well.	Johnny Reyes (1)	Duane Davis (1)
7. Copy of well log customer diskette 3 1/2" LAS format or CD.	Johnny Reyes (1)	Duane Davis (1)
8. One initial and final copy of any DST, coring, sample analysis, formation fluid analysis, or test reports on the well.	Bill Elton (1)	Duane Davis (1)
9. Upon request, well history at completion of the well.	Sarah Jordan (1)	Duane Davis (1)

Well Information Requirements

		<u>MIDLAND</u>	<u>DALLAS</u>
10.	Copy of the bit record and mud recap.	Butch Willis (1)	0
11.	One copy of Operator's State Production Report (monthly)	Sarah Jordan (1)	0
12.	One sample cut of all samples, if any, collected by mudlog crew	Johnny Reyes (1)	0
13.	One (1) completed slabbed section of any whole core ("chips" from those portions removed for special analysis).	Johnny Reyes (1)	0
15.	One (1) copy each of all title opinions, governmental OCD examiner and commission hearing orders and curative instruments covering the spacing unit for the well should be sent to:		

NEARBURG EXPLORATION COMPANY, L.L.C.
 3300 N. "A", Building 2, Suite 120
 Midland, Texas 79705
 Attn: Terry Gant

NEARBURG PRODUCING COMPANY
 P. O. Box 823085
 Dallas, Texas 75382-3085
 Attn: Kathie Craft

C. NOTIFICATION:

- Nearburg should receive 24-hour notice of the following events: spudding, wireline logging, open hole testing, coring, or plugging of the well. Notification should be by phone to one of the following persons, in the order indicated:

<u>NAME</u>	<u>OFFICE</u>	<u>HOME</u>	<u>CELL</u>
Bill Elton (Geology)	(432) 818-2920	(432) 697-9923	(432) 528-9749
Tim Speer (Engineering)	(432) 818-2930	(432) 694-6749	(432) 528-8036
Terry Gant (Land)	(432) 818-2901	(432) 687-4744	(432) 528-1121

- If you anticipate a major decision (plugging, casing point, etc.) that involves Nearburg over a weekend or holiday, please notify Bill Elton, Tim Speer or Terry Gant by phone (in the order listed).
- For after-hours **EMERGENCIES**, please dial: 800-451-8235. If this number does not pick up dial: 432-688-0883. Follow instructions to leave an Emergency Message. An automatic system will activate personnel pagers company wide.
- SLB InterACT – Request access for Bill Elton and Tim Speer.

D. ACCESS TO LOCATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C., its employees, consultants, or agents, shall have full and free access to the drilling location to include the derrick floor AND mudlogging unit at all times, without notice, and all well operation and information obtained or conducted during the drilling, completing or producing life of any well to which Nearburg is entitled to receive such well information.

E. SPECIAL REQUIREMENTS FOR ADDITIONAL WELL INFORMATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C. reserve the right to run a velocity survey, acoustic surveys, or other well bore logs or tests including the Schlumberger hi-res density and FMI for spot ELAN analysis and DST(s) to its satisfaction if not run by the operator, or in the case where operator runs same, operator shall furnish to Nearburg all such information or surveys. In addition, Nearburg may require operator to run a two-man mudlogging unit.

F. WELL PROGNOSIS

Prior to any operation, Operator shall furnish to Nearburg, a well/completion prognosis specifying in reasonable detail the procedure of work for the proposed operation. Such prognosis shall be sent to Nearburg not later than 48 hours prior to commencement of any such operation.

In the event that any of the requirements herein are unacceptable to Operator, Operator should contact Terry Gant at the numbers and/or address specified above.