

MEWBORNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Prospect: Carlsbad '15'
Well Name and No.: Carlsbad '15' Federal Com. #1
Section: 15 Block:
County: Eddy

Field: Avalon Morrow
Location: 1980' FSL & 1850' FWL
Township: 21S Range: 26E
Proposed Depth, ft: 11,200

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Surveys	\$12,000	\$2,000
302	Footage or Turnkey Drilling	\$280,000	
303	Day Work	\$12,000	\$8,000
304	Fuel, Water and Other	\$17,500	
305	Completion/Workover Rig 4 days		\$8,000
306	Mud and Chemicals	\$22,000	
307	Cementing	\$20,000	\$10,000
308	Logging and Wireline	\$14,000	\$5,000
309	Casing-Tubing Services Vann gun	\$2,000	\$15,000
310	Mud Logging	\$5,000	
311	Testing		
312	Treating 1 breakdown		\$7,500
313	Coring		
320	Transportation	\$2,000	\$4,000
321	Welding and Construction Labor	\$2,000	
322	Contract Supervision		
330	Equipment Rental	\$8,000	\$1,500
334	Well/Lease Legal/Tax	\$4,500	\$2,000
335	Well/Lease Insurance	\$8,000	
350	Intangible Supplies		
360	Pipeline ROW and Easements		
367	Pipeline Interconnect		
375	Company Supervision	\$10,500	\$3,500
380	Overhead Fixed Rate	\$5,000	\$5,000
399	Contingencies 2%	\$8,700	\$1,500
	Total Intangibles	\$431,700	\$70,000
TANGIBLE COST 181			
	Conductor Casing		
	Surface Casing 13 3/8" @ 250'	\$3,700	
	Intermediate Casing 9 5/8" @ 2,600'	\$38,400	
	Production Casing 5 1/2" @ 11,200'		\$73,400
	Production Casing		
	Tubing 2 3/8" @ 11,000		\$24,100
860	Drilling Head	\$3,700	
865	Tubing Head		\$4,000
870	Upper Section		\$8,000
875	Sucker Rods		
880	Packer, Pump & Other Subsurface		\$7,500
885	Pumping Unit & Prime Mover		
890-1	Tanks (Steel & Fiberglass)		\$4,000
894-5	Separation Equipment (fired, Non-fired)		\$7,500
898	Metering Equipment		
900	Line Pipe		
905	Valves		
906	Miscellaneous Fittings & Accessories		\$10,000
910	Production Equipment Installation		\$8,000
920	Pipeline Construction		
	Total Tangibles	\$43,800	\$144,500
	SUBTOTAL	\$475,500	\$214,500
	TOTAL WELL COST	\$690,000	

Date Prepared: June 10, 1987
Prepared By: Erik L. Hoover

Company Approval: *Erik L. Hoover*
Date Approved: 6-24-87
Joint Owner Approval:

Joint Owner Interest:
Joint Owner Amount:

Drilling Cost, \$/ft	\$42.48
Completion Cost, \$/ft	\$19.15
Total Well Cost, \$/ft	\$61.61

JUL 08 1997



20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: 405/235-3611
FAX 405/552-4550

July 3, 1997

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

Attention: Steve Cobb

Re: Carlsbad 15 'J' Com #1
1980' FSL and 1850' FWL
Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

Devon Energy Corporation (Nevada) is in receipt of your letters dated June 12 & 24, 1997 proposing to drill the referenced 11,200' Morrow test well. Devon agrees to the drilling of the referenced well as proposed and hereby submits our AFE reflecting a dry hole cost of \$465,600 with a completed well cost of \$721,000.

Devon further proposes to be named as Operator of said well. In that regard, we offer the following operational considerations for your review:

- Devon currently has operations of existing Morrow and Delaware wells and a Saltwater Disposal Well in the immediate area, including Section 15.
- Devon maintains an alliance with a major service company for cementing and stimulation services.
- Devon maintains a purchasing alliance with four (4) major supply companies for material goods such as tubulars, stock tanks and other surface facility equipment.
- Due to the high volume of wells drilled by Devon in the last 4-5 years, we believe we would be able to maximize certain economies of scale relative to dirt work and location preparation.
- Any issues relative to ingress and egress to the proposed location would be easily resolved by the use of our existing lease roads in the area.

Mewbourne Oil Company

July 3, 1997

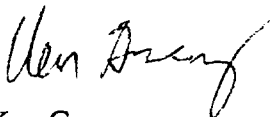
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As we have discussed verbally, Devon would be agreeable to the formation of a 640 acre working interest unit consisting of all of Section 15, calculated on an acreage basis, in order to spread the risk of both Devon and Mewbourne.

In any event, Devon proposes to be named operator in as much as our working will be at least 50% under any unit configuration in Section 15. I will be in touch in the next few days so that we may further discuss our mutual development plans in the area.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)

A handwritten signature in black ink, appearing to read "Ken Gray", written in a cursive style.

Ken Gray
District Landman

KG:cj\Mewbourne1.lt

enc.