

August 26, 1997

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

Attention: Steve Cobb  
District Landman

Re: Carlsbad "15" Federal Com No. 1  
S/2 Section 15-T21S-R26E  
Eddy County, New Mexico

Gentlemen:

Devon Energy Corporation (Nevada) is in receipt of Ralph Moore's letter of August 21, 1997 as a follow up to his telephone conversation of August 18 with Wayne Roberts, Devon's District Geologist.

Mr. Moore's letter indicated that Mewbourne had made a "number of suggestions" in an attempt to resolve the ongoing operational issues covering the referenced well. During the course of our telephone conversation of August 22, it was determined that the "number of suggestions" were the following:

1. That Mewbourne should be named operator until January 1, 1998, after which time, if Mewbourne has not commenced drilling the referenced well, then Devon would be named operator.
2. Mewbourne, as operator, would agree to operate at some unspecified reduced drilling and producing overhead rates.

In response, Devon believes the well can and should be drilled much earlier than the January 1st date which you have proposed. Regarding suggestion #2 above, Devon concurs that the drilling and producing overhead rates should be minimized but also within industry standards. Such rates will surely be negotiated at a later date, but should not be the sole basis for determining or designating an operator.

Additionally, during our August 22 telephone conversation we determined that Devon, as well, has initiated alternative solutions as follows:

1. By letter dated July 3, but verbally declined by Mewbourne, Devon indicated a willingness to form a 640 acre working interest unit covering all of

Section 15 which would have (1) spread the inherent risk involved in the drilling of a well(s) in Section 15 and (2) established the working interest at Devon 75% and Mewbourne 25%, more or less.

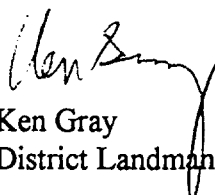
2. I have previously suggested that the two companies explore an arrangement whereby one company would drill and complete the well with the other company assuming operations after completion. (In this case, it seems logical that Devon would operate after completion, inasmuch as we have on going operations in the immediate area.)

Finally, during our August 22 telephone conversation, I advised that Devon has contracted a drilling rig and will be spudding its Avalon "15C" State Com #1 located 1,650' FWL and 660' FNL of Section 15 around September 2. As previously discussed, Devon, as operator, proposes to use this same rig to drill the Carlsbad "15" Federal Com No. 1 rather than wait for some extended period to drill such well either because of rig availability or prolonged hearings in front of the NMOCD. Based on current scheduling it would appear that Devon can spud the Carlsbad "15" Federal Com No. 1 as early as mid-October, subject to receipt of an approved APD.

Please consider our latest proposal and advise at your earliest convenience.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)

  
Ken Gray  
District Landman