

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 14, 2001

Via Fax 505-623-4947 and
Certified U.S. Mail-Return Receipt Requested

Yates Energy Corporation
P.O. Box 2323
Roswell, New Mexico 88202-2323

Attn: Shari Hamilton

Re: Order No. R-11636
Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Ladies and Gentlemen:

Pursuant to the terms of Ordering Paragraph (6) of the referenced Order, enclosed for your further handling is a copy of our AFE dated May 31, 2001 (an estimated well cost) for the captioned well.

In the event you elect to participate in the drilling and completion of the captioned well, please forward the undersigned your proportionate part of the estimated well cost within thirty (30) days of receipt of this letter.

Enclosed for your information regarding the above is a copy of the referenced Order.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb