

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

June 4, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer

RE: Diamond A "35" State #1
T17S, R28E
Section 35: E/2NW/4 and NE/4
Eddy County, New Mexico

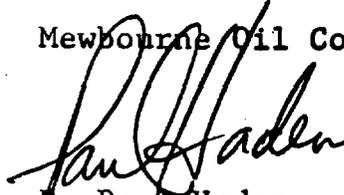
Gentlemen:

In reference to my previous correspondence wherein Mewbourne requested a farmout and/or offered to purchase DEKALB's operating rights under the captioned land, among other lands, Mewbourne has not received a commitment from DEKALB as to Mewbourne's proposal.

Regarding the above, is DEKALB Energy Company interested in working out a trade with Mewbourne in support of Mewbourne's proposed Morrow test well? Please respond. As a reminder, Mewbourne's compulsory pooling hearing is to take place June 11, 1992 at the New Mexico Oil Conservation's office in Santa Fe, New Mexico. We would like to have a response from DEKALB prior to the hearing date.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
CC: Gary L. Winter
Ken S. Waits

BEFORE EXAMINER STOONER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. _____

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



PA

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

May 27, 1992

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701

RE: Diamond A "35" St. #1
Township 17 South, Range 28 East
Section 35: N/2
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation has executed your Authority For Expenditure on the captioned well and agrees to participate in drilling same subject to signing a mutually acceptable Operating Agreement.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Rob Bullock
Landman

RB/dke

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

May 21, 1992

Marathon Oil Company
P. O. Box 552
Midland, Texas 79701

Attention: Randal P. Wilson, CPL
Landman

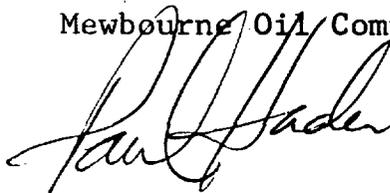
RE: Diamond A "35" State #1 Well
N/2 Section 35, T17S, R28E
Eddy County, New Mexico

Gentlemen:

Regarding the captioned well and land, we have not received a response from you to date regarding Mewbourne's farmout request. Please respond at your earliest convenience.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

May 20, 1992

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: Offer to Purchase

John:

In reference to our phone conversation yesterday evening, we are disappointed DEKALB declined to sell their interest to Mewbourne as to acreage listed in Exhibit "A" of my letter dated April 28, 1992.

In the event DEKALB is interested in entertaining offers at a later date in regard to selling their interest, Mewbourne would consider purchasing DEKALB's operating rights in Eddy County, New Mexico. If DEKALB is interested in such offers, please forward a listing of the properties and the percentage interest owned by DEKALB in the properties to me for evaluation.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

CC: Gary L. Winter
Ken Waits

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to: DEKALB Energy Company 1625 Broadway Denver, CO 80202 Diamond "A" /DPH	4. Article Number: P-124-765-966 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Patricia Apple</i>	
7. Date of Delivery <i>5-4-92</i>	

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170
May 1, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DEKALB ENERGY Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: Diamond A "35" State #1
T17S, R28E
Section 35: E/2NW/4 and NE/4,
below the base of the San
Andres formation
Eddy County, New Mexico

Gentlemen:

As discussed this date, Mewbourne Oil Company, as operator, proposes drilling the captioned well to test the Lower Morrow formation on the following proposed terms:

- 1) Mewbourne, as operator, will commence within 120 days from the execution date of your farmout agreement an initial test well at a location of Mewbourne's choice in the NW/4 of the captioned Section 35 and drill same to a depth sufficient to test the Morrow formation, estimated total depth being 10,600'. The N/2 of the above described Section 35 will be dedicated to the well.
- 2) In the event the initial test well is completed as a dry hole or if it is completed as a producer but such well's proration unit does not include all of DEKALB's acreage, Mewbourne would have the option to commence a 120 day continuous development schedule with the intent of earning all of your acreage under the captioned land.
- 3) If any well drilled under the terms of this agreement results in production including your acreage and operating rights, Mewbourne will earn an assignment of your operating rights in the proration unit allocated to the well from the base of the San Andres formation to 100 feet below the total depth drilled in each well.

- 4) DEKALB would retain its interest from the surface to the base of the San Andres formation and below 100 feet below the total depth drilled in each of Mewbourne's well(s), an overriding royalty interest equal to the difference between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burdens on production which the premises may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest lease in each proration unit earned by Mewbourne.
- 5) At payout of the initial well and any additional wells drilled under the terms of the farmout agreement on a well by well basis, you would have the option to convert your override to a 25% working interest, proportionately reduced to the actual interest you own in the proration unit of the initial test well and each additional well.
- 6) Upon acceptance of the farmout proposal, you agree to furnish Mewbourne with whatever title information you have in your files in connection with this property such as copies of the original base lease, title opinions, gas contracts currently in effect, etc.

In the event DEKALB prefers not to farmout its interest as proposed above, Mewbourne would be interested in acquiring your interest on the basis of \$200.00 per net mineral acre.

Should DEKALB not be interested in farming or selling its interest as proposed, Mewbourne invites you to join Mewbourne in drilling the initial test well to the extent of your interest in the spacing unit. Enclosed for DEKALB's consideration regarding this option is a copy of Mewbourne's AFE for the proposed test well.

Your early response regarding the above well proposal will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

April 28, 1992

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: Offer to Purchase

Gentlemen:

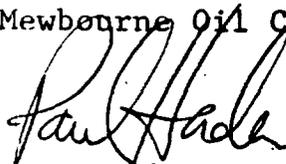
Mewbourne Oil Company hereby offers to purchase DEKALB Energy Company's operating rights in the lands and leases described in the attached Exhibit "A" on the basis of \$200.00 per net mineral acre.

The above offer is subject to immediate acceptance and approval of title. This offer can be withdrawn without notice as to all or portions of the lands described in Exhibit "A" attached hereto.

Please respond at your early convenience.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
enclosure
CC: Gary L. Winter
Ken Waits

EXHIBIT "A"

Attached to and made a part of that certain letter dated April 28, 1992 from Mewbourne Oil Company to DEKALB Energy Company.

Tract 1: Below the base of the Abo formation:

<u>Section 6, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) S/2NE/4, NE/4NE/4 and NE/4SE/4 LEASE: State Lease 647 Dated: November 14, 1922	23/144	25.56

Tract 2: From below 500' from the top of the San Andres formation:

<u>Section 15, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) N/2NE/4, NE/4NW/4 & SE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	44.72
B) NW/4SW/4 LEASE: State Lease E-1286-2 Dated: April 10, 1947	23/144	6.39

<u>Section 22, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) E/2NE/4, E/2SE/4, SW/4SE/4 and S/2SW/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	44.72
B) SE/4NW/4 LEASE: State Lease E-1288-2 Dated: April 10, 1947	23/144	6.39

Tract 3: From below 500' from the top of the San Andres formation:

<u>Section 17, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) S/2NE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	12.78
B) SW/4SW/4 LEASE: State Lease E-1821-17 Dated: April 10, 1948	23/144	6.39

<u>Section 18, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) NW/4NE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	6.39

Tract 4: Below the base of the
Abo formation:

Section 34, T17S, R28E:

A) N/2SE/4	23/144	12.78
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Section 35, T17S, R28E:

A) NE/4 and E/2NW/4	23/144	38.33
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Section 26, T17S, R28E:

A) All	23/144	102.22
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Tract 5: Below a depth of 3500':

Section 27, T17S, R28E:

A) NW/4NE/4	11.5/288	1.6
LEASE: State Lease B-2071-2		
Dated: August 10, 1933		

Tract 6: From a depth of 5000'
to a depth of 10,987':

Section 27, T17S, R28E:

A) NE/4NE/4	11.5/288	1.6
LEASE: State Lease B-2071-2		
Dated: August 10, 1933		

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
 - Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Marathon Oil Company
P. O. Box 552
Midland, Texas

4a. Article Number

P-124-766-964

4b. Service Type

- Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

APR 27 1992

DIAMOND A "35" STATE #1

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Sammy Edwards

PS Form 3811, October 1990

U.S. GPO: 1990-273-881

DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
 - Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Co.
105 S Fourth Street
Artesia, NM

4a. Article Number

P-124-768-979

4b. Service Type

- Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

04-27-92

Diamond A "35" State #1

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Mike Barber

PS Form 3811, October 1990

U.S. GPO: 1990-273-881

DOMESTIC RETURN RECEIPT

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

April 24, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Mr. Robert Bullock

RE: Diamond A "35" State #1
T17S, R28E
Section 35: E/2NW/4 and NE/4,
below the base of the San
Andres formation
Eddy County, New Mexico

Gentlemen:

Records available to us indicate Yates Petroleum Corporation owns an interest in the operating rights under the captioned land. In this connection, Mewbourne Oil Company, as operator, proposes drilling the captioned well to test the Lower Morrow formation on the following proposed terms:

- 1) Mewbourne, as operator, will commence within 120 days from the execution date of your farmout agreement an initial test well at a location of Mewbourne's choice in the NW/4 of the captioned Section 35 and drill same to a depth sufficient to test the Morrow formation, estimated total depth being 10,600'. The N/2 of the above described Section 35 will be dedicated to the well.
- 2) In the event the initial test well is completed as a dry hole or if it is completed as a producer but such well's proration unit does not include all of Yates Petroleum's acreage, Mewbourne would have the option to commence a 120 continuous development schedule with the intent of earning all of your acreage under the captioned land.
- 3) If any well drilled under the terms of this agreement results in production including your acreage and operating rights, Mewbourne will earn an assignment of your operating rights in the proration unit allocated to the well from the base of the San Andres formation to 100 feet below the total depth drilled in each well.

- 4) Yates would retain its interest (if any) from the surface to the base of the San Andres formation and below 100 feet below the total depth drilled in each of Mewbourne's well(s), an overriding royalty interest equal to the difference between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burdens on production which the premises may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest lease in each proration unit earned by Mewbourne.
- 5) At payout of the initial well and any additional wells drilled under the terms of the farmout agreement on a well by well basis, you would have the option to convert your override to a 25% working interest, proportionately reduced to the actual interest you own in the proration unit of the initial test well and each additional well.
- 6) Upon acceptance of the farmout proposal, you agree to furnish Mewbourne with whatever title information you have in your files in connection with this property such as copies of the original base lease, title opinions, gas contracts currently in effect, etc.

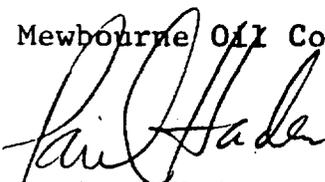
In the event Yates prefers not to farmout its interest as proposed above, Mewbourne would be interested in acquiring your interest on the basis of \$200.00 per net mineral acre.

Should Yates not be interested in farming or selling its interest as proposed, Mewbourne invites you to join Mewbourne in drilling the initial test well to the extent of your interest in the spacing unit. Enclosed for Yates Petroleum's consideration regarding this option is a copy of Mewbourne's AFE for the proposed test well.

Your early response regarding the above well proposal will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170
April 24, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

Attention: Mr. Leland Howard

RE: Diamond A "35" State #1
T17S, R28E
Section 35: E/2NW/4 and NE/4,
below the base of the San
Andres formation
Eddy County, New Mexico

Gentlemen:

Records available to us indicate Marathon Oil Company owns an interest in the operating rights under the captioned land. In this connection, Mewbourne Oil Company, as operator, proposes drilling the captioned well to test the Lower Morrow formation on the following proposed terms:

- 1) Mewbourne, as operator, will commence within 120 days from the execution date of your farmout agreement an initial test well at a location of Mewbourne's choice in the NW/4 of the captioned Section 35 and drill same to a depth sufficient to test the Morrow formation, estimated total depth being 10,600'. The N/2 of the above described Section 35 will be dedicated to the well.
- 2) In the event the initial test well is completed as a dry hole or if it is completed as a producer but such well's proration unit does not include all of Marathon's acreage, Mewbourne would have the option to commence a 120 continuous development schedule with the intent of earning all of Marathon's acreage under the captioned land.
- 3) If any well drilled under the terms of this agreement results in production including your acreage and operating rights, Mewbourne will earn an assignment of your operating rights in the proration unit allocated to the well from the base of the San Andres formation to 100 feet below the total depth drilled in each well.

- 4) Marathon would retain its interest (if any) from the surface to the base of the San Andres formation and below 100 feet below the total depth drilled in each of Mewbourne's well(s), an overriding royalty interest equal to the difference between 20% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burdens on production which the premises may be subject, to the extent Mewbourne will be assigned a 80% net revenue interest lease in each proration unit earned by Mewbourne.
- 5) At payout of the initial well and any additional wells drilled under the terms of the farmout agreement on a well by well basis, you would have the option to convert your override to a 25% working interest, proportionately reduced to the actual interest you own in the proration unit of the initial test well and each additional well.
- 6) Upon acceptance of the farmout proposal, you agree to furnish Mewbourne with whatever title information you have in your files in connection with this property such as copies of the original base lease, title opinions, gas contracts currently in effect, etc.

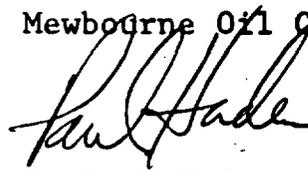
In the event Marathon prefers not to farmout its interest as proposed above, Mewbourne would be interested in acquiring Marathon's interest on the basis of \$200.00 per net mineral acre.

Should Marathon not be interested in farming or selling its interest as proposed, Mewbourne invites Marathon to join Mewbourne in drilling the initial test well to the extent of Marathon's interest in the spacing unit. Enclosed for Marathon's consideration regarding this option is a copy of Mewbourne's AFE for the proposed test well.

Your early response regarding the above well proposal will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

November 20, 1991

Dekalb Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: T17S, R28E
Section 26: N/2;
Section 34: N/2SE/4;
Section 35: NE/4, E/2NW/4;

T18S, R28E
Section 15: N/2NE/4, NE/4NW/4
and SE/4;
Section 22: E/2NE/4, SE/4NW/4;
Section 17: S/2NE/4 and
SW/4SW/4;
Section 18: NE/4NE/4;

T19S, R27E
Section 26: NE/4;
All of the above lands being in
Eddy County, New Mexico

Gentlemen:

Reference is made to my previous letter of September 10, 1991 regarding portions of the captioned lands. Mewbourne's previous purchase offer is hereby amended to include the captioned land. As offered previously, Mewbourne proposes purchasing DEKALB's interest on the basis of \$250.00 per net acre.

Regarding the above, Mewbourne would appreciate the opportunity to meet with you in your office to discuss the above. Accordingly, I will be in contact with you in the near future.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

Per John Geyer with
DeKalb —

He said to shoot ~~on~~ them
~~on~~ another offer in about
45 days. Their geologists
are re-evaluating the areas
we are interested in as
far as the deeper horizons.
It sounds like they will
be in a position to sell
out to us as to the requested
properties.

J.H.
10-11-91

DEKALB ENERGY

September 20, 1991

Melbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701

Attention: Mr. Paul Haden

RE: Offer to Purchase
Artesia Area
T17&18S, R28E
T19S-R27E
Eddy County, New Mexico

Gentlemen:

Thank you for your letter dated September 10, 1991, offering to purchase our interest in the subject area. DEKALB is currently reviewing its plans for the area in 1992 and does not wish to dispose of the property at this time.

Yours very truly,

DEKALB Energy Company


John S. Geyer
District Landman

JSG/id

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202
(303) 592-4600
FAX (303) 592-5901

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent it from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Dekalb Energy Company Attn: K. G. Ranum 1625 Broadway Denver, CO 80202	4. Article Number P-124-765-937
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and <u>DATE DELIVERED.</u>	
5. Signature - Addressee <input checked="" type="checkbox"/> <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <input checked="" type="checkbox"/> <i>[Signature]</i>	
7. Date of Delivery <i>9/12/91</i>	

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

September 10, 1991

CERTIFIED MAIL

Dekalb Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: K. G. Ranum
Land Department

RE: T17S, R28E
Section 26: All
Section 34: N/2SE/4
Section 35: NE/4, E/2NW/4,
N/2S/2;
T18S, R28E
Section 15: N/2NE/4, NE/4NW/4,
and SE/4,
Section 22: E/2SE/4, SW/4SE/4,
E/2NE/4, SE/4NW/4
and S/2SW/4;
T19S, R27E
Section 26: NE/4
Eddy County, New Mexico

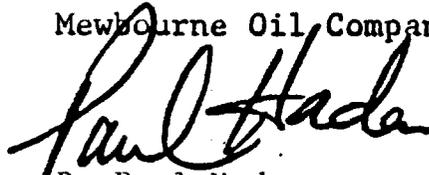
Gentlemen:

Federal and county records indicate you own 23/144 of the operating rights under the captioned 1,880 gross acres. In this connection, Mewbourne Oil Company hereby offers Dekalb Energy Company \$250.00 per net mineral acre for all of Dekalb's right, title and interest in the operating rights under the captioned land.

The above offer is subject to immediate acceptance and approval of title.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman