

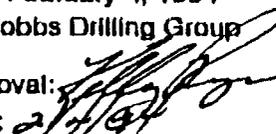
**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Illinois Camp Morrow
Well Name and No. Illinois Camp #20 State #2
Section: 20 Block
County: Eddy State: New Mexico

Field: Illinois Camp Morrow North Und.
Location: 1850' FSL & 990' FEL
Township: 18S Range: 28E
Proposed Depth: 10,700'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	500	750
301	Location, Roads and Surveys	18700	1350
302	Footage or Turnkey Drilling	195000	0
303	Day Work	13500	0
304	Fuel, Water and Other	19000	1000
305	Completion/Workover Flg	0	20000
306	Mud and Chemicals	25000	0
307	Cementing	18000	30000
308	Logging and Wireline	19000	6000
309	Casing-Tubing Services	1800	2200
310	Mud Logging	5500	0
311	Testing	0	0
312	Treating	0	50000
313	Coring	0	0
320	Transportation	3000	5000
321	Welding and Construction Labor	2000	1000
322	Contract Supervision	0	0
330	Equipment Rental	7500	4000
334	Well/Lease Legal/Tax	3500	0
335	Well/Lease Insurance	8400	0
350	Intangible Supplies	500	500
360	Pipeline ROW and Easements	0	3000
367	Pipeline Interconnect	0	0
375	Company Supervision	35000	10000
380	Overhead Fixed Rate	10500	5000
399	Contingencies	7688	2796
Total Intangibles		\$392,088	\$142,596
TANGIBLE COST 181			
	Conductor Casing	0	0
	Surface Casing 13 3/8" @ 400'	8000	0
	Intermediate Casing 9 5/8" @ 2600'	28000	0
	Production Casing 5 1/2" @ 10,700'	0	69500
	Production Casing	0	0
	Tubing	0	24000
860	Drilling Head	3400	0
865	Tubing Head	0	3100
870	Upper Section	0	8500
875	Sucker Rods	0	0
880	Packer, Pump & Other Subsurface	0	6000
885	Pumping Unit & Prime Mover + Electricity	0	0
890-1	Tanks (Steel & Fiberglass)	0	8000
894-5	Separation Equipment (fired, Non-fired)	0	8500
898	Metering Equipment	0	5000
900	Line Pipe	0	7000
905	Valves	0	1000
906	Miscellaneous Fittings & Accessories	0	5000
910	Production Equipment Installation	0	14000
920	Pipeline Construction	0	15000
Total Tangibles		\$39,400	\$170,800
		SUBTOTAL	\$431,488
		TOTAL WELL COST	\$744,684

Date Prepared: February 4, 1994
Prepared By: Hobbs Drilling Group

Company Approval: 
Date Approved: 2/4/94
Joint Owner Approval:

Joint Owner Interest:
Joint Owner Amount:

**BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico**

Case No. 10961 Exhibit No. 2

Submitted by: Mewbourne Oil Company

Hearing Date: April 28, 1994

Case No. 10961

Chalk Bluff Draw Prospect
Illinois Camp "20", State #2 Well
S/2, Section 20
1650' FSL and 990' FEL of
Section 20-18S-28E,
Eddy County, New Mexico

Kaiser-Francis Oil Company 37.5%

Mr. Wayne A. Fields/Jim Wakefield:

02-07-94 Well Proposal and AFE sent.
02-21-94 Sent follow up letter.
03-15-94 Called and left message regarding our proposals. Sent NMOCD letter & advised we would be pooling in one (1) month.
03-21-94 Called Wayne regarding our proposals, he was out of the office for the week, left a message to call when he returned.
03-28-94 Per Wayne, they are not interested in joining they want a better offer. They want a back-in or they would consider selling. We are to make them an offer we also advised them of our 4-28 pooling date. Sent letter advising our terms for a farmout and/or our offer to purchase their interest with them delivering a 87.5% NRI.
04-08-94 Sent follow-up letter.
04-13-94 Sent amended offer regarding what we would agree to for a farmout from Kaiser-Francis.
04-26-94 Follow-up call. Advised Wayne Fields to send us a letter in the event the terms offered in our 4-13-94 letter were unacceptable.

Louis Dreyfus Natural Gas Corp. 3.99305%

Mr. Rusty Waters:

02-07-94 Well Proposal and AFE sent.
02-16-94 Called Rusty regarding our well proposals, not there, left message for him to call me. Sent letter setting our development proposal for the area.
02-17-94 Sent letter regarding multi section agreement. Spoke with Rusty Waters, he said they had signed our AFE and the JOA was being circulated.
02-21-94 Sent follow up letter.
03-15-94 Sent letter advising Dreyfus we would be filing pooling application soon.
03-28-94 Sent letter advising Dreyfus we planned to pool. Advised them I would send our JOA for their approval if they elected to join.
03-30-94 Sent AFE and JOA for their execution in the event they decide to participate.
04-08-94 Advised Rusty we would give them a 30 day election upon completion of Illinois Camp "20" State #1 Well to elect to participate or Farmout for the Illinois Camp "20" State No. 2 Well.
04-12-94 Sent executed letter agreement and spoke w/Rusty on the phone he said everything was agreeable to them as far as the terms for the Illinois Camp "20" State #1.

Estate of Leonard Nichols, Deceased 12.58

Mrs. Nichols:

09-23-93 Sent letter offering to purchase their interest.
10-18-93 Follow up call, left message.
10-20-93 Sent letter regarding our offer stating our interest in a farmout in lieu of selling their interest.
10-22-93 Sent well proposal, Called and left a message.
10-25-93 Follow up call, left a message.
10-29-93 Follow up call, left a message at 3:18 p.m.
11-01-93 Mrs. Nichols advised me her husband died this summer and she's trying to administer his estate. She doesn't want to make any decisions right now. I advised her of pooling. She's to talk with someone Thursday. Advised us to call back Monday for an appointment.
11-04-93 Per Mrs. Nichols she doesn't want to do anything regarding our proposal. Advised us to call back November 8, to set up meeting for next week.
11-08-93 Per Mrs. Nichols she is not interested in me meeting with her in Dallas to discuss our proposal. She simply is not interested in negotiating a trade at this time probably after Christmas.
11-08-93 Sent letter advising again our proposal and the consequences of having to be force pooled. Requested she reconsider and either sell or farmout her interest.
11-17-93 Received a fax from Mrs. Nichols advising of the terms she wanted for a farmout agreement.
11-19-93 Sent letter to Mrs. Nichols stating what we would agree to for a farmout agreement.
11-23-93 Went to see her in Dallas, she was still undecided.
12-01-93 Sent advance notice hearing letter.
12-13-93 Spoke with her on the phone she made a counter offer wanting 1/4 royalty, will deliver a 73% NRI and she also wanted cash.
12-22-93 She will give us a (3) year term assignment, no cash, deliver us a 73% NRI. Paul Haden will go to Dallas after Christmas to discuss.
01-11-94 Met with Mrs. Nichols regarding our proposed term assignment, discussed the terms. She is to review this with her Attorney, if approved she will sign and return.
01-13-94 Letter from Mrs. Nichols where we are agreeing to her terms for a F/O/A. signed January 11, 1994 by Paul Haden.
01-19-94 Sent letter to Mrs. Nichols giving her information about a probate proceeding and how to go about getting this done as soon as possible.
01-27-94 Follow up call, she has not had time to review our assignment as she has had a toothache.
02-07-94 Follow up call, she wanted to strike the warranty provision, we said ok. She would sign and send in a couple of days. Sent Well Proposal for Illinois Camp "20" State #2 Well.
02-17-94 Paul called and advised that he would be in Dallas would she like to meet regarding any questions. She said no that she would sign our assignment and send it this date.
02-28-94 Received executed assignment from Mrs. Nichols, she revised some of the terms.
03-01-94 Advised Mrs. Nichols we named her husbands' estate as a respondent in our pooling hearing as the estate hasn't been probated yet.
03-03-94 Advised Mrs. Nichols that the paragraph she revised was not acceptable to us. I advised her how we would revise the paragraph to fit her needs plus adding her land in Sec. 29. She agreed.
03-04-94 Mailed revised assignment to Mrs. Nichols for execution.
03-29-94 Phone Mrs. Nichols advised her we hadn't received executed assignment to date. Sent follow up letter this date.
04-19-94 Sent letter advising what we would agree to do following the pooling hearing once her husbands estate had been probated.

Texaco Exploration and Production Inc. 12.5%

Mr. David Sleeper:

09-09-93 Sent offer letter.
09-30-93 Per David they are evaluating our proposal.
11-20-93 Received letter declining our offer.
02-07-94 Well Proposal and AFE sent.
02-10-94 Spoke with David he asked if we would entertain a farmout, we said yes. They would be able to give us an answer in about a month.
02-16-94 Told David we would like to purchase their interest in lieu of a farmout if they preferred and also advised we would be pooling around 4-14-93.
02-18-94 Letter stating terms we would be agreeable to regarding Texaco's interest.
02-21-94 Sent farmout agreement to Texaco.
03-15-94 Sent NMOCD letter, advised we would be pooling in one (1) month.
03-28-94 Spoke with David advised of our pooling hearing. And advised if our farmout terms were unacceptable to respond with a counter offer.
03-29-94 Sent letter advising them of hearing date and also to respond to our proposed farmout terms.
04-06-94 Steve Cobb advised David Sleeper of MOC's pooling to occur 4-28-94.
04-26-94 Follow-up call. David Sleeper not available to take my call; left message for him to call me.