

All of the working interest ownership from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 for all formations developed on 320-acre spacing, the SE/4 for all formations developed on 160-acre spacing, the E/2SE/4 for all formations developed on 80-acre spacing and the NE/4SE/4 for all formations developed on 40-acre spacing within Section 20, T18S, R28E, Eddy County, New Mexico for Mewbourne Oil Company's proposed Illinois Camp "20" State #2 Well have voluntarily committed their interest for the drilling and completion for this well except for the following working interest owners:

<u>Owner</u>	<u>Land</u>	<u>WI</u>	<u>Unit WI</u>
1) Kaiser-Francis Oil Company	SW/4	75%	37.5%
2) Texaco Exploration and Production, Inc.	SW/4	25%	12.5%
3) Louis Dreyfus Natural Gas Corp.	E/2SE/4	15.97222%	3.99305%
4) Estate of Leonard Nichols, Deceased	W/2SE/4	50%	12.5%
Mewbourne widow of Leonard Nichols	W/2SE/4	50%	12.5%
Mewbourne Arco Farmout	E/2SE/4	50%	12.5
Marathon Mewbourne Marathon	E/2SE/4	15.97772	3.99305
Mewbourne Yates	E/2SE/4	18.06	4.5

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 10961 Exhibit No. 3B

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 12.5%

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.