

Kaiser-Francis

Re: S/2 Sec. 20, 7185, R28E

Called Wayne Fields (Kaiser-Fran.)
this date regarding our 4-13-94
offer letter.

Advised him to send us a letter
as to the terms Kaiser-Francis
would accept in the event
the terms offered in our 4-13-94
letter were not acceptable.

P.H.
4/26/94

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

April 13, 1994

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Mr. Jim Wakefield

Re: MOC's Chalk Bluff Draw Prospect
MOC's Illinois Camp "20" State #2
S/2 Sec. 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

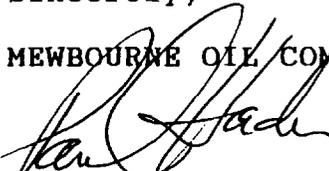
As discussed this date, Mewbourne Oil Company (Mewbourne) would be agreeable to accepting a farmout of Kaiser-Francis Oil Company's interest in the SW/4 of the captioned Section 20 on the basis of Kaiser-Francis retaining an overriding royalty interest equal to the difference, if any, between 27% of all oil and gas produced and the total of all royalty interest and other burdens or lawful claims upon production to which Kaiser-Francis' lease is subject, so that Mewbourne will be assigned a 73% NRI in the Kaiser-Francis lease, subject to proportionate reduction. Additionally, the term to commence the above well would be one (1) year from Kaiser-Francis' execution of a farmout agreement. Such amended offer would be subject to the general farmout terms referenced in our previous letter dated March 28, 1994.

The above amended offer is extended to Kaiser-Francis until April 27, 1994 at 5:00 p.m. local time. Failure to accept such offer within said time period shall render the above amended offer voidable at Mewbourne's sole option.

So that we may avoid the necessity of pooling Kaiser-Francis' interest in the captioned land, we would appreciate receiving a decision from Kaiser-Francis at the earliest date as to their election to participate or farmout.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

April 8, 1994

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Mr. Wayne A. Fields

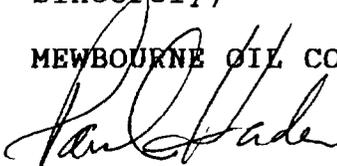
Re: MOC's Chalk Bluff Draw Prospect
MOC's Illinois Camp "20" State #2
S/2 Sec. 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Regarding the captioned well proposed by Mewbourne, we have not received a response from Kaiser-Francis to date regarding the trade offered to Kaiser-Francis as set forth in Mewbourne's previous letter dated March 28, 1994. Please advise the undersigned of Kaiser-Francis' decision at the earliest possible date.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH:jls

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 28, 1994

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Mr. Wayne A. Fields

Re: MOC's Chalk Bluff Draw Prospect
MOC's Illinois Camp "20" State #2
S/2 Sec. 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Reference is made to our previous letter dated February 7, 1994 wherein Mewbourne Oil Company (Mewbourne) proposed drilling the captioned Morrow well. Per our phone conversation this date, you have indicated to me that Kaiser-Francis Oil Company (Kaiser-Francis) would not be interested in joining Mewbourne in the drilling and completion of the captioned well. However, you did advise me that Kaiser-Francis would entertain an offer to either sell or farmout its interest in the subject land.

Regarding the above, Mewbourne is interested in acquiring Kaiser-Francis' interest in the following described lands:

State of New Mexico Lease No. LG-3215-4:
Section 20: SW/4

containing 160 acres, more or less, as to the NW/4 SW/4 for all depths bellow 2615 feet beneath the surface; as to the SE/4 SW/4 for all depths below 2439 feet beneath the surface; as to the SW/4 SW/4 for all depths below 2450 feet beneath the surface; and as to the NE/4 SW/4 for all depths below 3000 feet beneath the surface.

In reference to the above, Mewbourne offers Kaiser-Francis the following described two (2) options in lieu of Kaiser-Francis joining Mewbourne in the above well and in lieu of Kaiser-Francis being forced pooled:

- 1) Farmout all of your interest in Section 20 as described above for a period of 180 days to Mewbourne under the following general terms:
 - (A) If any well drilled, deepened, completed or recompleted under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will earn an assignment of 100% of your rights and interest, free of any liens or encumbrances, in the proration unit assigned to each well to a depth of 100' below the total depth drilled for each well.
 - (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on New Mexico Oil Conservation approved proration units that include your acreage to establish oil and/or gas production under the captioned lands. If any such option is exercised by Mewbourne, Mewbourne agrees to allow not more than 180 days to elapse between the completion of one well and the commencement of operations for any next well.
 - (C) You will retain an overriding royalty interest equal to the difference, if any, between 25% of all oil and gas produced and the total of all royalty interest, overriding royalty interests and other burdens or lawful claims upon production to which your leases may be currently subject, so that Mewbourne will be assigned a 75% net revenue interest in your leases(s). Such overriding royalty interest retained by you shall be subject to proportionate reduction.
 - (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne, title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable to you our formal Farmout Agreement will be provided under separate cover.

- 2) Sell all of your right, title and interest in this Section subject to title approval, for \$125.00 per net acre delivering an 87.5% net revenue interest to Mewbourne.

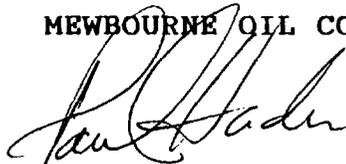
As we anticipate drilling the captioned well in the 3rd quarter of 1994, we plan to file for compulsory pooling with our case being tentatively scheduled for the April 28, 1994 hearing date.

If the above proposed offers are unacceptable to Kaiser-Francis, please advise the undersigned as to what terms would be acceptable to Kaiser-Francis.

Your continued cooperation in connection with the above is greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in cursive script, appearing to read "D. Paul Haden".

D. Paul Haden
Landman

DPH:jl

Re: Illinois Camp 20 St. #2
Stz Dec. 20

Per Wayne Fields w/
Kaiser Francis.

They are not interested in
joining. They want a better
offer. As to farmout -
they want a back-in.
They'd consider selling.

We're to make them an offer.
Advised him of 4/28 pooling date.

JH

3-28-94

Called Wayne Fields
this date regarding
our proposed Illinois
Camp #20 St. #2 Well.
He's out of the office this
week. Left message for him
to call when he returns.

P.H.

3-21-94

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 15, 1994

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Mr. Wayne A. Fields

Re: MOC's Chalk Bluff Draw Prospect
Illinois Camp "20" State #2 Well
S/2 Section 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) previously proposed the drilling of the captioned well February 7, 1994 and invited you to either participate in the drilling of the well or sell or farmout your interest to Mewbourne.

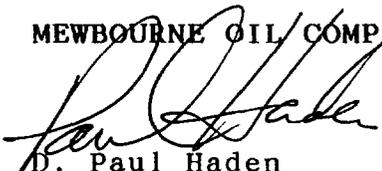
It has become evident through our communications with the interest owners in the proposed proration unit that we will be unable to reach a voluntary agreement with all of the parties involved. In order to drill the well in a timely manner and to honor various commitments we have made, please be advised we intend to file an application for pooling before the New Mexico Oil Conservation Division in approximately one (1) month.

Mewbourne desires to avoid the necessity of a pooling hearing, therefore we will continue with our efforts to reach a voluntary agreement with all interest owners. We respectfully request that you reconsider your position and assist us in avoiding the pooling of this unit.

Should you have any questions concerning this matter please feel free to contact us. We would be happy to arrange a meeting between our companies in the near future.

Sincerely,

MEWBOURNE OIL COMPANY


D. Paul Haden
Landman

Called Wayne Fields -
He's out of the office
today, - left a message for
him to call regarding
our well proposals in
Sec. 19 & 20. He's to call
me in the morning per his
secretary

JH.

315-94

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 21, 1994

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Wayne A. Fields

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #2
S/2 Sec. 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

This is in follow up to our proposal letter of February 7, 1994 wherein Mewbourne Oil Company proposed drilling the captioned Morrow well. At your early convenience, please respond regarding said proposal.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH: jls

Is your RETURN ADDRESS completed on the reverse side?

SENDER: <ul style="list-style-type: none"> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4 & 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 below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered. 		I also wish to receive the following services (for an extra fee): <ol style="list-style-type: none"> <input type="checkbox"/> Addressee's Address <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.							
3. Article Addressed to: Kaiser-Francis Oil Co. Attn: Wayne A. Fields P.O. Box 21468 Tulsa, OK 74121-1468		4a. Article Number P175-142 720							
		4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input checked="" type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<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
<input type="checkbox"/> Registered	<input type="checkbox"/> Insured								
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<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise								
		7. Date of Delivery FEB 10 1994							
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)							
6. Signature (Agent)									

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

I.C. "20" ST. #2

P 175 142 720



Receipt for Certified Mail

No Insurance Coverage Provided

Kaiser-Francis Oil Co.
 Attn: Wayne A. Fields
 P.O. Box 21468
 Tulsa, OK 74121-1468

PS Form 3800, June 1991

Postage	\$
Certified fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 7, 1994

CERTIFIED MAIL - RETURN RECEIPT REQUESTED - P175 142 720

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1467

Attn: Mr. Wayne A. Fields
Landman

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #2 Well
1650' FSL and 990' FEL of
Section 20, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of the captioned well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 10,700'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 20 will be dedicated as the proration unit for the well.

This well will be located approximately 1650' FSL & 990' FEL of Section 20-18S-28E, Eddy County, New Mexico. Our AFE dated February 4, 1994 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE or by prior written request we will forward our Joint Operating Agreement for your review and execution.

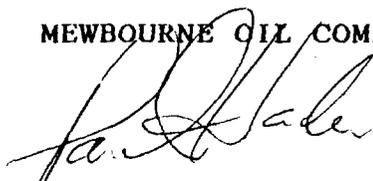
In the event you do not wish to participate, we would welcome the opportunity to acquire your interest under mutually acceptable terms.

Your earliest response to this proposal would be greatly appreciated.

Should you have any questions, please do not hesitate to call.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in cursive script, appearing to read "D. Paul Haden", written in dark ink over the typed name.

D. Paul Haden
Landman

:encl

DPH:js