

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 20, 1997

Certified Mail-Return Receipt Requested P 268 434 087

Fasken Land and Minerals, Ltd.
303 West Wall, Suite 1900
Midland, Texas 79701

Attn: Sally Kvasnicka

Re: Catclaw Draw Prospect
Catclaw Draw "1" Federal Well No. 1
Lots 29, 30, 31, 32 and the SW/4 of
Section 1-21S-25E
Eddy County, New Mexico

Ladies and Gentlemen:

Please be advised that Mewbourne Oil Company (Mewbourne) has acquired the interest of ICA Energy, Inc. underlying the captioned.

Pursuant to the terms of that certain Joint Operating Agreement dated April 1, 1970 Mewbourne as Operator, hereby proposes the drilling of a 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 captioned lands will be dedicated as the proration unit for the well

This well will be located approximately 2310' FEL and 660' FSL of Section 1, 21S-25E, Eddy County, New Mexico. Our AFE dated December 26, 1996 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please signify your election by executing and returning the enclosed AFE to the undersigned at your earliest convenience. Please respond within thirty (30) days of receipt of this proposal pursuant to the terms of the referenced Operating Agreement.

As we anticipate drilling the captioned well in the very near future, your earliest response to this proposal would be greatly appreciated.

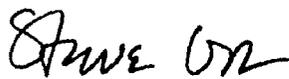
NEW MEXICO
WATER CONSERVATION DIVISION
MOC EXHIBIT
11723 (de novo)

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

Sincerely,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

SC/gb

Enclosure

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Cal Claw Draw
Well Name and No. Cal Claw Draw "1" Federal #1
Section: 1
County: Eddy

Block:
State: New Mexico

Field:
Location: 23107 FEL & 660' FSL
Township: 21S Range: 26E
Proposed Depth: 10,700

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 100			
300	Permits and Surveys	\$1,600	\$000
301	Location, Roads and Surveys	\$20,000	\$5,000
302	Footage or Turnkey Drilling	\$225,000	
303	Day Work	\$14,000	
304	Fuel, Water and Other	\$17,500	\$500
305	Completion / Workover Rtg		\$10,000
306	Mud and Chemicals	\$18,000	
307	Cementing	\$18,000	\$22,000
308	Logging and Wireline	\$18,000	\$8,000
309	Casing-Tubing Services	\$2,100	\$8,000
310	Mud Logging	\$5,000	
311	Testing	\$4,300	
312	Treating		\$80,000
313	Coring		
320	Transportation	\$2,000	\$8,100
321	Welding and Construction Labor	\$2,000	\$400
322	Contract Supervision		
330	Equipment Rental	\$8,000	\$5,000
334	Well / Lease Legal / Tax	\$8,600	\$2,000
335	Well / Lease Insurance	\$8,000	
350	Intangible Supplies	\$250	\$250
360	Pipeline ROW and Easements		\$2,000
367	Pipeline Interconnect		\$5,000
375	Company Supervision	\$10,000	\$6,000
380	Overhead Fixed Rate	\$5,000	\$5,000
399	Contingencies 2%	\$7,600	\$2,900
	Total Intangibles	\$388,750	\$148,950
TANGIBLE COST 101			
	Conductor Casing		
	Surface Casing 13 3/8" @ 400'	\$8,400	
	Intermediate Casing 9 5/8" @ 2,200'	\$28,000	
	Production Casing 5 1/2" @ 10,700'		\$68,000
	Production Casing		
	Tubing 2 7/8" @ 10,700'		\$35,000
860	Drilling Head	\$3,700	
865	Tubing Head		\$2,500
870	Upper Section		\$4,000
875	Sucker Rods		
880	Packer, Pump & Other Subsurface		\$7,000
885	Pumping Unit & Prime Mover + Electricity		
890-1	Tanks (Steel & Fiberglass)		\$8,000
890-5	Separation Equipment (fired, Non-fired)		\$8,500
895	Metering Equipment		\$4,200
900	Line Pipe		\$7,800
905	Valves		\$2,000
908	Miscellaneous Fillings & Accessories		\$8,000
910	Production Equipment Installation		\$4,000
920	Pipeline Construction		\$13,000
	Total Tangibles	\$36,100	\$170,000
	SUBTOTAL	\$424,850	\$318,950
	TOTAL WELL COST	\$743,800	

Date prepared: December 26, 1996
Prepared by: Erik Hoover

Company Approval: *M. Whitstone*
Date Approved: December 30, 1996
Joint Owner Approval