FASKEN OIL AND RANCH, LTD.
303 West Wall, Suite 1900
Midland, Texas 79701
915/687-1777
fax 915/687-0669

February 26, 1997

VIA FACSIMILE AND FEDERAL EXPRESS

(See attached list of Working Interest Owners)

RE: NOTICE OF ALTERNATIVE WELL PROPOSAL AND ELECTION TO PARTICIPATE
Mewbourne's proposed
Catclaw Draw "1" Federal Well No. 1
2310 feet FEL & 660 FSL,
Irregular Section 1, T21S, R25E, NMPM
Eddy County, New Mexico

Gentlemen:

Fasken Oil and Ranch, Ltd. ("Fasken") has received Mewbourne Oil Company's ("Mewbourne") letter dated January 20, 1997 which proposed that the referenced well be drilled at an unorthodox well location and dedicated to a 297.88 acre-acre non-standard gas proration and spacing unit consisting of the southern portion of Irregular Section 1 for production from the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.

On February 14, 1997, Fasken notified Mewbourne, that Fasken would submit an alternative well proposal for locating the well at a different location in this same spacing unit. The parties have agreed to meet on February 26, 1997 to discuss these competing proposed operations.

So that you will have time to review the specifics of Fasken's alternative proposal prior to the February 26th meeting, Fasken hereby formally proposes that the subject well be located 2080 feet from the South line and 750 feet from the West line of Irregular Section 1, T21S, R25S, NMPM, Eddy County, New Mexico, to be dedicated to the same non-standard spacing unit proposed by Mewbourne and to be drilled to a total depth of 10,650' for an estimated total costs of $776,100.00. We have enclosed our AFE for your approval.

In addition, Fasken's application to the New Mexico Oil Conservation Division for approval for an unorthodox gas well location and a non-standard proration and spacing unit to be dedicated to its proposed well will follow shortly. This matter is set for hearing on April 3, 1997.

Both Fasken's and Mewbourne's proposals are being made pursuant to that Joint Operating Agreement dated April 1, 1970 ("JOA") between Monsanto Oil Company as operator and others. Fasken Oil and Ranch, Ltd is now operator under this agreement and Matador et al are non-operators. This JOA provides that any party may propose a well and all other parties must elect to participate within thirty days and if not then they are deemed "non-consent" with the consenting parties having the obligation to commence the well within the next thirty day period, and if not, then that well proposal terminates and the

well cannot be commenced.

Currently Fasken must elect to participate in Mewbourne's proposed well on or before February 26, 1997 in order for Fasken to avoid being deemed a non-consenting interest owner pursuant to Article 12 of that JOA.

However, both the Fasken proposal and the Mewbourne proposal require the approval of the New Mexico Oil Conservation Division. In addition, Texaco has filed a notice of objection to the Mewbourne location. It is obvious to Fasken that neither Fasken nor Mewbourne will be able to obtain the necessary Division approval within the time provided by this JOA. Should the meeting on February 26th, not produce sufficient evidence to support Mewbourne's location, Fasken intends to oppose the Mewbourne location at the Commission's hearing on March 6, 1997.

Because this JOA fails to provide a procedure to resolve differing well proposals and in order to allow all the parties an opportunity to fully discuss and consider both well proposals, and to provide the Division time to decide this matter, Fasken proposes that:

(a) the parties utilize the order of preference of operations set forth in the 1989 AAPL model form operating agreement and

(b) that Fasken, as operator, will drill which ever location is finally approved by the Division within 60 days of the expiration of all administrative appeals.

Thus, in order to afford all the working interest owners a fair and reasonable opportunity to avoid being deemed "non-consenting" parties as to either the Fasken proposal or the Mewbourne proposal until this matter is resolved by the Division, Fasken is hereby electing to participate in the Mewbourne proposal to preclude Mewbourne from attempting to declare that Fasken is "non-consent" as to Mewbourne's well proposal.

Likewise, Fasken is allowing all the working interest owners the right to elect to participate in Fasken's proposal as well as Mewbourne's proposal.

Very truly yours,

Sally M. Kvasnicka

Sally M. Kvasnicka
Land Manager

SMK:me
enclosures

Elect to Participate in the drilling of Fasken's Avalon Federal Com. No. 1 Well _____

Elect to not Partipate in the drilling of Fasken's Avalon Fed. Com. No. 1 well _____

BY: _____
Company: _____
Date: _____

AvalonFed.2

Working Interest Owners
Avalon Federal No. 2 Well
Section 1, T21S, R25E, Eddy County, New Mexico

ICA Energy, Inc.
C/O Mineral Technologies, Inc.
Box 5823
Midland, Texas 79704 fax 915/685-4079

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

Matador Petroleum Corporation
Suite 158, Pecan Creek
8340 Meadow Road
Dallas, Texas 75231-3751
Attention: Mona Ables fax 214/691-1415

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

Devon Energy Corporation (Nevada)
20 N. Broadway, Suite 1500
Oklahoma City, OK 73120
Attention: Ken Gray fax 405/552-4550

Union Oil Company of California
P. O. Box 4551
Houston, Texas 77210
Attention: Robin Green fax 713/287-7375

Robert L. Haynie
5655 South Yosemite #305
Englewood, CO 80111 phone 303/290-6003

Len Mayer
260 Lincoln Tower Bldg.
Denver, CO 80203
or 518 17th Street, Suite 1105-I
Denver, CO 80202

Recommended Procedure

Avalon Fed. No. 2 ---------- A.F.E. No. 124 ---------- Catclaw Draw-Morrow
Eddy County, N.M.

1. Drilling contractor to set 20" conductor if necessary. MIRU rotary tools.

2. Drill 17-1/2"" hole to 400' with spud mud. Set and cement 13-3/8" casing with 400 sx Class "C" cement with 2% CaCl2 (s.w. 14.8 ppg, yield 1.32 cuft/sx). WOC 18 hrs. NU BOP's.

3. Drill 12-1/4" hole to 2250' with fresh water. Control seepage with paper. Dry drill if complete loss of returns is experienced.

4. Set and cement 8-5/8" casing at 2250', (Estimate 700 sx Class "C" with 4% gel and 2% $CaCl_2$, s.w. 12.7 ppg, yield 1.84 ft^3/sx, plus 200 sx Class "C" with 2% $CaCl_2$; s.w. 14.8 ppg, yield 1.32 ft^3/sx).

5. Install 11" x 3000 psi casinghead. NU B.O.P.'s, hydril and choke manifold. WOC 18 hours. Set up DST test line complete with test tank.

6. Pressure test BOP stack to 1500 psi with rig pump.

7. Upon first bit trip or before 7500', hydrostatically test 200' of 8-5/8" casing to 2300 psig, casing spool, BOP's, and choke manifold to 3000 psig, and hydril to 1500 psig. Install PVT equipment, superchoke, RU mud gas separator and flare line.

8. Drill 7-7/8" hole to total depth of 10,700' using fresh water to 5000', 9.0 ppg brine water to 9500'. Mud up at 9500' with polymer starch mud system and maintain 32-34 sec. viscosity, 9.0 ppg and 10 cc water loss to total depth. Increase viscosity with pre-hydrated gel if necessary for hole cleaning.

9. DST all shows.

10. Log well with Schlumberger Platform Express (HAL).

11. Set and cement 5-1/2" production casing (resin coated and centralized through pay zones) with DV tool at base of Bone Springs (estimate 7000') as follows;

    First Stage: 10 bfw + 500 gallons Mud flush + 10 bfw and 500 sx Super "H" with 3% Salt, 0.4% FL-52 (s.w. 14.18 ppg, yield 1.37 ft^3/sx). Open DV tool and circulate 6 hours.

    Second stage: 400 sx BJ lite "C" with 6% gel, 3% Salt and 0.5% FL-62 (s.w. 12.43 ppg, yield 2.01 ft^3/sx) plus 400 sx Super "C" Modified with 3% salt, 5#/sx Gilsonite, 0.35% FL-52, and 0.44% FL-25 (s.w. 13.0 ppg, yield 1.64 ft^3/sx) plus 100 sx Class "H" neat. Calculate second stage cement volume for TOC at intermediate casing shoe.

12. Set slips, nipple down BOP's and run temperature survey to locate cement top.

13. Install 11"-3000 psi x 7-1/16"-3000 psi tubinghead and flow tree.

14. Rig down and move out rotary tools.

15. Level location, set mast anchors, move in and rig up completion unit.

16. Install BOP, RIW with 4-3/4" bit, casing scraper, 6 3-1/2" drill collars and 2-3/8" tubing. Drill out DV tool. Reciprocate scraper through DV 10 times. Pressure test casing to 3000 psig. RIW and drill out cement to float collar, circulate hole clean with 3% KCL water containing oxygen scavenger and corrosion inhibitor. Pressure test casing to 3000 psig. POW with tubing and lay down tools.

17. RIW with packer, T.O.S.S.D. with "F" profile nipple and 2-3/8" tubing. Set packer, install flow tree, swab down tubing. RUWL, run correlation CCL log and perforate pay interval.

18. Flow test well , evaluate, and stimulate if necessary.

19. RDPU. Clean and level location.

20. Run C.A.O.F.P. and pressure build up.

21. Connect surface equipment.

Recommended Casing Program
A.F.E. No. 124

Fasken Oil and Ranch, Ltd. ---------- Avalon Federal No.1 ---------- Catclaw Draw Morrow Field
Eddy County, NM

String	Footage	Size	Weight	Grade	Thread
Surface	400'	13-3/8"	48.00#	H-40	ST&C
Intermediate	2,250'	8-5/8"	24.00#	J-55	ST&C
Production	10,650'	5-1/2"	17.00#	N-80	LT&C
Tubing	10,600'	2-3/8"	4.70#	N-80	EUE 8rd

TET
(avalon2 csg)

FASKEN OIL AND RANCH, LTD.

COST ESTIMATE

OPERATOR: Fasken Oil and Ranch, Ltd. | DATE: January 24, 1997 | AFE NO: 124
LEASE NAME: Avalon Federal | WELL NO.: 2
FIELD: Catclaw Draw (Morrow) | COUNTY: Eddy | STATE: New Mexico

TANGIBLES

TUBULAR GOODS	SIZE (IN)	FOOTAGE (FT)	PRICE ($/FT)	SUB	TOTAL	DRY HOLE
Conductor Pipe	20.000	0	$25.00	$0		$0
Surface Casing	13.375	400	$18.00	$7,200		$7,200
Inter. Casing	8.625	2,250	$9.00	$20,300		$20,300
Oil string	5.500	10,650	$7.00	$74,600		$0
Tubing	2.375	10,600	$3.00	$31,800	$133,900	$0
WELLHEAD EQUIPMENT						
Starting Head				$2,000		$500
Inter. Head				$9,500		$3,500
Tubing Head				$9,500		$0
Christmas Tree				$13,500	$34,500	$0
SUB SURFACE PRODUCTION EQUIPMENT						
Tubing Anchor and/or Packer				$5,000		$0
Sucker Rods, Pump, BHA, etc.				$0	$5,000	$0
SURFACE PRODUCTION EQUIPMENT						
Pumping Unit c/w Prime Mover				$0		$0
Production Unit				$20,000		$0
Tanks, Treaters, Seperators, Circ. Pump				$17,100		$0
Labor				$11,900	$49,000	$0
		TOTAL TANGIBLES		$222,400	$222,400	$31,500

INTANGIBLES

CONTRACTOR DRILLING COST	FOOTAGE	RATE			
Drilling Cost	10,650	$21.00	$223,700		$223,700
Day Work	6	$5,200	$31,200		$31,200
Pulling Unit for Completion	84	$125	$10,500		$0
Reverse Drilling Equipment			$0	$265,400	$0
CEMENTING SERVICES & EQUIPMENT					
Surface			$4,000		$4,000
Intermediates			$13,700		$13,700
Oil String			$21,500		$0
Other			$0	$39,200	$4,000
FORMATION TREATMENT					
Acidizing Services & Material			$20,000		$0
Fracturing Services & Material			$0		$0
Tank Rental & Hauling			$0	$20,000	$0
SPECIAL SERVICES					
Perforating & Wireline Services			$7,500		$0
	DAYS	RATE			
Mud Logging	25	$400	$10,000		$10,000
Open Hole Logging			$20,000		$20,000
Cores, DST's, etc.			$15,000		$15,000
Packer & BP Rental			$3,000	$55,500	$0
DRILLING FLUIDS					
Mud & Chemicals			$35,000		$35,000
Fresh & Brine Water			$15,000		$15,000
Oil for Drilling Mud			$0	$50,000	$0
MATERIALS & SERVICES OTHER					
Bits & Reamers			$0		$0
Fuel			$0		$0
Hauling - Trucking, Transport, & Pmp Truck			$5,800		$2,300
Tubular Inspection & Testing			$2,300		$700
Casing Expense (Run Csg., PU/LD Machine)			$4,500		$0
Valves, Piping, & Connections			$500		$500
Pit Liners			$3,000		$3,000
Rental Equipment			$20,200		$18,750
Welding & Roustabout Labor			$1,300		$1,300
Cattleguard & Fencing			$500		$500
Misc. Services & Supplies			$5,000	$43,100	$4,000
LOCATION ACCESS & CLEAN UP					
Surveying			$1,000		$1,000
ROAD, LOCATION, PITS, & CLEAN UP			$20,000	$21,000	$20,000
SUPERVISION & LEGAL, ETC.					
Geological, Engr. & Supervisory Expense			$10,100	$10,100	$7,700
CONTINGENCIES	10%		$49,400	$49,400	$42,400
		TOTAL INTANGIBLES	$553,700	$553,700	$473,800
		TOTAL COST	$776,100	$776,100	$505,300