

Summary of Communications
Compulsory Pooling Case No. 13276
Saladar "32" Federal Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Lowe Partners, L.P.: 24.817790% WI
Joe C. Pulido - Land Manager
Jan P. Spradlin - Land Coordinator
Stuart A. Dirks - Landman
(432) 684-7441

- 1) Offered to purchase a term assignment per letter dated 1-20-03.
- 2) Met with Maralo 2-24-03 to discuss our proposal and followed up with a letter regarding same this date.
- 3) Follow up call 5-28-03 to Jan.
- 4) Follow up call 7-11-03 to Jan, Jan advised me to work with Stuart on this as he has reviewed the title.
- 5) Follow up letter 8-5-03 to Joe.
- 6) Proposed well via certified mail with AFE per letter dated 11-13-03.
- 7) Follow up letter 1-27-04
- 8) Follow up letter 1-30-04.
- 9) Follow up letter 4-5-04, provided copy of our Original Drilling Title Opinion dated 2-10-04 for their review.
- 10) Faxed Stuart 4-15-04 information regarding ownership below 11,600'. Advised him that we would secure a lease as to depths below 11,600'.
- 11) Joe advised me 4-23-04 by phone the type deal they were interested in regarding a term assignment.
- 12) Advised Joe by phone 5-5-04 the terms we were offering in lieu of their proposed terms.
- 13) Sent letter 5-13-04 regarding our proposed terms with deadline for acceptance being Monday, May 24th.
- 14) Advised Joe via fax 5-17-04 as to what net percentage they would retain as to a ORI.
- 15) Joe advised me 5-24-04 that our terms were acceptable pending final title review.

OXY USA, WTP Limited Partnership: 8.333333% WI
David Evans - Sr. Land Advisor (432) 685-5769
Doug Hurlbut - Contract Landman (432) 685-5729

- 1) Proposed well via certified mail with AFE per letter dated 11-13-03.
- 2) Follow up certified letter dated 1-28-04 advising Oxy we were moving forward regarding our proposal. Offered to purchase a term assignment in the event Oxy wasn't interested in participating in the well.
- 3) Had lunch 4-27-04 with David and Doug, advised them we would be filing a pooling application soon.
- 4) Forwarded our proposed JOA 5-13-04 to Doug for Oxy's consideration and execution.
- 5) Follow up phone conversation 5-20-04 to Doug regarding their participation. Per Doug, no decision yet.

Helen G. Harrison Estate:
Foy W. Harrison - Administrator
(713) 609-5869

0.581190% WI

- 1) Proposed well via certified letter 2-23-04 with AFE.
- 2) Follow up call 5-20-04. Foy advised me he would make his decision soon. Advised Foy as soon as we made a trade with him we'd dismiss the Estate from pooling.

Rock Eagle Ranch Corporation:
Richard E. Weinberg - President

0.6119% WI

- 1) Proposed well via certified mail 11-14-03 with AFE.
- 2) Richard called 11-25-03 and advised him as to his percentage interest in spacing unit. Advised him that we would take a term assignment should he wish not to participate.
- 3) Forwarded Richard a copy of Farmout Letter Agreement dated March 1, 2004 with a Ratification of Farmout Letter Agreement. Apparently Lloyd Largent has a life estate interest in this ownership. Accordingly, requested Richard to ratify the farmout agreement we have with Largent.
- 4) Sent certified letter 5-12-04 with Ratification for Richard's execution and copy of executed Farmout Letter Agreement with Largent. Advised Richard that he would be dismissed from pooling once we receive the executed Ratification.

Dolores L. McCall:
Dolores L. McCall - Owner
(432) 682-5662

0.036290%

- 1) Proposed well via certified mail 11-18-03 with AFE.
- 2) Follow up letter dated 1-27-04 and offered to purchase her interest if she didn't want to participate. Advised her we would be force pooling.

Charles Cline Moore:

0.014515% WI

- 1) Proposed well 11-18-03 with AFE and offered to purchase his interest if not interest in participating.
- 2) Follow up letter 2-20-04.

Davis Bros.: ½ m.i. below 11,600' in SE/4
Paula Thorton - Contract Landman
(918) 584-3581, ext. #251

- 1) Well proposal via certified mail 4-21-04 with AFE. Offered to purchase lease.
- 2) Paula called this date and I advised her what options the Davis Bros. had regarding their mineral interest.
- 3) Follow up call 5-21-04, left message. Paula returned my call and said she would talk to Lee Davis to see what they wanted to do. Paula e-mailed their proposed lease form for our acceptance.
- 4) Reviewed their lease form 5-24-04 and called Paula to let her know that their lease form was acceptable, left message.

Bilberry Exploration, Inc.:
Michael C. Bilberry - President
(713) 688-6871

0.542478% WI

Bilberry Exploration, Inc. apparently acquired this interest from Axis Energy, Inc. on November 5, 2003 wherein such assignment was recorded in Eddy County January 5, 2004. Our title opinion didn't pick this title up as the abstract coverage was from inception of the records to December 8, 2003.

- 1) Mike Bilberry called April 21 and said he had acquired 1/8 of Axis Energy's interest.
- 2) Bilberry called 5-10-04 regarding pooling application. I told him we had to name him in application because he hasn't signed an AFE or Operating Agreement yet.
- 3) Forwarded Mike our Operating Agreement with my letter dated May 13 with AFE for signature.

Desert States Energy, Inc.:
Mark D. Clarke - President
(505) 393-1050

0.63939% WI

- 1) Proposed well via certified letter 11-14-03 with AFE. Letter was returned unclaimed 11-29-03.
- 2) Proposed well via certified mail 3-10-04 with AFE.
- 3) Proposed well via first class mail 3-11-04 with AFE enclosed.
- 4) Sent letter 5-13-04 with Operating Agreement and AFE for execution.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

FACSIMILE TRANSMITTAL COVER SHEET

DATE: 5-17-04

PAGE 1 of 1 PAGES

TO: Joe Pulido COMPANY: _____
FACSIMILE NO.: 684-9836 PHONE NO.: _____
FROM: Paul
MESSAGE:

Re: SALADAR 32⁺ Fed. Com #1 : 5/2 Sec 32
(ACCORDING TO OUR RECORDS)
LOWE PARTNERS = 24.817790% UNIT INTEREST
= 24.817790% OF 3% ORI = 0.7445337% ORI
= 79.416928 NET MIN. ACRES

HARRISON INTEREST = 0.581190% UNIT INTEREST
= .581190% OF 3% ORI = 0.0174357% ORI
= 1.859808 NET MIN. ACRES

TOTAL NET ORI IF LOWE PARTNERS
Buys HARRISON INTEREST = .7445337 ORI
+ .0174357 ORI
.7619694 % OF 8/8 ORI

CONFIDENTIALITY NOTE: The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 13, 2004

Via Fax (432) 684-9836

Lowe Partners, L.P.
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

Re: MOC's Saladar "32" Fed. Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Joe:

As discussed this date, Mewbourne Oil Company (Mewbourne) is agreeable to purchasing the Lowe Partners, L.P. (Lowe) interest in the SE/4 of the captioned Section 32 below a depth of 6614' beneath the surface (79.416952 net acres) and the Helen G. Harrison Estate's (Harrison) interest in the W/2SE/4 below 6614' beneath the surface (1.859832 net acres) on the basis of \$300.00 per net acre. We propose to acquire said interests under the terms of a mutually acceptable term assignment providing for an 18 month primary term wherein Lowe would retain a 3% overriding royalty interest subject to proportionate reduction regarding the Lowe and Harrison interests.

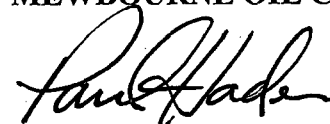
Please be advised, the terms offered above are far more superior terms offered to any joint interest owner to date in the proposed spacing unit.

The above offer for the Lowe and Harrison interests referenced above are being made available for Lowe's acceptance until Monday, May 24, 2004 at 4:00 P.M.

Should you have any questions regarding the above, please call me. We appreciate your cooperation in connection with the above and other pending trades.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Advised Joe P. w/ Maralo
that we would take a 1 yr. term
assignment @ \$300.00/ac. as to all
of their interest in sec 4 below base
of Bone Spring, on \$150.00 w/
them retaining 3% ORI, subject to
proportionate reduction.

RP
5/5/04

Per Joe w/ Maralo. -
Maralo would give us a
1 yr. term assignment @
\$150.00/ac., APO Maralo to
be assigned a 3% of 8/8 ORR not
subject to proportionate reduction.

AB.

4/23/04

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

FACSIMILE TRANSMITTAL COVER SHEET

DATE: 4-15-04
PAGE 1 of 3 PAGES

TO: STUART DICK'S COMPANY: NARALO
FACSIMILE NO.: _____ PHONE NO.: _____

FROM: PAUL HADEN

MESSAGE: RE: MOC'S SALADAR 32' PROSPECT

STUART - REGARDING YOUR CONCERN AS TO RIGHTS
BELOW 11,600' IN THE E/2 SEC. 32,
ATTACHED FYI IS A COPY OF ALLEN
HARVEY'S LETTER DATED 4-15-04. OUR
GEOLOGIST (MIKE BURKE) HAS INFORMED ME
THAT THE KEYSTONE #1 WELL WHICH WAS
DRILLED IN THE E/2 SEC. 32 WAS DRILLED TO
A TD OF 11,600'. ACCORDINGLY, WE WILL SECURE
A LEASE FROM THE DAVIS GROUP TO CURE
THE TITLE AS 11,600' IS IN THE LOWER MORROW FORMATION.
RIGHTS BELOW 11,600' COULD BE PRODUCTIVE.

CONFIDENTIALITY NOTE: The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

April 5, 2004

Maralo, L.L.C.
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

Re: MOC's Saladar "32" #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Joe:

Regarding the captioned proposed well, Larry Cunningham has advised me that Maralo elects not to participate in the subject well. Accordingly, Mewbourne offers to acquire a farmout from Maralo covering rights below a depth of 6,614' on the basis of a one (1) year farmout term, a cash consideration of \$150.00 per net acre wherein Maralo would have the option to back in for a 20% WI after 100% payout of the initial well. The option to back in for a 20% WI shall be subject to proportionate reduction and such option shall be on a well by well basis.

In reference to the above, enclosed for your information is a copy of our Original Drilling Title Opinion dated February 10, 2004 for the captioned land. It is my understanding that Maralo has acquired the interest credited to the Estate of David H. Harrison, Deceased and the Estate of Helen G. Harrison, Deceased.

Should you have any questions regarding the above, please call me. We look forward to receiving a response from you regarding our offer.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

January 30, 2004

Via Fax (432) 684-9836 and
First Class Mail

Maralo, L.L. C.
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

Re: MOC's Saladar "32" #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Joe:

Regarding the captioned proposed well, apparently Maralo, L.L.C. (Maralo) owns a 57.384913% WI and a 41.007924% NRI as to rights below the base of the Bone Spring formation to a depth of 11,700' beneath the surface in the E/2 of the captioned Section 32. On an 8/8ths basis, Maralo's NRI is approximately 71.46%. Records available to us indicate there is an Operating Agreement in effect dated January 15, 1994 as amended naming Maralo as Operator and Chi Energy, Inc., et al as Non-Operators which covers rights from the surface through the base of the Bone Spring formation.

In reference to the above, Mewbourne Oil Company (Mewbourne) would be interested in acquiring all or part of Maralo's interest in the rights from the base of the Bone Spring formation to a depth of 11,700' as to the E/2 of the captioned Section 32 in the event Maralo elected not to participate in the proposed well. Accordingly, Mewbourne offers to purchase an eighteen (18) month term assignment of all or part of Maralo's interest in the referenced rights on the basis of \$150.00 per net acre. For your information, I've enclosed a copy of Stuart Dirks' worksheet that Jan graciously furnished me regarding Maralo's title.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

January 27, 2004

Maralo, L.L.C.
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

Re: MOC Saladar "32" #1 Well
S/2 of Section 32
T20S, R28E
Eddy County, New Mexico

Dear Joe:

As discussed, Mewbourne Oil Company (MOC) as Operator is moving forward in drilling the referenced well as was proposed in our previous letter dated November 13, 2003 (see copy enclosed).

In the event Maralo elects to participate in the captioned proposed well, please sign and return the enclosed AFE and I will forward you our Operating Agreement for your review.

As discussed previously, we would show you our geology for the prospect provided Maralo agreed to do something regarding their interest on prearranged trade terms. Maralo could participate as to all or some of its interest in this project.

Should you have any questions regarding the above, please call. As discussed, we plan to drill the proposed well sometime in March so we would appreciate receiving a response from Maralo soon as to their participation.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 13, 2003

Via Certified Mail-Return Receipt No. 2139

Maralo, LLC
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate Maralo, LLC (Maralo) owns a 57.384913% WI and a 41.007924% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface.

To expedite Maralo's decision regarding Maralo's participation in the subject proposed well, Mewbourne would be willing to present Maralo a technical presentation of the prospect provided Maralo was agreeable to committing its interest to Mewbourne on predetermined trade terms in the event Maralo elected not to participate in the proposed well to the extent of Maralo's interest in the proposed spacing unit.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Maralo, LLC
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe C. Pulido

COMPLETE THIS SECTION ON DELIVERY

- A. Signature *[Signature]* ☒ Agent ☐ Addressee
- B. Received by (Printed Name) *[Signature]* C. Date of Delivery *[Signature]*
- D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type ☒ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D. ☐ Restricted Delivery ☐ Yes ☐ No

2. Article Number
(Transfer from service label)

7000 0520 0020 9192 2139

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1035

Solomon 32 Joe Cam #1

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

August 5, 2003

Lowe Partners, L.P.
P.O. Box 832
Midland, Texas 79702
Attn: Joe Pulido

Re: MOC's Saladar "32" and "33" Prospects
Section 32 and W/2 Section 33,
below the base of the Bone Spring formation,
T20S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

In reference to our recent meeting, Mewbourne Oil Company (Mewbourne) is agreeable to acquiring all or at least 50% of Lowe Partners, L.P. (Lowe) interest in the captioned lands. Such acquisition by Mewbourne is subject to the following proposed terms and conditions:

- 1) Mewbourne agrees to purchase the Lowe interest on the basis of \$250.00 per net acre for an eighteen (18) month term assignment wherein Mewbourne would be delivered all of Lowe's net revenue interest in the E/2 of the captioned Section 32 and a 75% net revenue interest in the W/2 of the captioned Section 33, subject to proportionate reduction.
- 2) The form of assignment shall be on the form of assignment attached as Exhibit "A" hereto.
- 3) Lowe shall have the option to participate in each proposed well up to 50% of its interest in each proposed spacing unit.
- 4) An Initial Well shall be drilled by Mewbourne as Operator at a mutually acceptable location in the SE/4 of the captioned Section 32 with the Initial Well being dedicated to the S/2 of the captioned Section 32.
- 5) The Initial Well shall be drilled sufficient to adequately evaluate the Morrow formation, estimated total depth being approximately 11,600' beneath the surface.
- 6) An Option Well shall be drilled by Mewbourne as Operator at a location of Mewbourne's choice in the W/2 of the captioned Section 33 and shall be drilled in the same manner and depth as the Initial Well.
- 7) A Second Option Well shall be drilled by Mewbourne as Operator at a location of Mewbourne's choice in the N/2 of the captioned Section 32 and shall be drilled in the same manner and depth as the Initial and Option Well.

- 8) Prior to Lowe electing to participate in any well proposed by Mewbourne hereunder, Mewbourne agrees to present Lowe a technical presentation of Mewbourne's interpretation of the prospects in Lowe's office within fourteen (14) days of Lowe's execution of this letter agreement.
- 9) Within fourteen (14) days after the technical presentation, Lowe agrees to advise Mewbourne of its election to participate in the Initial Well. Thereafter, the term assignment and applicable mutually acceptable form of Operating Agreement shall govern the spacing unit of the Initial Well.
- 10) Regarding subsequent operations proposed by Mewbourne in the spacing units dedicated to the Option Well and Second Option Well, Mewbourne agrees to present Lowe a technical presentation and Lowe agrees to make its election to participate in each well in the same manner as for the Initial Well as described above.
- 11) There is no obligation upon Mewbourne to commence operations on any well under the terms of this agreement, the only penalty for failure to commence any such operations for any such wells shall be the forfeiture of Mewbourne's rights to be earned hereunder.

Please indicate Lowe's acceptance of this agreement by signing and returning the duplicate original of this agreement to me at your earliest convenience.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Agreed and Accepted this _____ day of _____, 2003.

LOWE PARTNERS, L.P.

By: _____
Mary Ralph Lowe, President of
Maralo, LLC, Managing Partner



& LOWE PARTNERS, LP

facsimile
TRANSMITTALDATE: 7/10/2003 7/11/20031 PAGES TO FOLLOW

FAX # (915) 624-9836

DELIVER TO: Paul

COMPANY: _____

FAX NUMBER: 685-4170FROM: Jan S

- | | |
|---|--|
| <input type="checkbox"/> PER YOUR REQUEST | <input type="checkbox"/> PER OUR PHONE CONVERSATION |
| <input type="checkbox"/> FOR YOUR INFORMATION | <input type="checkbox"/> PLEASE PHONE ME TO DISCUSS |
| <input type="checkbox"/> PLEASE REVIEW & ADVISE | <input type="checkbox"/> PLEASE ADVISE WHEN RECEIVED |

REMARKS: Paul since Stu did all the work
on determining ownership you may
want to visit w/ him

Jan



Stuart Dinks

684-7441

NEWLY SEC 33

SOY. WI, 43.09375¹.NRI

Maralo, LLC P.O. Box 832 Midland, Texas (915) 634-7441

LOWE PARTNERS - JAN SPRADLIN - 684-7441

5-28-03 : Our request is the very next thing on her list. We'll have an answer after the convention.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 24, 2003

Maralo, LLC
P.O. Box 832
Midland, Texas 79702
Attn: Jan P. Spradlin

Re: MOC's Saladar Area
S/2 of Section 32,
T20S, R28E
Eddy County, New Mexico

Dear Jan:

In reference to our meeting this date, Mewbourne Oil Company (MOC) is interested in drilling a Morrow test well at a location of its choice in the SW/4 of the captioned Section 32 to a depth of approximately 11,600'. MOC proposes that the S/2 of the captioned Section 32 be dedicated as the proration unit.

Regarding the above, records available to us indicate Maralo, LLC (Maralo) owns a 57.3850% WI and a 41.0079% NRI as to rights below the base of the Bone Spring formation in the SE/4 of the captioned Section 32. Accordingly, MOC offers to purchase all or part of Maralo's interest in such rights on the basis of \$200.00 per net acre for an eighteen (18) month term assignment in order for MOC the opportunity to cause a Morrow test well to be drilled. In the event Maralo desires to participate in such well, MOC welcomes Maralo's participation in same. Tentatively we are scheduling the proposed well to be drilled early this fall.

In the event Maralo requires a technical presentation to render its decision as to Maralo's participation in the proposed well, MOC would be agreeable to same provided that Maralo would commit some or all of its interest below the base of the Bone Spring formation to MOC to cause a well to be drilled.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 20, 2003

Via Fax 915-684-9836

Lowe Partners, LLC
P.O. Box 832
Midland, Texas 79702
Attn: Mr. Joe Pulido

Re: T20S, R28E
Section 32: E/2
Section 33: NE/4NW/4
Eddy County, New Mexico

Dear Joe:

Mewbourne Oil Company (Mewbourne) as Operator is interested in drilling an initial Morrow test well at a location of its choice in the captioned Section 32. Accordingly, it appears that Lowe Partners, LLC (Lowe) owns 50% of the operating rights in the E/2 of the captioned Section 32 and 50% of the operating rights in the NE/4NW/4 of the captioned Section 33.

Regarding the above, Mewbourne hereby offers to purchase a two (2) year term assignment of operating rights from Lowe on the basis of \$250.00 per net acre for rights below the base of the Bone Spring formation in the E/2 of the captioned Section 32 and all depths in the NE/4NW/4 of the captioned Section 33. Mewbourne proposes that Lowe deliver Mewbourne a 75% NRI as to such rights, subject to proportionate reduction.

The above offer is available for Lowe's acceptance for a period ending February 20, 2003 with such offer being subject to Mewbourne's approval of title.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

Called Doug Hurlbut w/
Oxy this date, left
message regarding Oxy's
decision. PH.

5-20-04

Doug returned ^{my} call
this date - said Oxy still
~~hasn't~~ hasn't made a decision
yet. He'll get back w/me
PH.

5-20-04

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 13, 2004

OXY USA WTP LIMITED PARTNERSHIP
6 Desta Drive, Suite 6000
Midland, Texas 79710-0250
Attn: Mr. Douglas W. Hurlbut

Re: Saladar "32" Federal Com. #1
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed for your further handling is our proposed Operating Agreement dated May 10, 2004 for the captioned land and well prepared in duplicate. Also enclosed is our AFE dated April 6, 2004 in duplicate prepared for signature.

In reference to the above, please have the enclosed agreements and AFE executed in the event your firm elects to participate in the proposed well. Please return one (1) executed Operating Agreement and one (1) signed AFE to me at your earliest convenience. Retain one (1) of each for your file.

Upon our receipt of the requested Operating Agreement and AFE, your firm's interest will no longer be subject to the compulsory pooling hearing due to occur May 27th.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OLG USA, WTP Limited Partnership
6 West Lake, Suite 6000
Malden, MA 02148-0250
Attn: Mr. David L. Evans

2. Article Number

(Transfer from service label)

7003 1680 0006 6283 5579

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

Salazar 32 #1

COMPLETE THIS SECTION ON DELIVERY

A. Signature 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

☒ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

Bob Evans 2/2/04

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☒ No

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

January 28, 2004

Certified Mail-Return Receipt No. 5579

OXY USA, WTP Limited Partnership
6 Desta Drive, Suite 6000
Midland, Texas 79710-0250
Attn: Mr. David R. Evans

Re: MOC Saladar "32" #1 Well
S/2 of Section 32
T20S, R28E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (MOC) as Operator is moving forward in drilling the referenced well as was proposed in our previous letter dated November 13, 2003 (see copy enclosed).

In the event OXY USA, WTP Limited Partnership (Oxy) elects to participate in the captioned proposed well, please sign and return the attached AFE and I will forward you our Operating Agreement for execution. Such agreement will supercede in its entirety that certain Operating Agreement dated January 15, 1994, as amended, naming Maralo Inc. as Operator and Chi Energy, Inc, et al as Non-Operators which covers the E/2 of the captioned Section 32 as to rights from the surface through the base of the Bone Spring formation.

Should Oxy elect not to participate in the proposed well, Mewbourne would be agreeable to purchasing a two (2) year term assignment of Oxy's interest in the E/2 of the captioned Section 32 below the base of the Bone Spring formation on the basis of \$150.00 per net acre. Subject to proportionate reduction, Oxy currently has a 73.0898% net revenue interest according to Eddy County records.

To expedite Oxy's decision in participating in the proposed well, Mewbourne would be agreeable to sharing its proprietary data regarding Mewbourne's interpretation of the prospect. However, Oxy would be required to commit its interest to Mewbourne either by agreeing to joining in the proposed well or agreeing to grant Mewbourne a term assignment of its interest as set forth below upon review of Mewbourne's prospect data.

OXY USA, WTP Limited Partnership
MOC Saladar "32" #1 Well

January 28, 2004
Page -2-

Should Oxy elect to review Mewbourne's data, please sign and return the copy of this letter to the undersigned.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

OXY USA, WTP Limited Partnership (Oxy) agrees to advise Mewbourne Oil Company of its decision to participate in the captioned proposed well within thirty (30) days after reviewing MOC's prospect data of the Saladar "32" Prospect.

OXY USA, WTP LIMITED PARTNERSHIP

By: _____

David R. Evans
Senior Landman Advisor

Date signed: _____

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OXY USA, WTP LP
6 Desta Drive, Suite 6000
Midland, Texas 79710-0250
Attn: Mr. David R. Evans

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x *Arnie Herron*☐ Agent☐ Addressee

B. Received by (Printed Name)

ARNIE HERRON

C. Date of Delivery

*11-17-03*D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes*7000 0520 0020 9192 2146*

Domestic Return Receipt

Salazar '32 Fee Com #1

102595-02-M-1035

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 13, 2003

Via Certified Mail-Return Receipt No. 2146

OXY USA, WTP Limited Partnership
6 Desta Drive, Suite 6000
Midland, Texas 79710-0250
Attn: Mr. David R. Evans

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate OXY USA, WTP Limited Partnership (OXY) owns a 15.00% WI and a 10.95% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface.

To expedite OXY's decision regarding OXY's participation in the subject proposed well, Mewbourne would be willing to present OXY a technical presentation of the prospect provided OXY was agreeable to committing its interest to Mewbourne on predetermined trade terms in the event OXY elected not to participate in the proposed well to the extent of OXY's interest in the proposed spacing unit.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Helen G. Harrison Est.

Foy Harrison (713) 609-5869

Called Foy this date regarding the Estate's interest. He said he sent Maralo a Bill of Sale 2 months ago and hasn't heard from them since. He'll deal w/us and will get back to me before the hearing.

PH.

5-20-04

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

February 23, 2004

Via Certified Mail-Return Receipt No. 5906

Estate of Helen G. Harrison
Foy W. Harrison, Administrator
P.O. Box 11636
Spring, Texas 77391-1636

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Foy:

As discussed, Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, title examination indicates the Estate of Helen G. Harrison (the Estate) owns a .80558% of 3/4 WI and a 1.51921% of 3/16 WI in the W/2SE/4 of the captioned Section 32 as to depths from 6614' beneath the surface through the base of the Morrow formation. Accordingly, on a unit basis, the Estate owns a 0.58119% WI in the referenced spacing unit.

In the event the Estate elects to participate in the proposed well as to a 0.58119% WI, please sign and return the enclosed AFE to me and I will forward you our proposed Operating Agreement for your consideration and execution. Should the Estate elect not to participate in the proposed well, Mewbourne would be willing to acquire a two (2) year term assignment of the Estate's interest on the basis of \$250.00 per net mineral acre wherein Mewbourne would be delivered a 75% net revenue interest in the Estate's leasehold, subject to proportionate reduction. Alternatively, Mewbourne would be willing to acquire all of the right, title and interest of the Estate in the W/2SE/4 of the captioned Section 32 below a depth of 6614' on the basis of \$1,000.00 cash which would exclude any interest the Estate owns outside of existing wellbores.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Estate of Helen G. Harrison
Foy W. Harrison, Administrator
P.O. Box 11636
Spring, Texas 77391-1636

2. Article Number
(Transfer from service label)

7003 1680 0006 6283 5906

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name) *Foy W. Harrison* Date of Delivery *8/1/01*

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 12, 2004

Via Certified Mail-Return Receipt No. 6453

Rock Eagle Ranch Corporation
P.O. Box 458
Bellaire, Texas 77402
Attn: Mr. Richard E. Weinberg

Re: MOC's Saladar "32" Prospect
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mr. Weinberg:

To date we have not received the executed Ratification of Farmout Letter Agreement dated March 1, 2004 regarding that certain Farmout Letter Agreement of even date between Mr. Lloyd Largent as Farmor and Mewbourne Oil Company as Farmee regarding the captioned land.

In reference to the above, I've enclosed another ratification prepared for your execution and an executed copy of the referenced Farmout Letter Agreement. This is in regard to the remainder interest Rock Eagle Ranch Corporation has upon termination of the Life Estate interest of Lloyd Largent. Please execute and return the enclosed ratification to me at your earliest convenience. Once we receive the executed ratification, Rock Eagle Ranch Corporation's remainder interest will be dismissed at the Compulsory Pooling hearing to occur May 27, 2004.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

March 1, 2004

Rock Eagle Ranch Corporation
P.O. Box 458
Bellaire, Texas 77402
Attn: Mr. Richard E. Weinberg

Re: MOC's Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Richard:

Enclosed for your information and file is a copy of the Farmout Letter Agreement dated March 1, 2004 prepared for Lloyd Largent's execution and duplicate originals of a Ratification of Farmout Letter Agreement of even date prepared for your execution.

If the enclosures are satisfactory, please execute both originals of the ratification and return one (1) original to me. Retain the copy of the Farmout Letter Agreement and one (1) original of the Ratification of Farmout Letter Agreement for your file. Under separate cover, I've requested Mr. Largent to execute and return one (1) original of the Farmout Letter Agreement to me.

Should you have any questions regarding the above, please call me. Your cooperation in connection with the above is greatly appreciated.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Rock Eagle Ranch Corp.
Mr. Richard Weinberg
713-667-6344

11-25-03: Mr. Weinberg called this date inquiring about his interest. Advised him he had a 1.6238% WI and .8944729% NRI (approx 73% NRI) and approx 1.9581 Net ac. in S/2 spacing unit which gave him a 0.6119% unit interest. Offered to purchase a 2 yr. term assignment of all of his interest in E/2 on basis of \$150.00/Net acre ($320 \times 1.2238\% = 3.91616$ Net ac.) = \$587.43. Mr. Weinberg said he'd get back with me. Should we push up our drilling schedule, I'll get back with him.

2-20-04: Called Mr. Weinberg this date regarding our well proposal. Left message for him to call me.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 14, 2003

Via Certified Mail-Return Receipt No. 2160

Rock Eagle Ranch Corporation
P.O. Box 458
Bellaire, Texas 77402

*Mr. Richard Weinberg
713-667-6344*

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

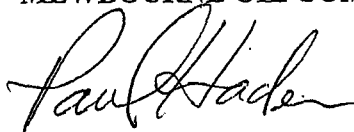
In reference to the above, records indicate Rock Eagle Ranch Corporation (Rock Eagle) owns a 1.2238% WI and a .8934% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface.

In the event Rock Eagle elects to participate in the subject proposed well, please have the attached AFE executed and I will forward you our Operating Agreement for consideration and execution. In the event your firm elects not to participate in the proposed well, Mewbourne would be agreeable to acquiring a two (2) year term assignment of all of your firm's right, title and interest in the referenced depths on the basis of \$100.00 per net acre.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Rock Eagle Ranch Corporation
P.O. Box 458
Bellaire, Texas 77402

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Richard E. Wandy☐ Agent☐ Addressee

B. Received by (Printed Name)

Richard E. Wandy

C. Date of Delivery

11-18-03

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7000 0520 0020 9192 2160

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1035

Saladan 32 Fee Com #1

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

January 27, 2004

Dolores C. McCall
P.O. Box 2206
Midland, Texas 79702

Re: MOC Saladar "32" #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mrs. McCall:


Reference is made to my previous letter dated November 18, 2003 (see copy enclosed) wherein Mewbourne Oil Company as Operator proposed drilling the captioned well. To date you have not responded to our well proposal.

Eddy County records indicate you own a 0.0726% WI and a 0.0529% NRI as to rights below the base of the Bone Spring formation in the E/2 of the captioned Section 32. In the event you elect not to participate in the referenced proposed well, Mewbourne would be willing to acquire your referenced interest in the E/2 of the captioned Section 32 for \$100.00 cash in lieu of your interest being force pooled. You would retain whatever interest you own in the rights from the surface through the base of the Bone Spring formation as well as any currently producing wells and the production therefrom as to such shallow rights.

In the event you elect to participate as to your .0363% unit working interest in the captioned proposed well, please sign and return the enclosed AFE and I'll forward you our proposed Operating Agreement for execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 18, 2003

Via Certified Mail-Return Receipt No. 2221

Dolores L. McCall
P.O. Box 2206
Midland, Texas 79702

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mrs. McCall:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate you own a 0.0726% WI and a 0.0529% NRI in the SE/4 (.11616 net acres) as to depths between 6614' to 11,600' beneath the surface.

In the event you elect to participate in the subject proposed well, please sign the attached AFE and I will forward you our Operating Agreement for consideration and execution. In the event you elect not to participate in the proposed well, Mewbourne would be agreeable to purchasing all of your right title and interest below a depth of 6614' in the referenced SE/4 of the captioned Section 32 for \$50.00 cash.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dolores L. McCall
P.O. Box 2206
Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☒ Agent
Cassie Under ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

Cassie Under *11-20-03*

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below



3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Restricted Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7000 0520 0020 9192 2221

PS Form 3811, August 2001

Salvador 32 Fee Com #1

Domestic Return Receipt

102595-02-M-1035

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

February 20, 2004

Mr. Charles Cline Moore
138 Harvard Ave.
Mill Valley, CA 94941

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mr. Moore:

Reference is made to my previous letter dated November 18, 2003 (see copy enclosed) wherein Mewbourne Oil Company as Operator proposed drilling the captioned well. To date you have not responded to our well proposal.

Title examination indicates you own a .02903% WI as to rights below 6614' through the base of the Morrow formation in the SE/4 of the captioned Section 32. On a unit basis, you own a .014515% WI in the captioned spacing unit.

In the event you elect to participate as to your .014515% unit working interest in the captioned proposed well, please sign and return the enclosed AFE and I'll forward you our proposed Operating Agreement for execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 18, 2003

Mr. Charles Cline Moore
138 Harvard Avenue
Mill Valley, CA 94941

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mr. Moore:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate you own a 0.0291% WI and a 0.0213% NRI in the SE/4 (.04656 net acres) as to depths between 6614' to 11,600' beneath the surface.

In the event you elect to participate in the subject proposed well, please sign the attached AFE and I will forward you our Operating Agreement for consideration and execution. In the event you elect not to participate in the proposed well, Mewbourne would be agreeable to acquiring your interest below 6614' in the SE/4 of the captioned Section 32 on the basis of \$50.00 cash which includes the Notary Public fee for executing the assignment into Mewbourne.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Follow up call this date
to Paula left message
for her to call me.

PH.
5/21/04

Re: Davis Bros.

Paula called back and said
she would talk to Lee Davis
to see what they would do
and would get back with me. She's
to send me their lease form. Received
lease form this afternoon.

Advised Paula the lease form is
acceptable. We have a deal.
She's to have lease executed.

PH.
5-24-04

Paula Thorton
W/ Davis Bros.

918-584-3581 ext. #251

She called this date
regarding our lease offer
and the pooling hearing.
Advised her what their options
were.

- 1) join
- 2) lease
- 3) pooled @ well cost +200%.

Advised her we really wanted
to lease the interval below
11,600 as a precaution. She'll
get back with me.

PT

5-13-04

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

April 21, 2004

Certified Mail-Return Receipt No. 6293

Davis Bros., L.L.C.
320 So. Boston Ave., Suite 1000
Tulsa, OK 74103-3703
Attn: Mr. Lee H. Davis

Re: MOC's Saladar "32" Fee Com. #1 Well
660' FSL & 1650' FEL
Section 32, T20S, R28E

Gentlemen:

Eddy County records indicates Davis Bros., L.L.C. (Davis) owns an undivided ½ interest in the minerals below a depth of 11,600' beneath the surface in the NE/4SW/4 and SE/4 of the captioned Section 32 which rights are currently unleased.

Regarding the above, Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Morrow formation estimated total depth being 11,800' beneath the surface.

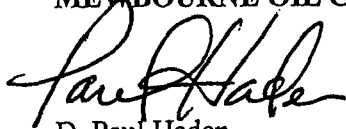
In reference to the above, you are hereby afforded the opportunity to participate in the proposed well to the extent of your interest below 11,600'. Enclosed for your information in this connection is a copy of our AFE for the proposed well. Alternatively, Mewbourne offers to purchase a three (3) year paid-up Oil and Gas Lease from you on the basis of \$50.00 per net acre with such lease providing a one-quarter (1/4) royalty interest.

For your information, the Keystone #1 Well which is currently operated by Maralo, Inc. was drilled to a total depth of 11,600' beneath the surface in the SW/4NE/4 wherein such well was originally dedicated to the E/2 of the captioned Section 32. Such well was drilled under the terms of an Oil and Gas Lease dated August 3, 1973 executed by Elliott Davis, et al as Lessor and Coquina Oil Corp. as Lessee (see copy enclosed). You'll note that such lease terminated as to rights below the deepest depth penetrated in the E/2 of the captioned Section 32 after the end of the primary term.

As Mewbourne anticipates commencing drilling operations within 180 days, we would appreciate receiving a response from you soon. Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY


D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Davis Bros., L.L.C.
320 So. Boston Ave., Suite 1000
Tulsa, OK 74103-3703
Attn: Mr. Lee H. Davis

2. Article Number
(Transfer from service label)

7003 1680 0006 6283 6293

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

Saladai 32 Ice Corn #1

COMPLETE THIS SECTION ON DELIVERY

A. Signature *x R. Sherrell* ☐ Agent ☒ Addressee

B. Received by (Printed Name) *R. Sherrell* C. Date of Delivery *1/20/04*

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 13, 2004

Bilberry Exploration, Inc.
1020 N.W. Freeway, Suite 231
Houston, Texas 77092
Attn: Mr. Michael C. Bilberry

Re: Saladar "32" Federal Com. #1
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mr. Bilberry:

Enclosed for your further handling is our proposed Operating Agreement dated May 10, 2004 for the captioned land and well prepared in duplicate. Also enclosed is our AFE dated April 6, 2004 in duplicate prepared for signature.

In reference to the above, please have the enclosed agreements and AFE executed in the event your firm elects to participate in the proposed well. Please return one (1) executed Operating Agreement and one (1) signed AFE to me at your earliest convenience. Retain one (1) of each for your file.

Upon our receipt of the requested Operating Agreement and AFE, your firm's interest will no longer be subject to the compulsory pooling hearing due to occur May 27th.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Mike Bilberry w/
Bilberry Expl. called
this date, he had
concerns regarding the
pooling. I advised him he
was added to the pooler
list as we had no AFE
on JOA signed by him yet.
Advised him I would have
JOA to him by next week.
We'll dismiss him upon his
execution of the AFE and JOA.

At 5-10-04

Bilberry Expl., Inc.

Mike Bilberry

(O) 713-688-6871

(C) 713-305-1700

He says he purchased 1/3
of Axis Energy's interest.
Axis Energy had already
signed the AFE. I'll
send him one for execution.

4/21/04

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 13, 2004

Desert States Energy, Inc.
125 East Baja Drive
Hobbs, New Mexico 88240
Attn: Mark D. Clarke

Re: Saladar "32" Federal Com. #1
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mark:

Enclosed for your further handling is our proposed Operating Agreement dated May 10, 2004 for the captioned land and well prepared in duplicate. Also enclosed is our AFE dated April 6, 2004 in duplicate prepared for signature.

In reference to the above, please have the enclosed agreements and AFE executed in the event your firm elects to participate in the proposed well. Please return one (1) executed Operating Agreement and one (1) signed AFE to me at your earliest convenience. Retain one (1) of each for your file.

Upon our receipt of the requested Operating Agreement and AFE, your firm's interest will no longer be subject to the compulsory pooling hearing due to occur May 27th.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

March 11, 2004

Desert States Energy, Inc.
125 E. Baja Drive
Hobbs, New Mexico 88240
Attn: Mr. Mark D. Clarke

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mark:

As discussed, Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

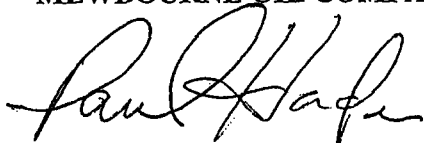
In reference to the above, records indicate Desert States Energy, Inc. (Desert States) owns a 1.2788% WI and a .9189% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface. On a unit basis for the proposed well, Desert States owns approximately a 0.6394% WI.

In the event the Desert States elects to participate in the subject proposed well, please have the attached AFE executed and I will forward you our Operating Agreement for consideration and execution. In the event your firm elects not to participate in the proposed well, Mewbourne would be agreeable to acquiring a two (2) year term assignment of all of your firm's right, title and interest in the referenced depths on the basis of \$100.00 per net acre.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

March 10, 2004

Via Certified Mail-Return Receipt No. 6033

Desert States Energy, Inc.
125 E. Baja Drive
Hobbs, New Mexico 88240
Attn: Mr. Mark D. Clarke

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Dear Mr. Clarke:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate Desert States Energy, Inc. (Desert States) owns a 1.2788% WI and a .9189% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface. On a unit basis for the proposed well, Desert States owns approximately a 0.6394% WI.

In the event the Desert States elects to participate in the subject proposed well, please have the attached AFE executed and I will forward you our Operating Agreement for consideration and execution. In the event your firm elects not to participate in the proposed well, Mewbourne would be agreeable to acquiring a two (2) year term assignment of all of your firm's right, title and interest in the referenced depths on the basis of \$100.00 per net acre.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

*Desert States Energy, Inc.
125 E. Baya Drive
Hobbs, N. M. 88240
Attn: Mr. Mark D. Clonkey*

2. Article Number

(Transfer from service label)

7003 1680 0006 6283 6033

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

Salador 32 Fee Com #1

COMPLETE THIS SECTION ON DELIVERY

A. Signature

Mark R. Clonkey ☒ Agent ☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

3-12-04

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Re: DESERT STATES ENERGY, INC.

125 E. BALJA

505-393-1050

HOBBS, NM 88240

MARK D. CLARKE, PRES.

PER MARALO'S STUART DIRKS -

THE LAST ADDRESS THEY HAVE IN THEIR SYSTEM AS TO
THEIR KEYSTONE LEASES IN THE E/2 SECTION 32, T20S, R29E
IS THE ADDRESS DESCRIBED ABOVE. THEY CURRENTLY HAVE
AN OPERATOR'S LIEN ATTACHED TO HIS INTEREST AS TO
NON-PAYMENT OF BILLS.

RA.
3/10/04

RTIFIED MAIL

FIRST • CLASS

FIRST • CLASS

FIRST • CLASS

0020 9192 2177

★ ★ ★
★ ★ ★
1160
0150
3911

FIRST CLASS M

7000 0520 002 9192 2177

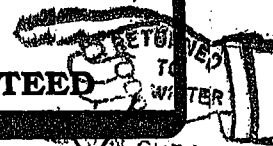
102595-02-M-1035

Domestic Return Receipt
Salada 32 Jee Com #1

PS Form 3811, August 2001

2. Article Number
(Transfer from service label)

FROM
MEWBOURNE OIL COMPANY
500 WEST TEXAS, SUITE 1020 MIDLAND, TEXAS 79701
SHIP TO
Desert States Energy, Inc. 125 E. Baja Hobbs, New Mexico 88240
RETURN POSTAGE GUARANTEED



11-15-03
NAME _____
1st Notice 11-26
2nd Notice 11-29
Return 11-29

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

November 14, 2003

Via Certified Mail-Return Receipt No. 2177

Desert States Energy, Inc.
125 E. Baja
Hobbs, New Mexico 88240

Re: MOC Saladar "32" Fee Com. #1 Well
S/2 of Section 32, T20S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes drilling the captioned well at a location 660' FSL & 1650' FEL of the captioned Section 32 to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The S/2 of the captioned Section 32 will be dedicated to the initial proposed well. Enclosed for your information and consideration is our AFE dated November 11, 2003.

In reference to the above, records indicate Desert States Energy, Inc. (Desert States) owns a 1.2788% WI and a .9189% NRI in the SE/4 as to depths between 6614' to 11,600' beneath the surface.

In the event Desert States elects to participate in the subject proposed well, please have the attached AFE executed and I will forward you our Operating Agreement for consideration and execution. In the event your firm elects not to participate in the proposed well, Mewbourne would be agreeable to acquiring a two (2) year term assignment of all of your firm's right, title and interest in the referenced depths on the basis of \$100.00 per net acre.

Please call should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb