

HOLLAND & HART LLP



William F. Carr
wcarr@hollandhart.com

February 17, 2004

HAND DELIVERY

RECEIVED

FEB 17 2004

Ms. Lori Wrotenberg, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13238

IMMEDIATE ACTION REQUIRED

Re: Application of Vernon E. Faulconer, Inc. and Faulconer Energy General Partner, LLC, individually and as General Partner for Faulconer Resources 2000 LP for cancellation of a drilling permit and Staying Mewbourne Oil Company from commencing operations, Eddy County, New Mexico.

Dear Ms. Wrotenberg:

Enclosed in triplicate is the Application of Vernon E. Faulconer, Inc. et al. seeking the cancellation of a drilling permit and staying Mewbourne Oil Company from commencing drilling operations pursuant to that APD. Also enclosed is the proposed legal advertisement for this case. Vernon E. Faulconer requests that the Division set this matter for hearing at the earliest possible date.

Pursuant to Rule 1202, Vernon Faulconer, Inc. et al. request the entry of an emergency order in this matter. This action by the Division is necessary to protect the correlative rights of Vernon Faulconer in this matter.

Very truly yours,

William F. Carr

Enclosures

cc: James Bruce, Esq.
Darrell Garrett
Vernon E. Faulconer, Inc.
Susan R. Richardson, Esq.
Cotton, Bledsoe, Tighe & Dawson, P.C.

Holland & Hart LLP

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

CASE 13238

Application of Vernon E. Faulconer, Inc. and Faulconer Energy General Partner, LLC, individually and as General Partner for Faulconer Resources 2000 LP for Cancellation of a Drilling Permit and an Emergency Order Staying Mewbourne Oil Company from Commencing Operations, Eddy County, New Mexico. Applicant seeks an order cancelling a drilling permit and ordering operations halted on the well proposed to be drilled from a surface location 823 feet from the South line and 945 feet from the East line of Section 19, Township 21 South, Range 27 East, to a bottomhole location 606 feet from the South line and 696 feet from the east line of Section 30, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico. The well spacing unit is located approximately 2 miles north of Carlsbad, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF VERNON E. FAULCONER, INC.,
FAULCONER ENERGY GENERAL PARTNER, LLC,
INDIVIDUALLY AND AS GENERAL PARTNER FOR
FAULCONER RESOURCES 2000 LP FOR CANCELLATION
OF A DRILLING PERMIT AND AN
EMERGENCY ORDER OF THE DIVISION,
EDDY COUNTY, NEW MEXICO.**

RECEIVED

FEB 17 2004

**Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505**

CASE NO. 13238

**APPLICATION OF VERNON E. FAULCONER, INC. AND
FAULCONER ENERGY GENERAL PARTNER LLC, INDIVIDUALLY AND AS GENERAL
PARTNER FOR FAULCONER RESOURCES 2000 LP FOR CANCELLATION OF A
DRILLING PERMIT AND AN EMERGENCY ORDER STAYING
MEWBOURNE OIL COMPANY FROM COMMENCING OPERATIONS**

COMES NOW VERNON E. FAULCONER, INC. AND FAULCONER ENERGY GENERAL PARTNER LLC, INDIVIDUALLY AND AS GENERAL PARTNER FOR FAULCONER RESOURCES 2000 LP (collectively "Faulconer") by its attorneys, William F. Carr, Holland & Hart, LLP and Susan R. Richardson, Cotton, Bledsoe, Tighe & Dawson, P.C., pro hac vice, in accordance with Division Rule 1202 (19 NMAC 15.N.1202), applies to the New Mexico Oil Conservation Division for an emergency order staying Mewbourne Oil Company's ("Mewbourne") application for permit to drill and from commencing operations to drill the La Huerta "30" 1-Y, Eddy County, New Mexico prior to the Division entering an order after notice and hearing concerning this matter;

And in support states:

RELIEF REQUESTED

- (1) There exists a dispute between Faulconer and Mewbourne over operations in the S/2 of Section 19 and the N/2 of Section 30, Township 21 South, Range 27 East, Eddy County, New Mexico;
- (2) Mewbourne has filed with the Oil Conservation Division District Office In Artesia, New Mexico (OCD-Artesia) an Application for Permit to Drill ("APD") the La Huerta "30" 1-Y-Well.
- (3) The supervisor of the Artesia Office of the Division has approved Mewbourne's APD.
- (4) Mewbourne's proposed La Huerta "30" 1-Y Well, has a surface location located on the S/2 of Section 19, traverses the subsurface of the N/2 of Section 30, and has bottom hole location on the S/2 of Section 30, T-21-S, R-27-E, Eddy County, New Mexico.

(5) Mewbourne is without authority to drill a well on the S/2 of Section 19 which traverses subsurface the N/2 of Section 30 for the reason that Faulconer owns the leasehold interest in the tracts underlying those two one-half sections.

(6) The Director of Division has primary jurisdiction over the approval of APDs and must now take emergency action to preclude Mewbourne from commencing the drilling of the well on the S/2 of Section 19 pending a resolution of the dispute between Faulconer and Mewbourne. **See 19 NMAC 15.C.102; 19 NMAC 15.M.1101; 19 NMAC 15.N.1202**

(7) This matter involves a title dispute between the parties which is now the subject of litigation filed with the District Court Clerk, Eddy County, New Mexico.

(8) There is good cause to issue an emergency order in this matter in order to maintain the status quo and preclude any party from gaining an unfair advantage over another while this matter is under consideration by the District Court.

INTRODUCTION

(9) On January 16, 2004, Mewbourne filed and obtained approval from the OCD-Artesia to drill the La Huerta "30" 1-Y Well on a surface location 823' from the South line and 945' from the East line of Section 19, Township 21 South, Range 27 East, to a bottomhole location 606' from the South line and 696' from the East line of Section 30, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico. **See Exhibit 1 (APD)**

(10) Mewbourne's right to drill and operate this well is predicated upon its assumption that it has a right to drill a well on the S/2 of Section 19 and through the subsurface of the N/2 of Section 30 without regard to Faulconer's leasehold rights.

(11) Faulconer and Mewbourne are respectively, Farmoutor and Farmoutee under that certain Farmout Agreement dated September 22, 2003. The Farmout Agreement would permit Mewbourne to drill a well on "Farmout Acreage" which includes the S/2 of Section 19 and the N/2 of Section 30. **See Exhibit 2 (Farmout Agreement)**

(12) Since the location of the bottom hole of Mewbourne's proposed La Huerta "30" 1-Y Well is located on the S/2 of Section 30, a one-half section in which Faulconer has no interest, the proposed Mewbourne well is not a well being drilled pursuant to the Farmout Agreement.

(13) However, Mewbourne's only authority to drill a well on the S/2 of Section 19 that also traverses the subsurface of the N/2 of Section 30 must necessarily arise from its rights as Farmoutee under the Farmout Agreement since it holds no leasehold acreage in the S/2 of Section 19 nor the N/2 of Section 30.

(14) Since Mewbourne is not drilling a well "on" Farmout Acreage, it has no right to an APD to drill a well on the S/2 of Section 19 which traverses subsurface through the N/2 of Section 30.

(15) On February 13, 2004, Faulconer filed litigation in the Fifth Judicial District Court, Eddy County, New Mexico, seeking a judicial determination, among other things, of Mewbourne's lack of authority to drill and operate a well on the disputed leasehold acreage subject to the Farmout Agreement. See Exhibit 3 (Original Complaint)

BACKGROUND

(16) Faulconer Resources 2000 LP is the owner of leasehold interests in the S/2 of Section 19, Township 21 South, Range 27 East, Eddy County, New Mexico, and the N/2 of Section 30, Township 21 South, Range 27 East, Eddy County, New Mexico as set out more fully in Exhibit "A" to the Farmout Agreement.

(17) Faulconer Resources 2000 LP is the successor-in-interest to TXO Production.

(18) On September 22, 2003, Mewbourne Oil Company and Vernon E. Faulconer, Inc. entered into a Farmout Agreement covering Faulconer's leasehold interest in Section 19 and the N/2 of Section 30, T-21-S, R-27-E, Eddy County, New Mexico.

(19) Pursuant to this Farmout Agreement, Mewbourne successfully drilled and completed a Morrow Well on Section 19 called the Esperanza "19" Federal Com. No. 1.

(20) On January 16, 2004, Mewbourne filed an Application for a Permit to Drill, Re-enter, Deepen, Plug Back or Add a Zone with the Oil Conservation Division which clearly sets forth its intention to drill the La Huerta "30" 1-Y Well with a surface location on the S/2 of Section 19, traversing the subsurface of the N/2 of Section 30 and with a bottom hole location on the S/2 of Section 30. The Permit was approved on January 16, 2004.

(21) Although the Farmout Agreement permits Mewbourne to drill wells on the S/2 of Section 19 and the N/2 of Section 30, there are restrictions. Specifically, Mewbourne is authorized to "drill an additional well at a location and to a depth of its choosing within the Farmout Acreage."

(22) Since the La Huerta well is not a well drilled within the Farmout Acreage because its bottom hole location is on the S/2 of Section 30, Mewbourne is without authority to drill a well whose surface location is on the S/2 of Section 19 and which traverses subsurface the N/2 of Section 30.

(23) Further, Mewbourne as Farmouttee under the Farmout Agreement, agreed not to "locate any additional well or wells closer than 1,320' to the above-referenced existing Farmoutor producing well bores located within the Farmout Acreage." Paragraph 4 of the Farmout Agreement

(24) Faulconer is the physical Operator of the Challenger-Rayroux No. 1 Well located on the S/2 of Section 19 and the McCord "A" No. 1 Well, which is located on the surface of the S/2 of Section 19, with its bottom hole location in the N/2 of Section 30.

(25) Mewbourne's proposed La Huerta "30" 1-Y Well is closer than 1,320' to these existing well bores referenced in Paragraph 24 above, in violation of the Farmout Agreement.

(26) Faulconer advised Mewbourne in letter dated February 9, 2004, that it had not obtained the requisite approval or consent to drill through Faulconer's leasehold in the S/2 of Section 19 and the N/2 of Section 30. See Exhibit 4

(27) Faulconer has commenced litigation seeking among other things a declaratory judgment from the District Court that Mewbourne's actions are in violation of Faulconer's leasehold rights in the S/2 of Section 19 and the N/2 of Section 30 and further in violation of the terms of the Farmout Agreement.

CONCLUSION

(28) Faulconer's correlative rights will be impaired if Mewbourne proceeds with its La Huerta "30" 1-Y Well prior to having this matter resolved either voluntarily or by the District Court.

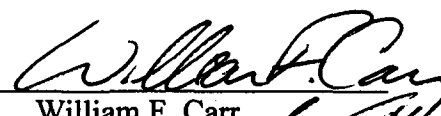
(29) The entry of an Emergency Order by the Division in accordance with Rule 1202 (19 NMAC 15.N.1202) will maintain the status quo and will not harm Mewbourne.

(30) Faulconer requests that:

(a) the Division cancel the drilling permit for the La Huerta "30" 1-Y Well (API #30-015-33183) within the S/2 of Section 19, T-21-S, R-27-E and the N/2 of Section 30, T-21-S, R-27-E, in Eddy County, New Mexico, enter an order staying Mewbourne Oil Company from commencing operations on this well pending further order of this Division.

(b) This matter should be set for hearing on the next available Division Examiner's docket.

Respectfully submitted,

By: 
William F. Carr
Holland & Hart LLP
110 North Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

Susan R. Richardson,
Cotton, Bledsoe, Tighe & Dawson, P.C.
P. O. Box 2776
Midland, Texas 79702
(432) 684-5782

VERIFICATION

STATE OF TEXAS

COUNTY OF SMITH

BEFORE ME, the undersigned Notary Public, on this day personally appeared Jean Crawley, Vice President of Vernon E. Faulconer, Inc., Faulconer Energy General Partner, LLC, and General Partner of Faulconer Resources 2000 LP, who, after being duly sworn, stated under oath that she is the duly authorized representative of Vernon E. Faulconer, Inc. and Faulconer Energy General Partner, LLC, General Partner of Faulconer Resources 2000 LP, that she has read the above Application of Vernon E. Faulconer, Inc. and Faulconer Resources 2000 LP, acting by and through Faulconer Energy General Partner, LLC, its General Partner, for an Emergency Order Staying Mewbourne Oil Company From Commencing Operations, and that every statement contained therein is within her personal knowledge, is reflected in public records and to the best of her knowledge and belief is true and correct.



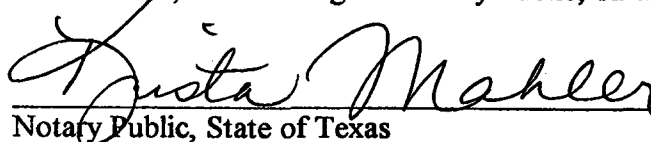
Jean Crawley

Vice President, Vernon E. Faulconer, Inc.

Vice-President, Faulconer Energy General Partner, LLC

Vice-President, Faulconer Resources 2000 LP

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned Notary Public, on this 17
day of February, 2004.



Notary Public, State of Texas

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised June 10, 2003

Cement to cover all oil, gas and
water bearing zones.

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Mewbourne Oil Company P. O. Box 5270 Hobbs, NM 88241 505-393-5905		² OGRID Number 14744
³ Property Code JAN 1 8 2004		⁴ API Number 30 - 015 - 33183
⁵ Property Name OCD-ARTESIA La Huerta "30" Fee Com		⁶ Well No. 1-Y

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	19	21S	27E		823	South	945	East	Eddy

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	30	21S	27E		606	South	696	East	Eddy

⁹ Proposed Pool 1 Burton Flat ; Morrow	¹⁰ Proposed Pool 2
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¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3142
¹⁶ Multiple No	¹⁷ Proposed Depth 11725	¹⁸ Formation Morrow	¹⁹ Contractor Unknown	²⁰ Spud Date 3-1-04

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	400'	400	Circ. To Surface
12-1/4"	9-5/8"	40#	2600'	1000	Circ. To Surface
8-3/4"	5-1/2"	17#	11725	600	500' Above Wolfcamp

NOTIFY OCD SPUD & TIME
TO WITNESS 5/8" CASING

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the press
Describe the blowout prevention program, if any. Use additional sheets if necessary.

BOP Program: 2K Hydril (See Exhibit #2) from surface casing to intermediate TD. Schaffler LWS or equivalent.
(Double Ram Hydraulic) 1500 Series with Hydril 900 Series (See Exhibit #2A) from intermediate
casing to total depth. Rotating Head, PVT, Flow Monitors and Mud Gas Separator from the Wolfcamp to TD.

Mud Program: 0' to 400'. Fresh Water, spud mud, lime for PH and LCM as needed for seepage.
400' to 2600'. Fresh Water, lime for PH and LCM as needed for seepage.
2600' to TD. 9.3# to 10# Brine, Caustic for PH, Starch for WL Control and LCM as needed for seepage.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Rick Taylor</i>	OIL CONSERVATION DIVISION Approved by: <i>Jim W. [Signature]</i> Title: SUPERVISOR, DISTRICT II Approval Date: JAN 1 6 2004 Expiration Date: JAN 1 6 2005
Printed name: Rick Taylor	
Title: Drilling Foreman	
E-mail Address:	

EXHIBIT 1

SEP 25 2003

VERNON E. FAULCONER, INC.



September 22, 2003

Mewbourne Oil Company
P. O. Box 7698
Tyler, Texas 75711

Attention: James Allen Brinson
Administrative Land Manager

RE: Section 19 & N/2 of Section 30
Township 21 South, Range 27 East
Eddy County, New Mexico

Gentlemen:

Vernon E. Faulconer, Inc., as Operator and Agent for Faulconer Resources 2000 Limited Partnership (hereinafter referred to as "Farmor") represent without warranty of title, either express or implied, that it is the present owner of those certain Oil, Gas and Mineral Leases described in Exhibit "A" covering those certain lands outlined in yellow on Exhibit "B" attached hereto and made a part hereof, and hereinafter referred to as "Farmout Acreage". Mewbourne Oil Company (hereinafter referred to as "Farmee") has expressed a desire to acquire a certain interest in the aforesaid leases by conducting drilling operations thereon, and this letter, when accepted by you in the space provided, shall set forth our Agreement.

I. TITLE INFORMATION

Farmor will not warrant title to the leasehold covered by this letter; however, Farmor agrees to make available to Farmee, at no cost to Farmor, such title information as Farmor may have in its files with the understanding that Farmor has no obligation to provide title information not presently available to them. Any additional title data obtained by Farmee shall be promptly provided to Farmor, at no cost and expense to Farmor.

II. TEST WELL

On or before February 1, 2004 or within sixty (60) days of securing regulatory approval, whichever date is later, Farmee will commence or cause to be commenced with a rig capable of reaching total depth, the actual continuous drilling of the well hereinafter referred to as the "Initial Test Well". Such well to be drilled in a good workmanlike manner with due diligence to a depth sufficient to thoroughly test the Morrow formation at an approximate location of 1980

mewbourne-nm
9/24/2003

1

EXHIBIT 2

feet FSL and 660 feet FEL of Section 19, Township 21 South, Range 27 East, Eddy County, New Mexico. Farmee shall provide Farmor with a copy of Farmee's well location plat prior to the commencement of any drilling operations.

The only consequence of your failure to drill the proposed "Initial Test Well", hereinabove provided for shall be the ipso facto cancellation of this agreement in its entirety.

Farmee's Initial Test Well drilled in accordance with this Agreement shall be at Farmee's sole risk, cost and expense, and shall be completed as a well capable of commercial production or plugged and abandoned as a dry hole, within ninety (90) days after reaching total depth or setting production casing, whichever is the later date. If prior to reaching the objective depth in the Initial Test Well, formations or conditions are encountered which would render further operations by a prudent operator impracticable or which may not be penetrated by the use of customary drilling/reworking procedures, (hereinafter referred to as "impenetrable conditions"), Farmee shall plug and abandon said well at Farmee's sole expense in accordance with the landowners and in accordance with the rules and regulations of the New Mexico Oil Conservation Division (NMOCD). In the event impenetrable conditions are encountered prior to reaching the objective depth, Farmee shall earn no interest in the Farmout Acreage; however, Farmee shall have the right to extend the terms of this Agreement if it commences a substitute Initial Test Well within ninety (90) days from the date of plugging and abandoning the Initial Test Well.

In the event Farmee drills a substitute Initial Test Well, the same shall be drilled in accordance with the terms and conditions contained herein which are applicable to the Initial Test Well. Any well drilled under this agreement that is not completed as a well capable of commercial production shall be plugged and abandoned at Farmee's sole cost, risk and expense including but not limited to the restoration of the surface of said lands and damage settlements in accordance with the landowners and the rules and regulations of the governmental authorities having jurisdiction thereof.

It is understood and Farmee agrees that all operations by Farmee pursuant to this Agreement shall be conducted in accordance with and subject to all the terms and conditions of the current Oil, Gas and Mineral Leases. Farmee further agrees that they shall conduct their operation in accordance with prudent oil field practices and in compliance with all applicable laws, rules and regulations of the state and federal governments or any agent thereof. In accepting this Agreement, Farmee agrees to protect, indemnify and hold Farmor harmless from any and all loss, claims, demands, damages and expenses to which Farmor may be subject as a direct or indirect result of Farmee's operations under the terms and conditions of this Agreement. Within thirty (30) days after the acceptance by Farmee of this agreement Farmee shall have the option to conduct an environmental assessment or audit of the lands subject to this Farmout. Within such thirty (30) day period Farmee shall advise Farmor of any material adverse environmental conditions which it finds unacceptable. Within thirty (30) days after such notice Farmor shall either remedy such objection or remove the affected area from the Farmout area.

Farmee shall dispose of or discharge any of its waste arising from its operations on the subject land in accordance with applicable local, state, and federal regulations. When, and if,

any lease subject to this farmout is terminated, Farmee shall be required to take whatever remedial action is necessary to meet any local, state or federal requirements directed at protecting human health and the environment in effect at that time which may arise as a result of Farmee's operations on the Farmout acreage.

Farmee will not sell, assign or otherwise dispose of said property, or any part thereof, without prior written consent of Farmor, which consent shall not be unreasonably withheld, provided, however, this prohibition shall not apply to oil and/or gas produced and severed from the subject interest provided for herein.

During the term of this agreement and otherwise, Farmee shall not attempt to downspace the existing units covered by this agreement. Further, no part of the said lands within said unit shall be pooled with other lands without Farmor's prior written consent.

Farmor agrees to support and cooperate with Farmee in obtaining the necessary Commission approvals to drill the Initial Test Well at the above referenced location. For the purpose of complying with the rules and regulations of the New Mexico Oil Conservation Division only, upon successfully completing the Initial Test Well as a commercial producer in the S/2 of Section 19, Farmee would be designated as the operator of record of the communitized S/2 of Section 19. However, Farmor would continue to be the physical operator of the Challenger-Rayroux No. 1 Well. Likewise, upon completing wells as commercial producers in the N/2 of Section 19 and/or the N/2 of Section 30, Farmee would be designated as the operator of the respective communitized 320 acre spacing units for NMOCD purposes only, while Farmor would remain the physical operator of the Pioneer Federal No. 1 Well and the McCord "A" No. 1 Well.

III. ASSIGNMENT

Any assignment earned by Farmee under the terms of this Agreement shall be made without warranty of title, either express or implied. Farmor reserves all rights not herein specifically stated to be conveyed or assigned.

When Farmee has drilled the Initial Test Well provided for herein, has completed it as a well capable of commercial production in the Objective Formation or any other formation covered by this agreement and provided that Farmee has fully complied with all terms, provisions and conditions, herein contained, upon written request to Farmor and the submittal of the applicable Well Completion Notice or Form, Farmor shall prepare, execute and deliver to Farmee, a recordable assignment, conveying One Hundred Percent (100%) of the Farmor's right, title, and interest in and to the oil, gas and mineral leases, as to the wellbore only of the Initial Test Well from the surface to 100' below the base of the deepest formation in which a commercial completion is made but in no case deeper than 100' below the base of the Morrow formation.

Farmor shall retain and except from any assignment earned hereunder all rights to its leasehold throughout the farmout area outside of the wellbore(s) of Farmee's well(s).

Further, Farmor saves and excepts all rights within the wellbores of its existing Challenger-Rayroux No. 1 Well located in the S/2 of Section 19, the Pioneer Federal No. 1 Well located in the N/2 of Section 19, and the McCord "A" No. 1 Well located in the N/2 of Section 30, together with the right to produce the wellbores to their full deliverability. The balance of the unit allowable would be allocated to the wells drilled by Farmee under the terms of this agreement.

Farmee shall as a condition precedent to earning any interests hereunder, pay or make satisfactory arrangements to pay all costs and expenses and bear all liabilities in connection with the drilling, completing, equipping or the plugging and abandonment of any well drilled by Farmee hereunder, together with all costs of marketing production therefrom, including without limitation, the building and operation of any necessary compression, treating or production facilities, salt water disposal facilities and gathering lines and shall furnish Farmor with satisfactory evidence of payment or finance of same. Farmor shall have the recurring right to audit Farmee to ensure compliance with this paragraph and all other provisions of this Agreement.

Further, in the event Farmee earns an assignment as herein provided, Farmor will except and reserve unto itself, an overriding royalty equal to the difference between thirty (30%) of eight-eighths (8/8) and all presently existing lease burdens, including, without limitation, any existing landowner royalty and overriding royalty of record, free and clear of all costs of exploring, drilling, producing, separating, treating, marketing, compressing and taxes, except for production taxes.

The overriding royalty interest retained herein shall be subject to a proportionate reduction to the extent that the Farmor interest covers less than the full mineral or leasehold interest in or to the leases and lands described in Exhibit "A". The overriding royalty retained hereunder shall not be reduced by any reformation of the unit.

Farmee will be obligated and held responsible to the Farmor for one hundred percent (100%) of the proceeds attributable to the overriding royalty interest retained by Farmor under this agreement. Failure to remit such payment to Farmor within one hundred and twenty (120) days from the date of first sales of any well drilled under this agreement shall result in interest accruing on said proceeds at the rate of twelve (12) percent per annum or the maximum rate allowed by law, whichever is the lesser amount, however, if after 30 days from receipt of written notice for payment of the proceeds attributable to the overriding royalty interest Farmor has not received said payment, then Farmor shall have the option to terminate the rights earned by Farmee under this agreement.

In the event Farmor exercises said option to terminate this Agreement, Farmee shall, within forty-five (45) days, deliver unto Farmor a recordable reassignment of the rights earned under this Agreement.

IV. CONTINUOUS DEVELOPMENT

Upon completion of the Initial Test Well as a commercial producer or as a dry hole, Farmee would have the option, but not the obligation, within six (6) months from February 1, 2004, or within six (6) months from the date of completion of the Initial Test Well, whichever is the later date, to drill an additional well at a location and to a depth of its choosing within the Farmout Acreage. Subsequent additional wells within the Farmout Acreage would be drilled at one hundred eighty (180) day intervals thereafter in order to perpetuate Farmee's rights under this Agreement. All such additional well or wells drilled by Farmee within the Farmout Acreage under the terms of this Agreement would be drilled at locations approved by the New Mexico Oil Conservation Division. Without the written consent of Farmor, Farmee agrees not to locate any such additional well or wells closer than 1,320' to the above referenced existing Farmor producing wellbores located within the Farmout Acreage.

Upon failure by Farmee to timely drill and complete the Initial Test Well or any additional well or wells, this Agreement shall terminate as to all lands outside the wellbores previously earned by Farmee.

Farmee shall have the option of extending the commencement date for the Initial Test Well and/or any additional well or wells for an additional one hundred eighty (180) days by paying to Farmor an additional cash consideration of \$48,000.00 on or before the commencement date for the respective well.

Upon the completion of any additional well or subsequent additional wells capable of commercial production, Farmee shall earn an Assignment of the Farmout Acreage as provided elsewhere herein.

V. RIGHT TO TEST WELL INFORMATION

In drilling any well hereunder, Farmee agrees:

- (a) To conduct all operations in accordance with industry standards prevailing in the area where the well is drilled.
- (b) Notify Farmor when drilling of a well is commenced and, until completed, furnish Farmor daily drilling reports, copies of all logs, cores, tests and other evaluation data obtained in any well, and with notice in sufficient time for Farmor to be present to observe the logging and other evaluation operations. One copy of all of the foregoing shall be sent to the attention of Bob Jemison, Vernon E. Faulconer, Inc., 1803-H Mills Hwy., Beaux Bridge, Louisiana 70517, with another copy to the address listed below.
- (c) **THE DAILY REPORTS SHALL BE FAXED ON A DAILY BASIS TO (903) 581-5072 AND (337) 332-4019.**

(d) Allow Farmor and its respective representatives, at their risk, free access to the premises and to the derrick floor at all times;

(e) Furnish to Farmor copies of pertinent well data, including copies of all notices and reports filed with the Federal, State and local agencies, including the applicable state oil and gas regulatory and conservation commission, and;

(f) Provide and carry with responsible insurance companies, acceptable to Farmor, insurance to cover the risk as stated in Exhibit "C".

(g) After completion of the well monthly production reports shall be mailed to Farmor within forty-five (45) days after the end of the production month.

Any notices to be given, unless otherwise specified, shall be addressed as follows:

Vernon E. Faulconer, Inc.
Attn.: Jean Crawley/Roy Sloan
P.O. Box 7995
Tyler, Texas 75711
Telephone #903/581-4382
Facsimile #903/581-5072 and #903/581-2111 respectively
E-mail jcrowley@vefinc.com

Further Farmee shall provide Farmor with the following during operations:

1. Directional Surveys
2. Completion Reports
3. Engineering Data: BHP, Buildup Surveys, Flow Tests, etc.
4. All Regulatory Documents
5. Final Mud Log
6. All Open Hole/Cased Hole Logs (1 field copy, 1 final copy)
7. All Open Hole Testing Reports

All information listed above should be sent to the following:

Vernon E. Faulconer, Inc.
P.O. Box 7995
Tyler, TX 75711
Attn: Buddy Sloan

Vernon E. Faulconer, Inc.
1803-H Mills Hwy.
Breaux Bridge, LA 70517
Attn: David J. Enright

FAX 903-581-2111
Voice 903-581-4382
E-mail rsloan@vefinc.com

FAX 337-332-4019
Voice 337-332-1726
E-mail vefbb@mail.centurytel.net

VI. SHUT-IN ROYALTIES

In the event it appears that Farmee will complete a gas well as a shut-in well during the term of this Agreement, Farmee shall give immediate notice of such intention and shall make timely payments of shut-in gas royalty and furnish Farmor proof of such payment at least ten (10) days prior to the date said payment is due. If the leases are held at such time by the production of Farmor's well(s), Farmor will advise Farmee that such payment of shut-in royalty is not due.

VII. RIGHT TO TAKE OVER WELL PRIOR TO ABANDONMENT

No well drilled on the Farmout Acreage shall be abandoned without Farmee first giving Farmor written notice thereof. Within thirty (30) days or, when the rig is on location, twenty-

four (24) hours, Farmor shall have the right to take over the well for such further operations as they wish to conduct. Farmor shall take immediate possession of the well and of its materials and equipment owned or controlled by Farmee and which may be used in connection with further operations on said well and the said well shall no longer be subject to this Agreement except that Farmor agrees to pay Farmee for the reasonable salvage value of any salvageable material. In addition, Farmor would then be responsible for all risks, liabilities, costs and expenses in connection with such further operations, from and after the effective date of transfer and Farmee will have no further liability under Article IX or any other provision hereof.

If Farmor does not complete the well as a producer, then Farmor agrees to plug and abandon the well at its sole costs and expense. This Agreement thereupon shall continue in full force and effect as to all Farmout Acreage, and the time for additional drilling shall be measured from the date such well is abandoned.

VIII. REASSIGNMENT OBLIGATION

If Farmee desires at any time to plug and abandon any well(s) drilled under the terms of this Agreement, Farmee shall notify Farmor in writing of its intentions thirty (30) days prior to said plug and abandonment. Farmor shall within thirty (30) days give Farmee written notice of its election to take over said well(s) and Farmor shall pay Farmee a reasonable salvage value for the equipment on the well(s). Farmee shall immediately surrender said well(s) to Farmor. Should Farmor elect not to take over said well(s), then Farmee will, within sixty (60) days, plug and abandon said well(s). Upon abandonment of all wells drilled under this Agreement, Farmee will deliver unto Farmor, or its designee, a recordable assignment of all leases covered hereunder. Such reassignment shall contain a special warranty of title, i.e., by, through and under Farmee but not otherwise in and to the farmout acreage.

IX. INDEMNITY AGREEMENT

Farmee will further indemnify and save Farmor harmless from any and all claims, demands or liability arising in whole or in part from the drilling, completion or operations of any

well drilled by Farmee, or its successors or assigns, subject to this Farmout Agreement, including reasonable attorneys' fees incurred by Farmor in the defense of any such claim or demand.

X. TERMINATION

This Agreement shall terminate and be of no further force and effect if Farmee does not establish production upon the Farmout Acreage in accordance with the terms and conditions of this Agreement.

XI. TAX EXCLUSION

It is not the purpose or intention of this Agreement to create, nor shall same be construed as creating a partnership relation, nor shall the parties hereunder be construed to be considered a joint venture. The liability of the parties hereto shall be several and not joint or collective. Each of the parties hereto elects, to be completely excluded from the application of all of the provisions of Subchapter "K" of the Chapter "I" of Subtitle "A", Sections 701-761, of the Internal Revenue Code of 1986.

XII. INSURANCE COVERAGE

In addition to the required insurance listed under Exhibit "C", Farmee is required to carry Operators Extra Expense Coverage, commonly referred to as Blow Out or Well Control Insurance, in the amount of at least \$250,000 during the drilling, completing, testing, reworking or recompleting of the test well or any subsequent well. The operator of the well shall provide an insurance certificate as proof of insurance prior to spud or start of work.

XIII. BINDING EFFECT

The terms and conditions hereof shall extend to and be binding upon the parties hereto and their respective heirs, successors, legal representatives and assigns; however, neither this Agreement nor any rights hereunder shall be assigned by Farmee to a third party without the written consent of Farmor, which shall not be unreasonably withheld.

XIV. PREFERENTIAL RIGHT TO PURCHASE

In the event that Farmee desires to accept a bona fide offer from a third party to purchase interest earned hereunder, Farmee shall notify Farmor who shall have fifteen (15) days to elect to purchase the interest that Farmee elects to sell for a price equal to the offer made to Farmee. Should Farmor desire to purchase said interest, Farmee shall assign to Farmor on the same basis as it would sell to the third party making the offer. In no case will Farmee ever make an assignment which includes a Warranty of Title.

This section shall not apply to a sale of all or substantially all of Farmee assets or to a sale or transfer of its interest to a subsidiary or parent company or other affiliated entity or individual.

XV. ROAD MAINTENANCE

It is the responsibility and obligation of Farmee or its assignee to maintain, repair or restore any existing lease roads, gates, cattle guards, and bridges it uses during its operations in a condition equal to its original condition at no expense to Farmor. After production is initiated road expense will be shared equally on jointly used roads.

XVI. EXTENSIONS AND RENEWALS

All interests, reservations and rights of Farmor in and to the herein described Farmout Acreage and the production therefrom provided for in this agreement shall extend not only to the Oil, Gas and Mineral Leases now owned or controlled by Farmor covering said lands, but also to any and all extensions by virtue of which said Leases are continued in force or renewals of said Oil, Gas and Mineral Leases which may be acquired by Farmee within twelve (12) months from the expiration of said Leases or any extensions or renewals thereof.

Farmee agrees to execute such further grants and assurances as may be requisite to vest in Farmor under any such extensions or renewals the same rights and interests in and to the lands described hereinabove and the production therefrom as are reserved by or granted to Farmor under the provisions of this Agreement.

If any new leases are taken, acquired or contracted for by or on behalf of Farmee covering any land which includes the Farmout acreage, or any part thereof, at any time prior to or within one (1) year after the expiration or termination of any lease(s) covered by this Agreement, Farmor shall automatically become the owner of the same overriding royalty interest, leasehold interest and other rights in any such new lease(s) that Farmor then owns in the lease(s) that are covered hereby or owned therein prior to expiration thereof, and Farmee agrees to promptly execute and deliver to Farmor such assignment(s) as may be necessary in order to evidence such ownership and vest in Farmor good and merchantable record title to said interests and rights in any such new lease(s), without cost or charge to Farmor and free and clear of any and all liens and encumbrances of every kind and character, by through and under Farmee. Such Assignment shall be filed of record in the applicable county or parish in the state where the land covered by such lease is situated, whereupon ownership of the interests reserved herein shall automatically be vested in Farmor.

The above provisions shall extend to and be binding upon all parties subject to this Agreement and shall extend to all leasehold acreage that may be assigned by Farmor unto Farmee under the terms hereof.

XVII. ADDITIONAL COMPENSATION

As additional compensation, Farmee agrees to pay Farmor Forty-Eight Thousand Dollars (\$48,000.00) upon execution of this Agreement, to be attached to the fully executed Agreement returned to Farmor within the time period provided below.

XVIII. FURTHER CONDITIONS

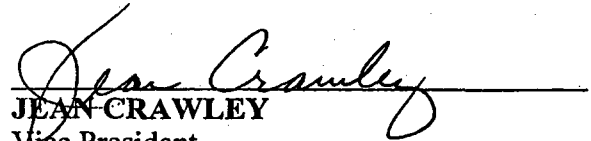
This agreement is made subject to that certain Letter Agreement dated August 27, 2003 by and between Farmor and Farmee. In the event of a conflict between the terms and provisions of this Agreement and said Letter Agreement, the terms and provisions of the Letter Agreement dated August 27, 2003 shall control.

In evidence of the fact that the foregoing currently expresses our agreement, please sign both copies hereof in the space provided below for your signature and return one executed copy to Farmor, it being understood that unless such accepted Agreement is received by us within thirty (30) days from the date hereof, Farmor shall not be bound by any of the provisions herein contained.

Sincerely,

VERNON E. FAULCONER, INC.

BY:


JEAN CRAWLEY
Vice President

AGREED TO AND ACCEPTED ON THIS
25th DAY OF September, 2003.

MEWBOURNE OIL COMPANY

BY:


JAMES ALLEN BRINSON
Attorney-In-Fact

EXHIBIT "A"

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT DATED SEPTEMBER 22, 2003 BY AND BETWEEN
VERNON E. FAULCONER, INC., AS AGENT FOR
FAULCONER RESOURCES 2000 LIMITED PARTNERSHIP, AS FARMOR
AND MEWBOURNE OIL COMPANY, AS FARMEE**

**MCCORD "A" UNIT
N/2 SEC. 30-T21S-R27E
EDDY COUNTY, NEW MEXICO**

LESSOR: Francis G. Tracy, Jr. and Bessie Driver Tracy Revocable Trust
LESSEE: TXO Production Corp.
DATED: June 5, 1984
RECORDED: Volume 238, Page 690, and all Ratifications thereto

LESSOR: Josephine Tracy Eddy Revocable Trust
LESSEE: TXO Production Corp.
DATED: June 5, 1984
RECORDED: Volume 238, Page 535

LESSOR: Augustine E. Carrasco, et ux
LESSEE: TXO Production Corp.
DATED: January 31, 1984
RECORDED: Volume 236, Page 1025

LESSOR: Paul B. Sanford, et ux
LESSEE: TXO Production Corp.
DATED: May 31, 1983
RECORDED: Volume 225, Page 1130

LESSOR: T. J. Pearson, Jr., et al
LESSEE: TXO Production Corp.
DATED: February 27, 1984
RECORDED: Volume 235, Page 156

LESSOR: J. D. Merchant, Jr., et al
LESSEE: TXO Production Corp.
DATED: February 27, 1984
RECORDED: Volume 234, Page 1197

LESSOR: R. T. Wright, et ux
LESSEE: TXO Production Corp.
DATED: May 21, 1984
RECORDED: Volume 238, Page 918

LESSOR: Eva Lee Weems
LESSEE: TXO Production Corp.
DATED: February 20, 1984
RECORDED: Volume 234, Page 808

LESSOR: William T. Griggs, et ux
LESSEE: TXO Production Corp.
DATED: May 25, 1983
RECORDED: Volume 229, Page 802

LESSOR: J. W. Potter, et ux
LESSEE: TXO Production Corp.
DATED: March 16, 1984
RECORDED: Volume 236, Page 123

LESSOR: Fred P. Harper, et ux
LESSEE: TXO Production Corp.
DATED: May 27, 1983
RECORDED: Volume 227, Page 247

LESSOR: Wayne Evrage, et ux
LESSEE: TXO Production Corp.
DATED: May 4, 1983
RECORDED: Volume 225, Page 93

LESSOR: Paul David Gibson
LESSEE: TXO Production Corp.
DATED: March 2, 1984
RECORDED: Volume 235, Page 162

LESSOR: Betty Jo Strayhorn
LESSEE: TXO Production Corp.
DATED: February 6, 1984
RECORDED: Volume 234, Page 1091

LESSOR: McCord Enterprises, Inc.
LESSEE: TXO Production Corp.
DATED: December 2, 1983
RECORDED: Volume 231, Page 1287

LESSOR: Vivian A. Laxson
LESSEE: TXO Production Corp.
DATED: February 22, 1984
RECORDED: Volume 234, Page 810

LESSOR: W. A. Medlin, et ux
LESSEE: TXO Production Corp.
DATED: February 6, 1984
RECORDED: Volume 263, Page 683

LESSOR: W. A. Medlin
LESSEE: TXO Production Corp.
DATED: February 6, 1984
RECORDED: Volume 234, Page 480

LESSOR: Helen B. Medlin
LESSEE: TXO Production Corp.
DATED: February 8, 1984
RECORDED: Volume 235, Page 1074

LESSOR: Earl Ray Forehand, et ux
LESSEE: TXO Production Corp.
DATED: March 8, 1984
RECORDED: Volume 236, Page 352

LESSOR: Nellie K. Sloan and Bobby Ray Sloan, as Joint Tenants
LESSEE: TXO Production Corp.
DATED: June 1, 1993
RECORDED: Volume 226, Page 82
CORRECTION: Dated August 16, 1983, recorded in Book 227, Page 249, to correct lease date to June 1, 1983

LESSOR: Everett L. Wheeler, et ux
LESSEE: TXO Production Corp.
DATED: February 8, 1984
RECORDED: Volume 234, Page 247

LESSOR: L. A. Johnson, et ux
LESSEE: TXO Production Corp.
DATED: February 8, 1984
RECORDED: Volume 235, Page 624

LESSOR: Russell G. Haworth, et ux
LESSEE: TXO Production Corp.
DATED: February 27, 1984
RECORDED: Volume 236, Page 116

LESSOR: Mary Brunt
LESSEE: TXO Production Corp.
DATED: March 9, 1984
RECORDED: Volume 236, Page 118

LESSOR: Lillian Claire Hammons
LESSEE: TXO Production Corp.
DATED: March 9, 1984
RECORDED: Volume 237, Page 218

LESSOR: Bertha Ann Rose
LESSEE: TXO Production Corp.
DATED: March 9, 1984
RECORDED: Volume 236, Page 817

LESSOR: Glen Edward Brunt
LESSEE: TXO Production Corp.
DATED: May 23, 1984
RECORDED: Volume 237, Page 1260

LESSOR: James W. Brunt
LESSEE: TXO Production Corp.
DATED: June 14, 1984
RECORDED: Volume 238, Page 538

LESSOR: Jean Kelly
LESSEE: TXO Production Corp.
DATED: April 12, 1984
RECORDED: Volume 238, Page 533

LESSOR: Samuel D. Tracy, et ux
LESSEE: TXO Production Corp.
DATED: February 8, 1984
RECORDED: Volume 235, Page 1076

LESSOR: Hilliard W. Gilbert, et ux
LESSEE: TXO Production Corp.
DATED: March 8, 1984
RECORDED: Volume 235, Page 164

LESSOR: Porter Katherine Middleton
LESSEE: TXO Production Corp.
DATED: March 8, 1984
RECORDED: Volume 235, Page 167

LESSOR: Wanda Mae Rauch
LESSEE: TXO Production Corp.
DATED: March 16, 1984
RECORDED: Volume 235, Page 1081

LESSOR: Ben C. Cavender, et ux
LESSEE: TXO Production Corp.
DATED: February 27, 1984
RECORDED: Volume 234, Page 812

LESSOR: Elmer L. Skinner, et ux
LESSEE: TXO Production Corp.
DATED: February 7, 1984
RECORDED: Volume 234, Page 1310

LESSOR: ^{Sig 533} Harold J. Trinder, et ux
LESSEE: TXO Production Corp.
DATED: April 12, 1984
RECORDED: Volume 236, Page 350

LESSOR: Robert H. Forrest, et al
LESSEE: R. F. Fort
DATED: June 8, 1981
RECORDED: Volume 201, Page 815

LESSOR: Roy Louis Rayroux, et al
LESSEE: Challenger Minerals, Inc.
DATED: December 3, 1982
RECORDED: Volume 218, Page 1101

LESSOR: Jean R. Dougherty
LESSEE: Challenger Minerals, Inc.
DATED: December 3, 1982
RECORDED: Volume 220, Page 51

LESSOR: Joseph W. Morrow, et ux
LESSEE: TXO Production Corp.
DATED: April 18, 1984
RECORDED: Volume 236, Page 1030

CHALLENGER-RAYROUX UNIT
S/2 SEC. 19-T21S-R27E
EDDY COUNTY, NEW MEXICO

LESSOR: USA NM-0354232
LESSEE: Mrs. Joan Chorney
DATED: April 1, 1963
RECORDED: N/A

LESSOR: Martin D. Boggs, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 468

LESSOR: Max D. Maloney, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 30, 1981
RECORDED: Book 207, Page 490

LESSOR: Jimmy O. Runkle, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 30, 1981
RECORDED: Book 207, Page 492

LESSOR: Frankie Viola Laman
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 506

LESSOR: Don A. Houston, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 499

LESSOR: Donald C. Harrison, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 497

LESSOR: Donald R. Devers, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 494
LESSOR: Frieda S. Howard
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 488

LESSOR: E. J. Hodges, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 444

LESSOR: Asper G. Pittman, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 446

LESSOR: W. Leo Bradley, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 448

LESSOR: Raymond M. Luebeck, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 450

LESSOR: Kenneth K. Wade, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 454

LESSOR: John E. Osborn, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 452
RATIFICATION: Dated January 10, 1983, recorded in Book 219, Page 535

LESSOR: Gary G. Davis, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 456

LESSOR: Martin H. Villa, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 458
LESSOR: T. B. Easley, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 462

LESSOR: H. J. Groom
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 460, and all corrections thereto

LESSOR: James C. Allen, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 464

LESSOR: J. Rhodes Harrell, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 466

LESSOR: Oscar L. Groom, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 472

LESSOR: H. C. Stripling, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 476

LESSOR: Morgan Moore, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 478

LESSOR: E. O. Arinder, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 480

LESSOR: Ernst A. Jordi, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 482

LESSOR: Lawrence W. Storment, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 484

LESSOR: Myrdell E. Wilson
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 486
RATIFICATION: Dated January 22, 1983, recorded in Book 221, Page 297

LESSOR: Charles W. Skipper, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 16, 1981
RECORDED: Book 207, Page 501

LESSOR: William A. Wood
LESSEE: Challenger Minerals, Inc.
DATED: April 28, 1981
RECORDED: Book 207, Page 395

LESSOR: Roy Louis Rayroux, et al
LESSEE: Challenger Minerals, Inc.
DATED: April 28, 1981
RECORDED: Book 207, Page 397

LESSOR: Henry Eppler, Jr., et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 439
CORRECTION: Dated June 4, 1981, recorded in Book 226, Page 1067 to change lease description.

LESSOR: Ernest O. Jowers, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 442

LESSOR: Rosie Lee Spencer
LESSEE: Challenger Minerals, Inc.
DATED: June 2, 1981
RECORDED: Book 207, Page 399

LESSOR: Gas Company of New Mexico
LESSEE: Challenger Minerals, Inc.
DATED: September 25, 1981
RECORDED: Book 207, Page 430

LESSOR: J. Vaughn Westaway
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 435

LESSOR: Frieda S. Howard
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 433

LESSOR: Margaret W. Johnson
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 437

LESSOR: Margurette Wilkinson, et al
LESSEE: Challenger Minerals, Inc.
DATED: December 30, 1981
RECORDED: Book 210, Page 889

LESSOR: Robert A. Mahaffey, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 402
RATIFICATION: Dated January 19, 1983, recorded in Book 219, Page 537

LESSOR: Joseph A. Williams, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 404

LESSOR: Albert McCarty, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 406

LESSOR: David Willis, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 13, 1981
RECORDED: Book 207, Page 408

LESSOR: Anna Bee Rogers
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 410

LESSOR: Edwin W. Wade, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 414

LESSOR: Ben Edward Taylor
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 418

LESSOR: Ray L. Miles, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 426

LESSOR: Emanuel Gospel Church
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 508

LESSOR: Shirley J. Sena
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 428

LESSOR: David H. O'Rear, et ux
LESSEE: Challenger Minerals, Inc.
DATED: June 4, 1981
RECORDED: Book 207, Page 420

LESSOR: Louisa E. Fry
LESSEE: Challenger Minerals, Inc.
DATED: November 17, 1981
RECORDED: Book 209, Page 352

LESSOR: Clifton Rupe, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 19, 1981
RECORDED: Book 209, Page 348
LESSOR: Glen W. Mears, et ux
LESSEE: Challenger Minerals, Inc.
DATED: December 16, 1981
RECORDED: Book 209, Page 356

LESSOR: Abel Rodriguez, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 209, Page 350

LESSOR: Terry Gene Caddell
LESSEE: Challenger Minerals, Inc.
DATED: December 16, 1981
RECORDED: Book 209, Page 354
RATIFICATION: Dated December 8, 1986, recorded in Book 273, Page 291

LESSOR: Charles L. Tubbs, et ux
LESSEE: Challenger Minerals, Inc.
DATED: December 17, 1981
RECORDED: Book 209, Page 358

LESSOR: Keith Gerald Littrell, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 412

LESSOR: Terry Lee Mullins, et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 416

LESSOR: William H. Pearman, Jr., et ux
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 424

LESSOR: County of Eddy for La Huerta Volunteer Fire Department, Inc.
LESSEE: Challenger Minerals, Inc.
DATED: October 27, 1981
RECORDED: Book 207, Page 474

LESSOR: Robert H. Forrest, et al
LESSEE: R. F. Fort
DATED: June 8, 1981
RECORDED: Book 201, Page 815

LESSOR: Glynn A. New, et ux
LESSEE: Challenger Minerals, Inc.
DATED: March 9, 1983
RECORDED: Book 221, Page 1085

LESSOR: Lloyd H. Garner, et ux
LESSEE: Challenger Minerals, Inc.
DATED: January 14, 1983
RECORDED: Book 222, Page 1191

LESSOR: Elsie V. Stuffings, et al
LESSEE: TXO Production Corp.
DATED: June 6, 1983
RECORDED: Book 225, Page 1128

LESSOR: Jackie Harrell
LESSEE: TXO Production Corp.
DATED: June 3, 1983
RECORDED: Book 226, Page 84

LESSOR: Albino O. Hernandez, et ux
LESSEE: TXO Production Corp.
DATED: June 13, 1983
RECORDED: Book 230, Page 373

LESSOR: Harvey Ryall Hicks, et ux
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated September 27, 2001,
recorded in Book 439, Page 380

LESSOR: Mattie Lee Britton
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated August 30, 2001,
recorded in Book 439, Page 407

LESSOR: Robert Gale Hicks
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated January 5, 2002,
recorded in Book 444, Page 14

LESSOR: Jo Nell Williams
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated August 29, 2001,
recorded in Book 439, Page 394

LESSOR: Bobbye Jean Wilson
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated October 10, 2001,
recorded in Book 439, Page 400

LESSOR: Mary B. Henley
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated November 27, 2001,
recorded in Book 439, Page 1103

LESSOR: William M. Hicks, Jr.
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Memorandum of Lease dated November 2, 2001,
recorded in Book 439, Page 386

LESSOR: Charles W. Hicks, et ux
LESSEE: TXO Production Corp.
DATED: November 23, 1983
RECORDED: Book ____, Page ____

**PIONEER FEDERAL COM.
N/2 SEC. 19-T21S-R27E
EDDY COUNTY, NEW MEXICO**

LESSOR: USA NM-0354232
LESSEE: Mrs. Joan Chorney
DATED: April 1, 1963
RECORDED: N/A

EXHIBIT "B-2"

ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT DATED SEPTEMBER 22, 2003 BY AND BETWEEN
VERNON E. FAULCONER, INC., AS AGENT FOR
FAULCONER RESOURCES 2000 LIMITED PARTNERSHIP, AS FARMOR
AND MEWBOURNE OIL COMPANY, AS FARMEE

CHALLENGER-RAYROUX UNIT
S/2 Sec. 19-T21S-R27E
Eddy County, New Mexico

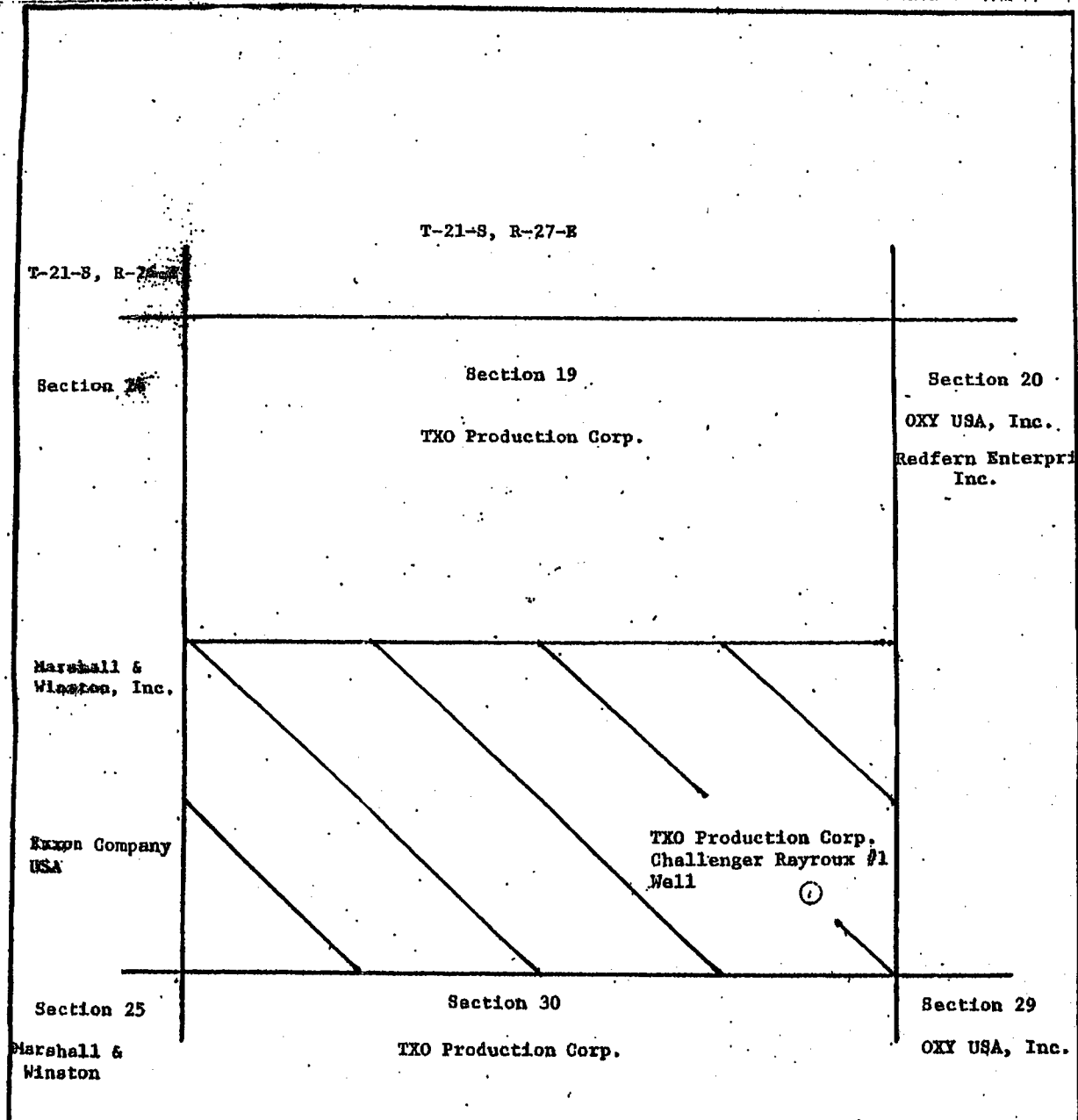


EXHIBIT "B-3"

ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT DATED SEPTEMBER 22, 2003 BY AND BETWEEN
VERNON E. FAULCONER, INC., AS AGENT FOR
FAULCONER RESOURCES 2000 LIMITED PARTNERSHIP, AS FARMOR
AND MEWBOURNE OIL COMPANY, AS FARMEE

PIONEER FEDERAL COM.
N/2 Sec. 19-T21S-R27E
Eddy County, New Mexico

TRACT NO. 2	TRACT NO. 1 240 ACRES FEDERAL LANDS LEASE NM 0354232
74.84 ACRES FEDERAL LANDS LEASE NM 0375287	PIONEER FEDERAL COM NO. 1

EXHIBIT "C"

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
FARMOUT AGREEMENT DATED SEPTEMBER 22, 2003 BY AND BETWEEN
VERNON E. FAULCONER, INC., AS AGENT FOR
FAULCONER RESOURCES 2000 LIMITED PARTNERSHIP, AS FARMOR,
AND MEWBOURNE OIL COMPANY, AS FARMEE,**

INSURANCE

Farmee and all subcontractors shall at all times while conducting operations hereunder carry insurance to protect and save Farmor hereto harmless as follows:

(a) Workmen's Compensation Insurance in accordance with the laws of the state in which the operations are to be conducted, and Employer's Liability Insurance with limits not less than \$10,000.00 for any one person, and not less than \$25,000.00 for any one accident.

(b) Public Liability Insurance with limits of not less than \$500,000.00 for any one person, and \$500,000.00 for any one accident; and Property Damage Liability Insurance with limits of not less than \$50,000.00 per accident.

(c) Automobile Public Liability Insurance with limits of not less than \$500,000.00 for one person, and not less than \$500,000.00 for any one accident; and Automobile Property Damage Insurance with limits or of not less than \$25,000.00 to cover all automotive equipment.

Farmee shall at all times comply with the laws of the state in which the operations are to be conducted covering Workmen's Compensation Insurance.

**FIFTH JUDICIAL DISTRICT COURT
STATE OF NEW MEXICO
COUNTY OF EDDY**

**FAULCONER RESOURCES 2000, LP, acting by
and through FAULCONER ENERGY GENERAL
PARTNER, LLC, its General Partner, and
VERNON E. FAULCONER, INC., Operator**

Plaintiffs,

vs.

No. _____

MEWBOURNE OIL COMPANY,

Defendant.

**PLAINTIFF'S ORIGINAL COMPLAINT FOR
TEMPORARY RESTRAINING ORDER AND INJUNCTIVE RELIEF**

TO THE HONORABLE JUDGE OF SAID COURT:

**COME NOW FAULCONER RESOURCES 2000 LP, acting by and through
FAULCONER ENERGY GENERAL PARTNER, LLC, its General Partner, and
VERNON E. FAULCONER, INC., Operator, Plaintiffs in the above-entitled and numbered
cause, and file this their Original Complaint for Temporary Restraining Order and Injunctive
Relief against MEWBOURNE OIL COMPANY, Defendant herein and in support thereof
would respectfully show the Court the following**

:

I.

PARTIES AND SERVICE

- 1. Plaintiff Faulconer Resources 2000 LP, is a Texas partnership, whose General Partner is Faulconer Energy General Partner LLC, a Louisiana Limited Liability Corporation.**
- 2. Plaintiff Vernon E. Faulconer, Inc. is a Texas Corporation authorized to do business and doing business in the State of New Mexico.**

3. Defendant, Mewbourne Oil Company ("Mewbourne") is a Delaware Corporation authorized to do business and doing business in the State of New Mexico and may be served with process through its registered agent CT Corp. System, 123 E. Marcy, Santa Fe, New Mexico 87501.

II.

JURISDICTION AND VENUE

4. Pursuant to New Mexico Statue 38-3-1(D), venue is mandatory in Eddy County, New Mexico, because the real property, ownership of which is at issue, is located there.

5. This Court has jurisdiction over the parties and the subject matter of this action.

III.

FACTS GIVING RISE TO THE COMPLAINT

No Authority To Drill Under Farmout as Planned

6. Plaintiff Faulconer Resources 2000 Limited Partnership, acting by and through Faulconer Energy General Partner, LLC, its General Partner ("Faulconer Partnership"), owns leasehold interests under the S/2 of Section 19, Township 21 South, Range 27 East, and the N/2 of Section 30, Township 21 South, Range 27 East, in Eddy County, New Mexico. Plaintiff Vernon E. Faulconer, Inc. ("Faulconer Inc.") is the Operator of leasehold interests owned by the Faulconer Partnership including the N/2 of Section 30, which is known as the McCord Unit. These entities will be referred to individually as indicated or collectively, as "Faulconer."

7. Plaintiff Faulconer Inc. is the physical operator of the Challenger-Rayroux No. 1 Well located on the S/2 of Section 19, and the McCord "A" No. 1 Well, which is located on the surface of the S/2 of Section 19, with its bottom hole location on the N/2 of Section 30.

8. Both the S/2 of Section 19 and the N/2 of Section 30 are lands covered by leases that are dedicated to that certain Farmout Agreement dated September 22, 2003 between Faulconer Inc. and Faulconer Partnership as Farmoutor and Mewbourne Oil Company as Farmoutee. (The Farmout Agreement is attached as Exhibit A to the Complaint and incorporated by reference as if fully set forth at length.)

9. Pursuant to this Farmout Agreement, Mewbourne successfully drilled and completed a Morrow well in Section 19 called the Esperanza "19" Federal Com. #1.

10. By letter dated January 12, 2004, Mewbourne has advised Faulconer that its next well will be the La Huerta "30" 1-Y. (This letter is attached as Exhibit B to the Complaint and incorporated by reference, as if fully set forth at length.)

11. Further, on January 16, 2004 Mewbourne filed an Application for Permit to Drill, Re-Enter, Deepen, Plugback or Add a Zone with the Oil Conservation Division that clearly sets forth its intention to drill the La Huerta well. (The Application is attached as Exhibit C to the Complaint and incorporated by reference, as if fully set forth at length.)

12. On that same day, January 16, 2004 Mewbourne was granted the Permit to Drill as set forth in their application.

13. Although the Farmout Agreement permits Mewbourne to drill additional wells, there are restrictions. Specifically, Mewbourne is authorized to "drill an additional well at a location and to a depth of its choosing within the Farmout Acreage." [Paragraph IV of the Farmout Agreement.] However, the Farmoutee also agrees not to "locate any such additional well or wells closer than 1,320' to the above referenced existing Farmor producing wellbores located within the Farmout Acreage." *Id.* By letter dated February 9, 2004, Faulconer advised Mewbourne that it had not obtained the requisite approval or consent to drill through Faulconer's

leasehold in the SE/4 of Section 19 and the N/2 of Section 30. (This letter is attached as Exhibit D to the Complaint and incorporated by reference, as if fully set forth at length.)

Violation Of Faulconer's Leasehold And Farmout Agreement Rights

14. The La Huerta Well proposed by Mewbourne violates Faulconer's leasehold rights and the Farmout Agreement in the following ways:

- a. The La Huerta Well's proposed surface location is within 1,320' of the surface location of both Faulconer's Challenger-Rayroux No. 1 Well and its McCord "A" No. 1 Well – in violation of the Farmout Agreement.
- b. The directional drilling path of the proposed La Huerta Well passes through Faulconer's leasehold interests on the S/2 of Section 19 and the N/2 of Section 30 to reach its bottom hole location on the S/2 of Section 30, which is acreage not owned by Faulconer and not included in the Farmout Agreement. Therefore, the La Huerta Well is not a farmout well because it is not "within the Farmout Acreage."

15. Mewbourne has no right to drill a well on Farmout Acreage unless that well is bottomed on Farmout Acreage. Therefore, the La Huerta's proposed surface location and its traverse drilling path through Faulconer's subsurface location would be unauthorized trespasses on Faulconer's leasehold rights and in violation of the Farmout Agreement.

16. In anticipation of drilling this well, Mewbourne has made requests for subsurface easements from the royalty interest owners under Faulconer's McCord well, but has made no made no such requests of Faulconer.

17. Faulconer opposes any drilling on its surface location in the S/2 of Section 19 for a well that is not bottomed or located on the Farmout Acreage and further opposes any drilling which traverses its McCord Unit leasehold interest on the N/2 of Section 30.

18. Mewbourne's proposed La Huerta Well shows a conscious indifference to Faulconer's leasehold and farmout rights.

IV.

DECLARATORY JUDGMENT

19. Plaintiffs incorporate by reference the factual information contained in Paragraphs 1-18 of this Complaint.

20. Plaintiffs are interested parties under a written contract whose rights, status or other legal relations should be determined by the Court pursuant to the New Mexico Declaratory Judgment Act §44-6-1 through §44-6-15 NMSA.

21. Plaintiffs seek declaratory judgment from the Court:

- a. That the Faulconer Partnership is the sole owner of the leasehold rights under the leases described in Exhibit A to the Farmout Agreement.
- b. That Mewbourne has no right to locate the proposed La Huerta Well on the surface of the S/2 Section 19 or to drill through the subsurface of the N/2 of Section 30 under the terms of the Farmout Agreement, the bottom hole of which proposed well is not located on Farmout Acreage.

V.

TORTIOUS INTERFERENCE WITH THE LEASEHOLD INTEREST

22. Plaintiffs incorporate by reference the factual information contained in Paragraphs 1-21 of this Complaint.

23. Mewbourne's filing of the Application for Permit to Drill, Re-Enter, Deepen, Plugback or Add a Zone with the Oil Conservation Division ("OCD") constitutes a deliberate and malicious interference with the contractual relationships between the Plaintiff and its lessors as to the Property subject to the Farmout Agreement.

24. Mewbourne's knowledge of the Farmout Agreement and the terms and conditions thereto is undisputed and clearly evidenced by its entering into said agreement with the Plaintiff.

25. Mewbourne requested and received a permit from the OCD to drill a well on land, although covered by the Farmout Agreement, the path of which would be in direct violation of the Farmout Agreement.

26. Mewbourne willfully and intentionally committed acts calculated to cause damage to Plaintiff and its lawful business and ownership of the Property pursuant to the Farmout Agreement.

27. Mewbourne's acts are the proximate cause of damage to Plaintiff in that Plaintiff has lost the opportunity or lost time in which to develop and drill wells

28. Mewbourne has further violated the Farmout Agreement by proposing to drill a non-farmout well on Farmout Acreage since the proposed well will not benefit Plaintiffs in any way because the minerals to be produced are non-Farmout Acreage minerals.

29. Plaintiffs will suffer actual damage by virtue of Mewbourne's obtaining a drilling permit to drill the La Huerta Well since such exclusive permit to drill does not expire until January 16, 2005.

30. Plaintiffs have further incurred attorneys' fees in clarifying their leasehold rights and their rights under their Farmout Agreement.

31.

VI.

APPLICATION FOR TEMPORARY RESTRAINING ORDER

31. Faulconer would further show that an immediate and irreparable injury will occur if Mewbourne is not immediately enjoined from drilling the La Huerta well.

32. In order for Mewbourne to drill the La Huerta well it will commit a subsurface trespass across Faulconer's McCord well and Faulconer's leasehold estate in the N/2 Section 30 and S/2 Section 19. In doing so, Mewbourne will cause irreparable damage to the McCord well and invade Faulconer's mineral interest.

33. In addition, Mewbourne's drilling of the La Huerta well will interfere with Faulconer's peaceful possession and use of its property.

34. Further, by Mewbourne's drilling of the La Huerta well and trespass across Faulconer's McCord well, Mewbourne will damage the potential value that Faulconer has in the McCord well.

VII.

APPLICATION FOR PRELIMINARY INJUNCTION

35. Under New Mexico law, a party seeking a preliminary injunction must show; 1) the party will suffer irreparable injury unless the injunction is granted; 2) the threatened injury outweighs any damage the injunction might cause the party against whom the injunction is sought; 3) issuance of the injunction will not be adverse to the public's interest; and 4) there is a substantial likelihood the party seeking injunctive relief will prevail on the merits. *National Trust for Historic Preservation v. City of Albuquerque*, 874 P.2d 798, 803 (Ct. App. 1994).

36. Pursuant to the facts shown above, Plaintiff has satisfied all prongs of the test entitling it to a Preliminary Injunction.

VIII.

PRAYER FOR RELIEF AND REQUEST FOR PERMANENT INJUNCTION

WHEREFORE, Plaintiffs respectfully request the Court enter judgment awarding Plaintiffs the following relief:

- a. All direct and consequential damages of Defendant's breaches of its duties as described herein;
- b. That the Faulconer Partnership is the owner of leasehold rights under the leases described in Exhibit A to the Farmout Agreement;
- c. That Mewbourne has no right to locate the proposed La Huerta Well on the surface of the S/2 Section 19 or to drill through the subsurface of the N/2 of Section 30 under the terms of the Farmout Agreement, the bottom hole of which proposed well is not located on Farmout Acreage;
- d. All direct and consequential damages of Defendants breaches of their duties as described herein;
- e. An award of punitive damages for committing tortious interference with malice;
- f. An award of costs, reasonable attorneys' fees as attorneys' fees and pre-judgment and post-judgment interest at the highest lawful statutory or contractual rate;
- g. That the Court upon review of the verified complaint, enter a Temporary Restraining Order in accordance with New Mexico Rule of Civil Procedure 1-066; and upon satisfaction of the bond or cash deposit requirements established by said Court, direct issuance of said Order by the Clerk, the Sheriff or server being instructed to serve upon Defendant the Temporary Restraining Order and applicable documents restraining the Defendant and their agents, employees,

representatives and any other parties in concert or participation therewith, from commencing the drilling of the La Huerta well as planned in the Application for Permit to Drill and that Mewbourne also be cited to appear and answer to the application for temporary restraining order;

- h. That the Court set a hearing in accordance with said law for a temporary injunction and issue a temporary injunction affirming the same matters requested under the Temporary Restraining Order;
- i. That, after final hearing, the Court issue a permanent injunction enjoining Mewbourne from drilling the La Huerta well as planned in the Application for Permit to Drill; and
- j. Such other and further relief, at law or in equity, to which they may be justly entitled.

Respectfully submitted,

David W. Lauritzen
New Mexico State Bar No. 9226
Melissa D. Eastham
New Mexico State Bar No. 8072

OF
COTTON, BLEDSOE, TIGHE & DAWSON
A Professional Corporation
P. O. Box 2776
Midland, Texas 79702
(432) 684-5782
(432) 684-3137 (Fax)

ATTORNEYS FOR PLAINTIFFS

VERIFICATION

STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned Notary Public, on this day personally appeared Jean Crawley, Vice President of Vernon E. Faulconer, Inc., Faulconer Energy General Partner, LLC, and General Partner of Faulconer Resources 2000 LP, who, after being duly sworn, stated under oath that she is the duly authorized representative of Vernon E. Faulconer, Inc. and Faulconer Energy General Partner, LLC, General Partner of Faulconer Resources 2000 LP, that he has read the above Original Complaint for Temporary Restraining Order and Injunctive Relief of Vernon E. Faulconer, Inc. and Faulconer Resources 2000 LP, acting by and through Faulconer Energy General Partner, LLC, its General Partner, and that every statement contained therein is within his personal knowledge, is reflected in public records and to the best of his knowledge and belief is true and correct.

Jean Crawley
Vice President, Vernon E. Faulconer, Inc.
Vice President, Faulconer Energy General Partner, LLC
Vice President, Faulconer Resources 2000 LP

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned Notary Public, on this ____ day of February 2004.

Notary Public, State of Texas

VERNON E. FAULCONER, INC.



February 9, 2004

Mr. Allen Brinson
Mewbourne Oil Company
P. O. Box 7698
Tyler, Texas 75711

Via facsimile and U.S. Mail

Re: La Huerta "30" 1-Y well
Section 30, T21S, R27E
Eddy County, NM

Dear Mr. Brinson,

Reference is made to your letter of January 12, 2004, providing notice of Mewbourne's intention to directionally drill the captioned well from a surface location in the SE/4 of Section 19 south to a bottom hole location in the SE/4 of Section 30, T21S, R27E, Eddy County, New Mexico.

To drill the captioned well as proposed would involve passage through leasehold belonging to Faulconer Resources 2000 Limited Partnership (the "Partnership") in both the SE/4 of Section 19 and the N/2 of Section 30. As operator and agent for the Partnership, Vernon E. Faulconer, Inc. ("VEF") hereby advises that Mewbourne has not obtained the requisite approval or consent to drill through this leasehold. Such action is viewed as a direct conflict to our business relationship and any further prosecution of drilling operations shall be at Mewbourne's sole risk and liability.

Respectfully,

Jean Crawley,
Vice President

EXHIBIT 4