

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

CERTIFIED MAIL NO. 6675

May 21, 2004

Fortson Oil Company  
301 Commerce Street, Suite 3301  
Fort Worth, TX 76102-4133  
Attn: Mr. Brett Taylor

Re: Proposed Morrow Test  
Snowman "2" State COM #1  
Section 2, T-20-S, R-27-E  
Eddy County, New Mexico  
Snow Prospect

(817) 335-5641

6-8-04. Brett Taylor (817) 946-4414 Left message!

6-16-04 Brett Taylor left message

6-17-04 Brett Taylor called to say they would either participate or  
Grant a 2 yr TA for \$250/ac @ 15%

6-18-04 Brett called left message. 95% sure they will participate will sign  
final answer by mid next week. wants to see JAL

6-22-04: Brett called want info about comm. into Ben Fortson, Twisted,  
Faxed a copy late in the day.

6-24- Call & left message with Brett. Informed him we will be getting on  
7/22 dockett.

Gentlemen:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,300' Morrow test at a legal location in the SE/4SE/4 Section 2, T-20-S, R-27-E, Eddy County, New Mexico to be called the Snowman "2" State COM #1 well. Assuming a successful completion requiring 320 acre spacing, a S/2 communitized proration unit would be established. Accordingly, Mewbourne also proposes the formation of a working interest unit consisting of the S/2 of said Section 2 to facilitate drilling the proposed well.

Based upon our most current title information Fortson Oil Company (Fortson) appears to own a 50% working interest in State of New Mexico Lease L-6958 insofar as it covers the NW/4SW/4 of said Section 2. Assuming our title information is correct, Fortson would have a 6.25% working interest in a S/2 unit.

To indicate an election to participate in the proposed well, please execute and return one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. Should you choose not to participate, Mewbourne hereby extends an offer to purchase a two (2) year Term Assignment covering all of Fortson's 20 net acre interest in the NW/4SW/4 of said Section 2 for \$150.00 per net mineral acre based upon delivery of a 80% net revenue to Mewbourne and use of a mutually acceptable Term Assignment form.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith  
Senior Landman

Attachments

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13306 Exhibit No. 2  
Submitted by:  
MEWBOURNE OIL COMPANY  
Hearing Date: August 5, 2004

**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:

Fortson Oil Company  
301 Commerce Street, Suite 3301  
Fort Worth, TX 76102-4133  
Attn: Mr. Brett Taylor

2. Article Number  
(Transfer from service label)

7003 1680 0006 6283 6675

PS Form 3831, August 2001

Domestic Return Receipt

102595-02-M-1540

*Return card 2 State Com #1*

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
*[Signature]*  Addressee

B. Received by: (Printed Name) C. Date of Delivery  
*MAY 26 2004*

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

**FORTSON OIL COMPANY**

301 COMMERCE STREET

SUITE 3301

FORT WORTH, TEXAS 76102-4133

(817) 335-5641

FAX (817) 336-4853

**CERTIFIED RETURN RECEIPT**

June 28, 2004

Mewbourne Oil Company  
500 W. Texas, Suite 1020  
Midland, Texas 79701  
Attention: Steve Smith

RE: Snowman "2" State COM #1  
Eddy County, New Mexico

Dear Steve:

Pursuant to our telephone conversation and your proposal later dated May 21, 2004, Fortson Oil Company or one of its related family or employee entities, will either

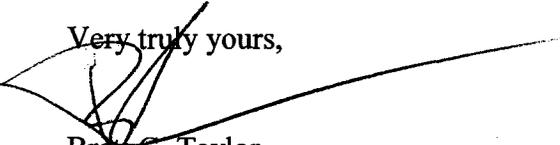
- (a) participate for our interest in your proposed Snowman "2" State COM #1 in Eddy County, New Mexico, subject to a mutually acceptable Operating Agreement, or
- (b) deliver to you a two year Term Assignment for \$150.00 per net leasehold acre delivering to Mewbourne a 77% NRI based upon 100% ownership.

In the event of a Term Assignment, the lands covered will be South one-half of Section 2, Township 20 South, Range 27 East, Eddy County, New Mexico. Mr. Fortson is not willing to sell or farmout his interest in the North one-half of said Section 2 at this time.

I look forward to receiving your proposed Operating Agreement and if you desire, I will send you an Operating Agreement immediately which is acceptable to us and approved by our attorney.

Thank you for your help in this matter and we look forward to participating with Mewbourne in this project.

Very truly yours,

  
Brett G. Taylor

BGTmmr

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

CERTIFIED MAIL NO. 7368

July 8, 2004

Fortson Oil Company  
301 Commerce Street, Suite 3301  
Fort Worth, TX 76102-4133  
Attn: Mr. Brett Taylor

Re: Joint Operating Agreement  
Angel Draw "2" State COM #1  
S/2 Section 2, T-20-S, R-27-E  
Eddy County, New Mexico  
Angel Draw Prospect

Gentlemen:

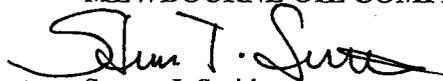
Reference is made to Mewbourne Oil Company's proposal to drill a 11,300' Morrow test at a legal location in the SE/4SE/4 of Section 2, T-20-S, R-27-E, Eddy County, New Mexico. When originally proposed, the well was to be called the Snowman "2" State COM #1 well. Please be advised that the name of the well has been changed to the Angel Draw "2" State COM #1 and the well has been staked at a location 990' FSL & 660' FEL of said Section 2.

In connection with our efforts to drill this well, enclosed for your review and execution on behalf of Fortson Oil Company or a Fortson family entity (Fortson) is the 1989 Model Form Joint Operating Agreement proposed by Mewbourne along with an extra set of signature and acknowledgement pages. At your earliest convenience, please have the JOA along with the extra set of signature and acknowledgement pages properly executed on behalf of Fortson and return the extra set of signature and acknowledgement pages to my attention. A copy of the fully executed JOA will be set to you when available.

Thank you for your cooperation. Feel free to call me if you have any questions. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith  
Senior Landman

Attachments

**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:

Fortson Oil Company  
301 Commerce St., Suite 3301  
Fort Worth, TX 76102-4133  
Attn: Mr. Brett Taylor

2. Article Number

(Transfer from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
*M. Crocker*  Addressee

B. Received by (Printed Name) C. Date of Delivery  
JUL 12 2004

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

7003 1680 0006 6283 7368

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

*Angel Dean*

**FORTSON OIL COMPANY**

301 COMMERCE STREET

SUITE 3301

FORT WORTH, TEXAS 76102-4133

(817) 335-5641

FAX (817) 336-4853

July 15, 2004

Mewbourne Oil Company  
500 West Texas, Ste. 1020  
Midland, Texas 79701

Attn: Steve Smith

Re: Snowman #2, State Com. #1;  
also referred to as Angel Draw #2,  
State Com. #1, being located in S/2  
Sec. 2, T-20-S, R-27-E  
Eddy County, New Mexico

Dear Steve,

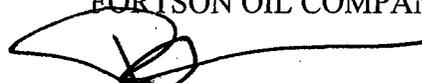
To further clarify our letter dated June 28, 2004, regarding the above referenced Mewbourne Oil Company proposed well, Fortson Oil Company, Ben J. Fortson, Trustee or their assigns, will participate for our interest in the drilling of the above referenced well subject to a mutually acceptable operating agreement.

We understand this well is scheduled to spud August 1, 2004, but may be delayed to September 1, 2004. Please keep us advised as to the drilling schedule, and we look forward to negotiating with you towards a mutually acceptable operating agreement.

If you have any questions please contact me anytime at 817 946 4414.

Very truly yours,

FORTSON OIL COMPANY



Brett G. Taylor  
Attorney-in-Fact

**midland**

07/22/2004 11:23 AM

To: tverne@sbcglobal.net

cc:

Subject: Angel Draw 2 DTO - from Steve Smith

Verne,

Per our conversation, attached is the Drilling Title Opinion for the Angel Draw 2 St. COM #1 well. As we discussed, please forward a copy to Brett at Fortson.

There is one requirement concerning the Fortson interest being Requirement F on page 17. Please provide curative necessary to satisfy this requirement.

Thanks!!

Steve Smith  
Land Department  
Mewbourne Oil Company  
500 W. Texas Ave., Ste. 1020  
Midland, TX 79701  
(432)682-3715  
(432)685-4170 FAX  
ssmith@mewbourne.com



Angel Draw 2 DTO.pc

OFFICE  
[432] 684-7933

T. VERNE DWYER  
OIL & GAS INVESTMENTS  
500 W. WALL, SUITE 310  
MIDLAND, TEXAS 79701

FAX  
[432] 684-4032

August 4, 2004

Via Facsimile

Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, Texas 79701

Attn: Mr. Steve Smith

RE: Angel Draw "2" State Com #1  
Eddy County, New Mexico  
Township 20 South, Range 27 East  
Section 2: S/2

Dear Steve:

Enclosed herewith are the following:

- 1) Letter dated August 4, 2004, signed by Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer which states the ownership of certain operating rights under the captioned proposed well, and also states the intention of the parties to negotiate in good faith with Mewbourne to obtain a mutually acceptable operating agreement.
- 2) AFE's for the captioned well executed by BGT Investments, LLC and T. Verne Dwyer.

Very truly yours,



T. Verne Dwyer

TVD:jws  
Enclosures

cc: Mr. William F. Carr with above enclosures  
Fax (505) 983-6043

New Mexico Oil Conservation Division with above enclosures  
Fax (505) 476-3462

Mewbourne Oil Company  
August 4, 2004  
Page Two

This letter is being signed in counterpart to show Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer all agree to and accept the terms as stated above.

  
Benjamin J. Fortson, Jr.  
Executed August 4, 2004

  
T. Verne Dwyer  
Executed August 4, 2004

**BGT Investments, LLC**

By: \_\_\_\_\_  
Brett G. Taylor, President  
Executed August \_\_\_\_\_, 2004

OFFICE  
(432) 684-7933

T. VERNE DWYER  
OIL & GAS INVESTMENTS  
500 W. WALL, SUITE 310  
MIDLAND, TEXAS 79701

FAX  
(432) 684-4032

August 4, 2004

Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, Texas 79701

Attn: Mr. Steve Smith

RE: Angel Draw "2" State Com #1  
Eddy County, New Mexico  
Township 20 South, Range 27 East  
Section 2: S/2

Dear Steve:

Please be advised that Benjamin J. Fortson, Jr., who owns 50% of the operating rights in the NW/4SW/4 of Section 2, Township 20 South, Range 27 East, Eddy County, New Mexico, is assigning his interest in the operating rights to the following in equal shares:

- **BGT Investments, LLC**  
P. O. Box 9  
Aledo, Texas 76008
- **T. Verne Dwyer, Sole and Separate Property Under the Will**  
of Agnes W. Dwyer, Deceased  
500 West Wall, Suite 310  
Midland, Texas 79701

Attached hereto are copies of Mewbourne Oil Company's AFE for the captioned well which have been signed by BGT Investments, LLC and T. Verne Dwyer.

Both BGT Investments, LLC and T. Verne Dwyer agree to negotiate in good faith with Mewbourne to obtain a mutually acceptable operating agreement for the captioned well.

Mewbourne Oil Company  
August 4, 2004  
Page Two

This letter is being signed in counterpart to show Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer all agree to and accept the terms as stated above.

\_\_\_\_\_  
Benjamin J. Fortson, Jr.  
Executed August \_\_\_\_\_, 2004

  
\_\_\_\_\_  
T. Verne Dwyer  
Executed August 4, 2004

BGT Investments, LLC  
By:   
\_\_\_\_\_  
Brett G. Taylor, President  
Executed August 4<sup>th</sup>, 2004