

FR Finley Resources Inc.

October 26, 2004

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER **A**

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

RE: Proposed Morrow Test
NE/4 Sec. 9-21S-35E
Lea County, New Mexico

Dear Steve:

Finley Resources, Inc. and James D. Finley, hereinafter called (Finley) in support of your proposed deep Morrow test respectfully offers the following proposals for your consideration in lieu of a potential Oil Conservation Division hearing over pooling our rights from the surface to 10,000 feet in the NE/4 of the referenced section.

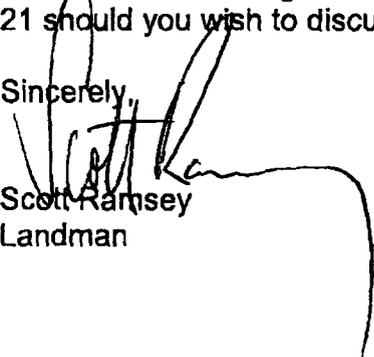
- I. In the event the proposed well is drilled, Mewbourne agrees to Log the well from TD to the base of the surface casing and supply Finley with all logs run in the well and agrees to run a minimum of the following logs as to all depths logged: SP Gamma Ray, resistivity, microlog, density/neutron and any mud logs. All logs shall be delivered to Finley within 24 hours of receipt of said logs by the operator.
- II. In the event the proposed well is drilled to a depth sufficient to test the Morrow Formation and a completion is either not attempted or is attempted and unsuccessful in any zone or formation below 10,000'; Finley within 48 hours of receipt of the logs as described hereinabove will make an exclusive decision to elect to take over and operate the wellbore to attempt a completion in any zone above 10,000' and shall give all non-operators a 48 hour election to participate in all proposed completions or go non-consent with a 200% penalty. In the event Finley elects to take over the wellbore, Finley will tender to the deep rights operator the sum of \$50,000 for our 96.875% share of the wellbore above 10,000' and will assume the plugging liability for the well. In the event Finley elects not to take over the wellbore no dry hole contribution will be made to the operator.

- III. In the event the proposed well is drilled and completed as a producing well in any zone(s) below 10,000 feet, when said zone(s) is depleted then Finley after reviewing the logs mentioned in I above, shall have a 48 hour election to take over the well to operate and complete any zones above 10,000' and shall give all non-operators a 48 hour election to participate in all proposed completions or go non-consent with a 200% penalty. In the event an election to take over the wellbore is made by Finley, then the sum of \$25,000 will be tendered by Finley to the deep right operator of the well, plus Finley will reimburse the deep owners for the net salvage value on any associated production and well equipment and Finley will assume the plugging liability for the well.

As an alternative to the options express above, Finley is willing to trade some interest in the shallow horizons above 10,000' for interest in horizons below 10,000' and will agree to participate in the drilling of the well to total depth.

It is understood that this offer is between Finley Resources, Inc., James D. Finley and Mewbourne Oil Company and if accepted shall apply to the heirs, successors and assigns of all parties hereto. Please call me at 817-336-1924 ext. 21 should you wish to discuss this proposal.

Sincerely,



Scott Ramsey
Landman