

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

October 4, 2007

Certified Mail-Return Receipt No. 9045

EOG Resources, Inc.
P. O. Box 2267
Midland, Texas 79702
Attn: Mr. Doug Hurlbut

Re: Proposed Morrow Test
Paloma "28" Fed COM #1
1,980' FNL & 660' FWL
Section 28, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Oil Conservation Division
Case No. 3
Exhibit No. 3

Gentlemen:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow at a location 1,980' FNL & 660' FWL of Section 28, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "28" Fed COM #1 well. Assuming a successful completion requiring 320 acre spacing, a W/2 communitized proration unit would be established. Accordingly, Mewbourne also hereby proposed the formation of a 320 acre working interest unit covering the W/2 of said Section 28 for the drilling of the proposed well. Based upon our most current title information EOG Resources, Inc. ("EOG") appears to own 100% working interest in State of New Mexico Lease E-5164-3 insofar as it covers the SW/4 of said Section 28 limited to depths below 4,407'. Assuming our information is correct, EOG would have a 50.0% interest in a W/2 working interest unit below 4,407'.

Should EOG choose to participate in the proposed well, please so indicate by executing and returning 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 EOG choose not to participate, Mewbourne reaffirms its previous offer dated July 18, 2007 to purchase a two (2) year Term Assignment covering all of EOG's interest in the SW/4 of Section 28 and the NW/4 of said Section 33 for \$300.00 per net mineral acre based upon delivery of a 75% 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

Paloma 28 Fed Com #1

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none">■ 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.	A. Signature X <i>bell</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee
1. Article Addressed to: EOG Resources, Inc. P.O. Box 2267 Midland, Texas 79702 Attn: Mr. Doug Hurlbut	B. Received by (Printed Name) <i>bell</i> C. Date of Delivery <i>10/11/07</i>
2. Article Number (Transfer from service label)	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes

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