

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 18, 2007

original proposal

Certified Mail-Return Receipt No. 3619

Chevron U.S.A. Inc.
Attn: Mr. Ed Van Reet
P.O. Box 36366
Houston, Texas 77236-6366

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

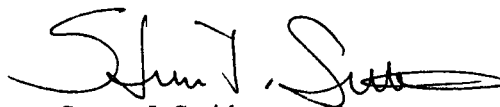
Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FWL of Section 21, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "21" Fed COM #1 well. Assuming a successful completion in the Morrow, a 640 acre communitized spacing unit would need to be established pursuant to the North Osudo-Morrow Pool Rules. Accordingly, Mewbourne also hereby proposed the formation of a 640 acre working interest unit for the drilling of the proposed well covering all of said Section 21. Based upon our most current title information Chevron U.S.A. Inc. ("Chevron") appears to own a 25.0% interest in Federal Lease NM-89873 insofar as it covers the SE/4NW/4, S/2NE/4 and S/2 of said Section 21. Assuming our information is correct, Chevron would have a 17.1875% interest in the proposed well and working interest unit.

Should you choose to participate in the formation of the proposed working interest unit and the drilling of 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. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

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

Oil Conservation Division
Case No. 3A
Exhibit No. 3A

MEWBOURNE OIL COMPANY

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MIDLAND, TEXAS 79701

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December 18, 2007

Certified Mail-Return Receipt No. 3626

ConocoPhillips Company
Attn: Mr. Tom J. Scarbrough
600 N. Dairy Ashford Street
3WL-14066
Houston, Texas 77079-1100

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

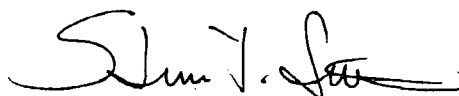
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Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures

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December 18, 2007

Certified Mail-Return Receipt No. 3589

Mr. Richard K. Barr
P.O. Box 847
Boerne, Texas 78006

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Richard:

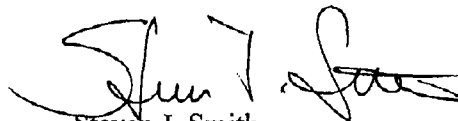
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Should you choose to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please so indicate by executing and returning one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

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

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December 18, 2007

Certified Mail-Return Receipt No. 3633

Mr. Scott E. Wilson
4601 Mirador Dr.
Austin, Texas 78735-1554

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Dear Scott:

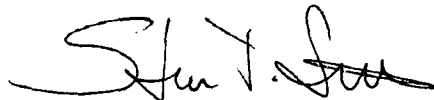
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Should you choose to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please so indicate by executing and returning one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

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

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December 18, 2007

Certified Mail-Return Receipt No. 3602

Chesapeake Exploration Limited Partnership
Attn: Ms. Lynda F. Townsend
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Ladies and Gentlemen:

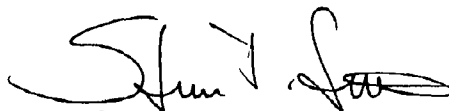
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Should you choose to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please so indicate by executing and returning one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

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MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

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December 18, 2007

Certified Mail-Return Receipt No. 3572

Apache Corporation
Attn: Mr. Mario R. Moreno, Jr.
6120 S. Yale Avenue, Suite 1500
Tulsa, Oklahoma 74136-4231

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

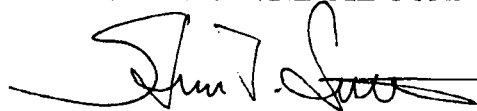
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Should you choose to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please so indicate by executing and returning one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

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Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures

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500 W. TEXAS, SUITE 1020
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December 18, 2007

Certified Mail-Return Receipt No. 3596

BP America Production Company
Attn: Mr. Tom Fertwangler
501 Westlake Park Blvd.
Houston, Texas 77079-2604

Re: Proposed Morrow Test
Paloma "21" Fed COM #1
660' FSL & 660' FWL,
Section 21, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Gentlemen:

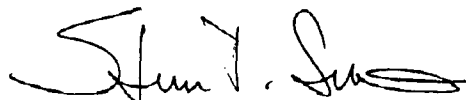
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Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Paloma Well Name & No: Paloma 21 Federal Com #1
 Field: _____ Location: 660' FSL & 660' FWL
 Section: 21 Block: _____ Survey: _____ Township: 20S Range: 36E
 County: Lea ST: NM Proposed Depth: 11,600'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,500
301	Location, Roads and Site Preparation includes cleanup	\$100,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work	\$604,200	\$31,800
304	Fuel	\$75,000	\$1,000
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$100,000	\$2,000
307	Cementing	\$75,000	\$60,000
308	Logging, Wireline and Coring Services	\$50,000	\$22,000
309	Casing, Tubing & Snubbing Services	\$15,000	\$12,000
310	Mud Logging	\$25,000	
311	Testing	\$1,500	\$5,000
312	Treating 70Q Binary + 70K IP		\$225,000
313	Water & Other	\$60,000	\$1,000
314	Bits 1-17 1/2", 1-12 1/4", 4- 8 3/4"	\$65,000	
315	Inspection & Repair Services	\$12,000	\$1,000
316	Misc. Air and Pumping Services	\$10,000	\$1,500
320	Rig Mobilization & Transportation	\$85,000	\$2,500
321	Welding and Construction	\$4,000	\$5,500
322	Engineering & Contract Supervision	\$30,000	\$2,000
330	Equipment Rental	\$40,000	\$3,500
334	Well / Lease Legal	\$10,000	\$2,500
335	Well / Lease Insurance	\$8,100	
350	Intangible Supplies	\$500	\$500
355	Damages	\$10,000	
360	Pipeline and Electrical ROW and Easements		\$6,000
367	Pipeline Interconnect		
375	Company Supervision	\$28,000	\$10,000
380	Overhead Fixed Rate	\$9,000	\$6,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 10%	\$143,400	\$40,900
Total Intangibles		\$1,577,200	\$450,200
TANGIBLE COST 181			
797	Conductor Casing 40' of 20" (included in location cost)		
797	Surface Casing 600' 13-3/8" 54.5# K55 ST&C @ \$37.36/ft	\$22,800	
797	Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft	\$163,500	
797	Intermediate Casing		
797	Production Casing 11,600' 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft		\$181,200
798	Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft		\$71,900
860	Drilling Head	\$10,000	
870	Tubing Head & Upper Section		\$15,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$10,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$16,000
891	Tanks - Other		\$6,500
895	Separation Equipment		\$25,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation		\$25,000
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$15,000
909	Electrical Installations		
910	Production Equipment Installation		\$20,000
920	Pipeline Construction		\$25,000
Prepared by: F. Lathan Date Prepared: 12/18/2007 Total Tangibles		\$196,300	\$418,100
Company Approval: <u>M. Whitten</u> Date Approved: 12/18/2007 SUBTOTAL		\$1,773,500	\$868,300
Joint Owner Interest: 17.18750% Joint Owner Amount: \$454,059.38 TOTAL WELL COST		\$2,641,800	

Joint Owner: BP America Production Company Joint Owner Approval: _____

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up, and redrilling, as estimated in Line Item 335. Non-operator may elect not to be covered by this Operator's Extra Expense Insurance only by signing below. The undersigned elects not to be covered by Operator's Extra Expense Insurance for their well.

By: _____ Name: _____