

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915:686-8235
Fax 915:686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1996

Mewbourne Oil Company
500 West Texas, Suite 1050
Midland, Texas 79701

Re: Hummer "4" State Com #1 Well
660' FEL and 1650' FNL of Section 4,
T-18-S, R-28-E, Eddy County, New Mexico
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Mewbourne Oil Company's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Mewbourne delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Consulting Landman

DR:kg

xc: Bob Shelton
Cap Homing
Tim MacDonald

Msoffice\winword\dr\artesia mewbourne

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11684 Exhibit No. **3**
Submitted By:
Nearburg Exploration Company
Hearing Date: January 23, 1997

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to Mewbourne Oil Co.	
Street & Number 500 W. Texas, S-1050	
Post Office, State, & ZIP Code Midland, TX 79701	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Hummer "4" St. Com. #1 Artesia Prospect Ltr. dtd. 11-21-96 (DR)	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Mewbourne Oil Company
 500 West Texas, Suite 1050
 Midland, TX 79701

4a. Article Number

P 268 415 380

4b. Service Type

- | | |
|---|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

11-22-96

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X *[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915:686-8235
Fax 915:686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1996

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552

Re: Hummer "4" State Com #1 Well
660' FEL and 1650' FNL of Section 4,
T-18-S, R-28-E, Eddy County, New Mexico
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Marathon Oil Company's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Marathon delivering an 80% net revenue interest. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Consulting Landman

DR:kg

xc: Bob Shelton
Cap Homing
Tim MacDonald

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
Marathon Oil Company	
Street & Number	
P.O. Box 552	
Post Office, State, & ZIP Code	
Midland, TX 79702-0552	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
Hummer "4" St. Com. #1	
Artesia Prospect	
Ltr. dtd. 11-21-96 (DR)	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Marathon Oil Company
P. O. Box 552
Midland, TX 79702-0552

4a. Article Number
P 263 415 381

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
NOV 22 1996

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

[Handwritten Signature]

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1996

Exxon Corporation
P. O. Box 1600
Midland, Texas 79702

Re: Hummer "4" State Com #1 Well
660' FEL and 1650' FNL of Section 4,
T-18-S, R-28-E, Eddy County, New Mexico
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Exxon Corporation's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Exxon delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Consulting Landman

DR:kg

xc: Bob Shelton
Cap Homing
Tim MacDonald

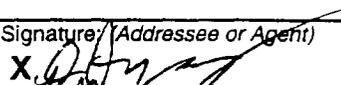
US Postal Service
Receipt for Certified Mail.

No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

PS Form 3800, April 1995

Sent to Exxon Corporation	
Street & Number P. O. Box 1600	
Post Office, State, & ZIP Code Midland, TX 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Hummer "4" St. Com. #1 Artesia Prospect Ltr. dtd. 11-21-96 (DR)	

Is your RETURN ADDRESS completed on the reverse side?

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Exxon Corporation P. O. Box 1600 Midland, TX 79702	4a. Article Number P 268 415 382	
	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
	7. Date of Delivery NOV 22 1996	
5. Received By: (Print Name)	8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Addressee or Agent) 		

Thank you for using Return Receipt Service.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1996

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79702

Re: Hummer "4" State Com #1 Well
660' FEL and 1650' FNL of Section 4,
T-18-S, R-28-E, Eddy County, New Mexico
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that ARCO's leasehold ownership would equate to a 12.50% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with ARCO delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Consulting Landman

DR:kg

xc: Bob Shelton
Cap Homing
Tim MacDonald

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

PS Form 3800, April 1995

Sent to Atlantic Richfield Co.	
Street & Number P. O. Box 1610	
Post Office, State, & ZIP Code Midland, TX 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Hummer "4" St. Com. #1 Artesia Prospect Ltr. dtd. 11-21-96 (DR)	

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Atlantic Richfield Company
P. O. Box 1610
Midland, TX 79702

4a. Article Number

P 268 415 384

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

NOV 22 1996

5. Received By: (Print Name)

[Signature]

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1996

Oxy USA, Inc.
P. O. Box 50250
Midland, Texas 79710

Re: Hummer "4" State Com #1 Well
660' FEL and 1650' FNL of Section 4,
T-18-S, R-28-E, Eddy County, New Mexico
Artesia Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) hereby proposes the drilling of the Hummer "4" State Com #1 well, a 10,900' Morrow test, at the captioned location. Pursuant to the title check in this 320-acre spacing unit, we show that Oxy USA, Inc.'s leasehold ownership would equate to a 25% working interest in the proposed well. We have enclosed herewith an AFE setting forth our estimated costs to drill and complete the well and a Joint Operating Agreement for your review and approval. We ask that you please review both documents and execute both indicating your election to participate.

Should you not wish to participate in this well, we ask that you please consider granting Nearburg a one-year term assignment of your leasehold interest. Nearburg would be willing to pay \$100 per acre with Oxy delivering an 80% net revenue. Said assignment would be on a mutually agreeable form.

We appreciate your consideration of this proposal and ask that you please advise of your election at your earliest convenience, as we are anxious to proceed with the drilling of this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Consulting Landman

DR:kg

xc: Bob Shelton
Cap Homing
Tim MacDonald

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

PS Form 3800, April 1995

Sent to	
Oxy USA, Inc.	
Street & Number	
P. O. Box 50250	
Post Office, State, & ZIP Code	
Midland, TX 79710	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
Hummer "4" St. Com. #1 Artesia Prospect Lt. dtd. 11-21-96 (DR)	

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Oxy USA, Inc.
 P. O. Box 50250
 Midland, TX 79710

4a. Article Number
 P 268 415 383

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 NOV 22 1996

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

Thank you for using Return Receipt Service.

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer "4" State Com #1 well WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 10,900'
 LOCATION: 660' FEL and 1650' FNL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico
 FIELD: Undesignated Morrow PROSPECT: Artesia EXPLORATORY, DEVELOPMENT, WO: E
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 10/23/96 EST. SPUD DATE: 01/31/97 EST. COMPLETION DATE: 03/31/97
 ACCOUNTING WELL NUMBER: COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 10,900 Ft @ 19.00 \$/Ft	1514.101	207,100	NA		207,100
Drilling Daywork D/C\$/day 3 2 4500	1514.105	13,500	1515.105	9,000	22,500
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.123	1,500	16,500
Damages	1514.125	3,000	1515.125		3,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	25,000	NA		25,000
Fuel, Power, and Water	1514.140	10,000	1515.140	2,000	12,000
Supplies - Bits	1514.145		1515.145	500	500
Supplies - Casing Equipment	1514.150	2,500	1515.150	7,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	1,500	1515.160	500	2,000
Cement and Cmt. Services - Surface Csg	1514.165	4,000	NA		4,000
Cement and Cmt. Services - Int. Csg	1514.170	10,000	NA		10,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	5,000	1515.180		5,000
Rental - Miscellaneous	1514.185	500	1515.185	2,500	3,000
Testing - Drill Stem / Production	1514.195	6,000	1515.195	1,500	7,500
Open Hole Logging	1514.200	25,000	NA		25,000
Mudlogging Services	1514.210	10,000	NA		10,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	12,000	1515.215	(12,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	7,500	7,500
Reverse Equipment	NA		1515.219	1,000	1,000
Wireline Services	1514.205		1515.205	10,000	10,000
Stimulation	NA		1515.221	10,000	10,000
Pump / Vacuum Truck Services	1514.220	500	1515.220	1,500	2,000
Transportation	1514.225	1,500	1515.225	2,500	4,000
Tubular Goods - Inspection & Testing	1514.230		1515.230	7,500	7,500
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,000	1515.240	250	1,250
Engineer / Geologist / Landman	1514.250	5,000	1515.250	1,800	6,800
Company Labor - Field Supervision	1514.255	12,000	1515.255	4,500	16,500
Contract Labor / Roustabout	1514.265	2,000	1515.265	2,500	4,500
Legal and Professional Services	1514.270	2,500	1515.270	500	3,000
Insurance	1514.275	9,500	1515.275		9,500
Overhead	1514.280	6,000	1515.280	1,250	7,250
SUBTOTAL		390,100		88,300	478,400
Contingencies (10%)		39,010		8,830	47,840
ESTIMATED TOTAL INTANGIBLES		429,110		97,130	526,240

Exploration and Production

Dallas, Texas

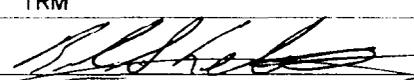
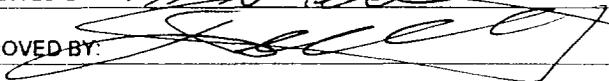
AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer "4" State Com #1 well WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 10,900'
 LOCATION: 660' FEL and 1650' FNL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico
 FIELD: Undesignated Morrow PROSPECT: Artesia EXPLORATORY, DEVELOPMENT, WO: E
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 10/23/96 EST. SPUD DATE: EST. COMPLETION DATE:
 ACCOUNTING WELL NUMBER: 01/31/97 03/31/97
 COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1520.305		NA		0
Surface Csg 600 Ft @ 20.00 \$/Ft	1520.310	12,000	NA		12,000
Intermediate Csg 2,800 Ft @ 15.00 \$/Ft	1520.315	42,000	NA		42,000
Protection Csg	1520.320	0	NA		
Production Csg 10,900 Ft @ 12.00 \$/Ft	NA		1522.325	130,800	130,800
Protection Liner	1520.330		NA		
Production Liner	NA		1522.335		
Tubing 10,700 Ft @ 3.10 \$/Ft	NA		1522.340	33,170	33,170
Rods Ft @ \$/Ft	NA		1522.345	0	0
Artificial Lift Equipment	NA		1522.350		0
Tank Battery	NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	12,000	12,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	10,000	11,500
Subsurface Well Equipment	NA		1522.370	5,000	5,000
Flow Lines	NA		1522.375	5,000	5,000
Saltwater Disposal Pump	NA		1522.391		0
Gas Meter	NA		1522.385	2,500	2,500
Lact Unit	NA		1522.387		0
Vapor Recovery Unit	NA		1522.389		0
Other Well Equipment	NA		1522.380		
ROW and Damages	NA		1522.393	1500	
Surface Equipment Installation Costs	NA		1522.395	5,000	5,000
Elect. Installation	NA		1522.397		0
ESTIMATED TOTAL TANGIBLES		55,500		214,970	270,470
ESTIMATED TOTAL WELL COSTS		484,610		312,100	796,710

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: TRM	3/27/96
REVIEWED BY: 	
APPROVED BY: 	11/21/96

WI APPROVAL: COMPANY _____
 BY _____
 TITLE _____