

FAX

ENRON Oil & Gas Company

P. O. BOX 2267
4000 N. BIG SPRING ST., SUITE 600
MIDLAND, TEXAS 79705
(915) 686-3600

DATE: 3/4/97

NO. PAGES: 3
(INCLUDING COVER PAGE)

FROM: PATRICK TOWER

TELE NO:
FAX NO: 915-686-3773

TO: PAUL HADEN

COMPANY: MEWBOURNE
TELE NO: 682-3715
FAX NO: 685-4170

IF PAGES ARE NOT RECEIVED OR IF THERE ARE ANY TRANSMISSION PROBLEMS,
PLEASE CALL NUMBER LISTED ABOVE.

URGENT CONFIDENTIAL REPLY REQUESTED

MESSAGE: Paul,

Here is executed Letter Agreement
where Enron elects to be non-consent
under the compulsory pooling order
with Mewbourne to furnish Enron
all well information when such is
available to Mewbourne.

Patrick

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

March 4, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick J. Tower

Re: MOC's Scanlon Draw "34" St. #1 Well
S/2 of Section 34, from a depth of 3500'
beneath the surface to the base of the
Morrow formation, T18S, R28E
Eddy County, New Mexico

Gentlemen:

This letter shall evidence our agreement this date wherein Enron Oil & Gas Company (Enron) has elected to be a non-consenting party in connection with the captioned well proposed by Mewbourne Oil Company (Mewbourne). As agreed, Enron's non-consent election would be subject to the terms of a compulsory pooling Order to be issued by the New Mexico Oil Conservation Division (NMOCD) in connection with the currently scheduled compulsory pooling hearing set for hearing on March 6, 1997 for the captioned well.

In consideration of Enron's voluntary election to be bound by the terms of a pooling Order issued by the NMOCD and Enron's agreement not to oppose the referenced pooling hearing, Mewbourne agrees to furnish Enron a copy of all well information obtained by Mewbourne in connection with the above well as such information becomes available to Mewbourne.

Enron Oil & Gas Company

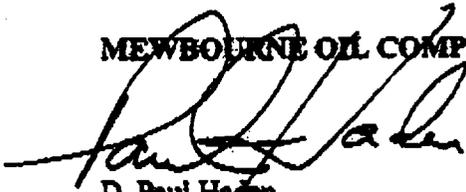
March 4, 1997

Page -2-

If the above correctly sets forth the terms of our agreement, please acknowledge same by signing and faxing a copy of this letter to the undersigned.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DTH/gb

AGREED and ACCEPTED this 4th day of March, 1997.

ENRON OIL & GAS COMPANY

By: Gary L. Thomas 

Name typed
or printed: GARY L. THOMAS
VICE PRESIDENT

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

FACSIMILE TRANSMITTAL COVER SHEET

Date: 3-4-97

Time: 10:00 A.M.

Page 1 of 3 Pages

TO: PAT TOWER

FACSIMILE NO.: 686-3773 PHONE NO.: _____

FROM: PAUL HADEN

TYPE OF DOCUMENT: LETTER AGREEMENT

ORIGINAL TO FOLLOW IN MAIL (Y/N): Y

MESSAGE: PAT - PLEASE REVIEW AND SIGN THE ATTACHED LETTER IF ACCEPTABLE. FAX SAME TO ME UPON ENIRON'S EXECUTION.

THANKS

Paul

IF YOU DO NOT RECEIVE ALL PAGES CLEARLY, PLEASE CALL US AS SOON AS POSSIBLE.

CONFIDENTIALITY NOTE: The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

—
(915) 682-3715
FAX (915) 685-4170

March 4, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick J. Tower

Re: MOC's Scanlon Draw "34" St. #1 Well
S/2 of Section 34, from a depth of 3500'
beneath the surface to the base of the
Morrow formation, T18S, R28E
Eddy County, New Mexico

Gentlemen:

This letter shall evidence our agreement this date wherein Enron Oil & Gas Company (Enron) has elected to be a non-consenting party in connection with the captioned well proposed by Mewbourne Oil Company (Mewbourne). As agreed, Enron's non-consent election would be subject to the terms of a compulsory pooling Order to be issued by the New Mexico Oil Conservation Division (NMOCD) in connection with the currently scheduled compulsory pooling hearing set for hearing on March 6, 1997 for the captioned well.

In consideration of Enron's voluntary election to be bound by the terms of a pooling Order issued by the NMOCD and Enron's agreement not to oppose the referenced pooling hearing, Mewbourne agrees to furnish Enron a copy of all well information obtained by Mewbourne in connection with the above well as such information becomes available to Mewbourne.

Enron Oil & Gas Company

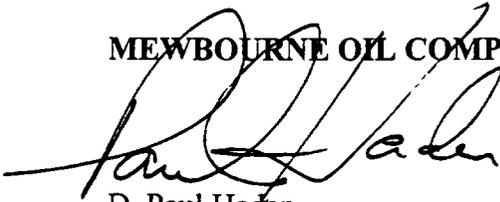
March 4, 1997

Page -2-

If the above correctly sets forth the terms of our agreement, please acknowledge same by signing and faxing a copy of this letter to the undersigned.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH/gb

AGREED and ACCEPTED this _____ day of March, 1997.

ENRON OIL & GAS COMPANY

By: _____

Name typed
or printed: _____

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

FACSIMILE TRANSMITTAL COVER SHEET

Date: 3-3-97

Time: 11:30 AM.

Page 1 of 3 Pages

TO: PAT Tower

FACSIMILE NO.: 68673773 PHONE NO.: 686-3758

FROM: PAUL HADEN RE: NOC SCANLEN DRAW "34"

TYPE OF DOCUMENT: ST. Com. #1 WELL

ORIGINAL TO FOLLOW IN MAIL (Y/N): N

MESSAGE: PAT - PLEASE REVIEW THE TERMS OF THE ATTACHED LETTER AGREEMENT. AS TO THE OA REFERENCED IN SUCH LETTER, I'LL DELIVER SAME TO YOU TOMORROW WITH THE ORIGINAL OF THE ATTACHED LETTER IF SAME IS ACCEPTABLE. PLEASE ADVISE.

↳ my PROPOSED LETTER

Thanks Paul

IF YOU DO NOT RECEIVE ALL PAGES CLEARLY, PLEASE CALL US AS SOON AS POSSIBLE.

CONFIDENTIALITY NOTE: The information contained in this facsimile message is confidential and is intended only for the use of the individual or entity named above. Dissemination of this facsimile to anyone else is strictly prohibited. If you have received this facsimile in error, please notify us by telephone immediately.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

March 3, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick J. Tower

Re: MOC's Scanlon Draw "34" St. #1 Well
S/2 of Section 34, from a depth of 3500'
beneath the surface to the base of the
Morrow formation, T18S, R28E
Eddy County, New Mexico

Gentlemen:

This letter shall evidence our phone conversation on February 28, 1997 wherein Enron Oil & Gas Company (Enron) has elected not to participate in the captioned well as proposed by Mewbourne Oil Company (Mewbourne). In lieu of such participation, Enron has elected to accept a 300% non-consent penalty as if Enron had been force pooled in the currently scheduled compulsory pooling hearing to be heard at an NMOCD Examiner's hearing on March 6, 1997. Such 300% non-consent penalty would include the drilling, completion and operating costs associated with such well during the payout period with such costs to be accounted for under the terms of the Copus - Accounting Procedure attached as an Exhibit to the Operating Agreement attached as Exhibit "A". After payout of the referenced 300% penalty, future joint operations shall be conducted under the terms of such attached Operating Agreement.

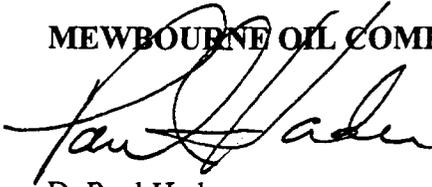
In consideration of Enron's election to accept a 300% non-consent penalty, Mewbourne agrees to provide Enron a copy of all well information obtained by Mewbourne within thirty (30) days of Mewbourne obtaining such well information.

Enron Oil & Gas Company
March 3, 1997
Page -2-

If the above agreement is acceptable to Enron, please acknowledge same by signing and returning the copy of this letter to the undersigned on or before March 5, 1997 at 9:00 A.M.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH/gb

AGREED and ACCEPTED this _____ day of March, 1997.

ENRON OIL & GAS COMPANY

By: _____

Name typed
or printed: _____

2-28-97

Pat called this date, said
Enron would non-consent our
well proposal in exchange
for well information and a
1300% non-consent penalty.
I'm to draft up letter and
send to Enron for approval.

P.H.

Called Pat Tower w/ Erion
this date regarding MOC's
well proposal, left phone
message for him to call me.

P.H.
2-20-97
@ 2:30 P.M.

Called Pat Tower this
date, left message for
him to call regarding our
well proposal

P.H.
2-25-97

Pat Tower w/ Erson returned
my call this date, said
their management hasn't had
time to review our proposal.

I reminded him that
our hearing was scheduled
for March 6TH, I
advised him of their
interest in unit ($\$46875^0$)
P.H.

2-25-97

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

February 20, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick Tower

Re: MOC's Scanlon Draw "34" State Com. #1
S/2 of Section 34, T18S, R28E
Eddy County, New Mexico

Dear Pat:

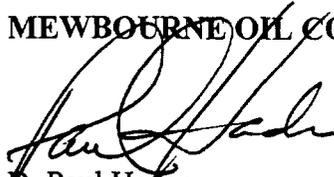
This is in reference to Mewbourne's well proposal as to the captioned well and land. As Mewbourne has a drilling rig that will be available in the next month, we would appreciate receiving a commitment from Enron as to their desire to participate in the captioned well at the earliest possible date. We would like to avoid the necessity of a pooling hearing if at all possible.

Please check with your management regarding Enron's election to join in the above well and advise me of their decision as soon as possible.

Should you have any questions as to the above, please call.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

February 7, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick Tower

Re: MOC Scanlon Draw "34" State Com. #1
S/2 of Section 34, T18S, R28E
Eddy County, New Mexico

Gentlemen:

As previously proposed, Mewbourne Oil Company (Mewbourne) invites your participation in the captioned well which was proposed by Mewbourne's letter dated November 22, 1996. In the event you elect not to participate, we are still offering you the option to farmout or sell your interest to Mewbourne under the general terms offered in the referenced letter.

As Mewbourne would like to drill the above well at the earliest date, a favorable response from you would be greatly appreciated. In order to drill the above well in a timely manner, Mewbourne will be filing an application for compulsory pooling soon with such case to be heard at an Examiner's hearing on March 6, 1997.

Should you have any questions regarding the above or wish to discuss Mewbourne's proposal, please call.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 9, 1997

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick Tower

Re: MOC Scanlon Draw Area
Scanlon Draw "34" State Com. #1
S/2 of Section 34, T18S, R28E
Eddy County, New Mexico

Gentlemen:

This is in follow up to our well proposal letter of November 22, 1996 wherein Mewbourne Oil Company proposed drilling the captioned Morrow well. At your earliest convenience, please respond to said proposal.

Should you have any questions regarding the above please do not hesitate to contact the undersigned.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read "D. Paul Haden", written over the company name.

D. Paul Haden
Landman

DPH/gb

Per Pat Turner -
He called and said
Ermon would respond
soon.

PAT
1-9-97

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

PS Form 3811, December 1991 * U.S.G.P.O. : 1892-307-530

3. Article Addressed to:
Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702
Attention: Mr. Patrick Tower

4a. Article Number
PA68 434 060

5. Signature (Addressee)
[Signature]

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

6. Signature (Agent)
[Signature]

7. Date of Delivery
NOV 25 1996

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

DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
Complete items 1 and/or 2 for additional services.
Complete items 3, a, and b.
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.

1. Addressee's Address
2. Restricted Delivery
Consult postmaster for fee.

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

Thank you for using Return Receipt Service.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

November 22, 1996

Certified Mail-Return Receipt Requested P 268 434 060

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attn: Mr. Patrick Tower

Re: MOC Scanlon Draw Area
Scanlon Draw "34" State Com. #1
S/2 of Section 34, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes the drilling of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 11,200'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 34 will be dedicated as the proration unit for the well.

The above well will be located approximately 660' FSL and 1650' FEL of Section 34, T18S, R28E, Eddy County, New Mexico. Our AFE dated November 20, 1996 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of the executed AFE or by prior written request we will forward our Joint Operating Agreement for your review and execution.

In the event you do not wish to participate, Mewbourne respectfully requests you elect one of the following options as to your interest.

- 1) Farmout all of your interest in Section 34 for a period of 180 days to Mewbourne under the following general terms:

- (a) If any well drilled, deepened, completed or recompleted under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will earn an assignment of 100% of your rights and interest, free of any liens or encumbrances, in the proration unit assigned to each well from a depth of 3500' beneath the surface to a depth of 100' below the total depth drilled for each well, not to exceed the base of the Morrow formation.
- (b) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on New Mexico Oil Conservation approved proration units that include your acreage to establish oil and/or gas production under the captioned lands or land pooled therewith. If any such option is exercised by Mewbourne, Mewbourne agrees to allow not more than 180 days to elapse between the completion of one well and the commencement of operations for any next well.
- (c) You will retain an overriding royalty interest equal to the difference, if any, between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production to which your leases may be currently subject, so that Mewbourne will be assigned a 75% net revenue interest in your lease(s) as to rights below a depth of 3500' to 100' below the total depth drilled, not to exceed the base of the Morrow formation. Such overriding royalty interest retained by you shall be subject to proportionate reduction.
- (d) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne, title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable to you our formal Farmout Agreement will be provided under separate cover.

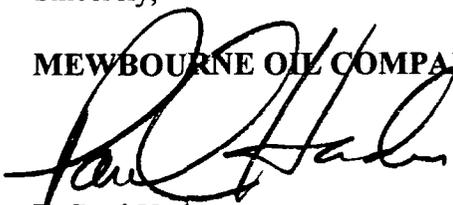
- 2) Sell all of your right, title and interest in the S/2 of Section 34 subject to title approval, for \$250.00 per net acre delivering an 81.25% net revenue interest to Mewbourne.

As we anticipate drilling the captioned well in the 1st quarter of 1997, your earliest response to this proposal would be greatly appreciated.

Should you have any questions, please do not hesitate to call.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman