

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

FACSIMILE TRANSMITTAL COVER SHEET

Date: 3-5-97

Time: _____

Page 1 of 2 Pages

TO: MELISSA RANDLE W/HEYCO AND SHARI HAMILTON W/YATES E.

FACSIMILE NO.: 505-622-4221 / 505-623-4947 PHONE NO.: 505-623-6601 / 505-623-4935

FROM: PAUL HADEN

TYPE OF DOCUMENT: _____

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

MESSAGE: ATTACHED FOR YOUR INFORMATION IS A
TABULATION OF THE CURRENT UNIT OWNERSHIP
IN THE S/2 OF SECTION 34, T18S, R28E, EDDY Co., N.M.

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.

SCANLON DRAW "34" STATE COM. #1 WELL
S/2 of Section 34, T18S, R28E
Eddy County, New Mexico

From a depth of 3500' beneath the surface to the base of the Morrow formation.

A. Unit ownership in S/2 of Section 34:

<u>Owner</u>	<u>% Interest</u>
Mewbourne Oil Company	48.3785000
Atlantic Richfield Company	21.8750000
Yates Petroleum Corporation	7.8993000
Marathon Oil Company	6.9878400
Amoco Production Company	4.6875000
Read & Stevens, Inc.	0.7812500
Roy G. Barton, Jr., Trustee	0.7812500
Western Reserves Oil Company	3.1250000
Enron Oil & Gas Company	5.4687500
S.P. Yates and wife, Estelle H. Yates	0.0012478
Richard Martin Yates	0.0026539
St. Clair Peyton Yates, Jr.	0.0026539
Marico Exploration, Inc.	0.0026539
St. Clair Peyton Yates, Jr. and A.J. Losee, Trustees of the S.P. and Estelle H. Yates 1976 Trust for Jennifer Shannon Yates, the S.P. and Estelle H. Yates 1976 Trust for Mary Beth Yates, and the S.P. and Estelle H. Yates 1976 Trust for Peyton William Yates Davis	0.0026539
Shabro Oil, Ltd. Co.	0.0009403
S.P. Yates, Frank Yates, Jr., and B. W. Harper, Personal Representatives of the Estate of Lillie M. Yates	0.0009404
Harvey E. Yates Company	0.0012626
Yates Energy Corporation	0.0004185
Jalapeno Corporation and Cibola Energy Corporation	0.0001995
	<u>100.0000000</u>

Harvey E. Yates, Jr.
advised me this date
that his companies (Cibola
and Jalapeno) would participate
in MOC's proposed well per
his conversations with Harvey
E. Yates Company. He would
be out of town for a few
days, I'm to send him an
Operating Agreement.

At
3497

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3 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:

Yates Energy Corporation
 P.O. Box 2323
 Roswell, N.M. 88202

 Attention: Shari Hamilton

4a. Article Number

P 268 434 098

4b. Service Type

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

7. Date of Delivery

2-24-97

5. Received By: (Print Name)

Shari Weaks

6. Signature: (Addressee or Agent)

X Shari Weaks

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

PS Form 3811, December 1994

Senior Law 34" State Com. #1

Domestic Return Receipt

Thank you for using Return Receipt Service.

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:

Cibola Energy Corporation
 and Jalapeno Corporation
 P.O. Box 1608
 Albuquerque, N.M. 87103

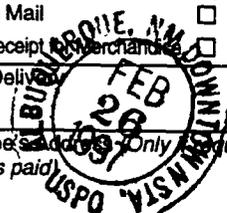
4a. Article Number

P 268 434 097

4b. Service Type

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

7. Date of Delivery



5. Received By: (Print Name)

Don C Bell II

6. Signature: (Addressee or Agent)

X Don C Bell II

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.

Called Cibola and
Galapeno Corp. this date,
left message from Harvey
E. Yates, Jr. to call me
regarding our well proposal.

P.H.
3-3-97

Met with Heyco and
Yates Energy in Roswell
to discuss our well
proposal. Advised them
they need to stipulate their
interest between them-
selves as to their 1.50463%
interest (Heyco, Yates E., Jalapeno
and Cibola). Heyco and
Yates Energy says they'll join
in give me written verification.
PH. 02/27/97

Called Melissa Randle
this date (Hlyco) as to our
well proposal and their
decision. They'll give us an
answer in the next couple
of days. Advised her I would
be in Roswell Wed. (Feb. 26)
to see her about this. Their interest
is so small it would be
better for them to be
force pooled.

PJ
2-24-97

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 11, 1997

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202

Attn: Melissa Randle

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

Dear Melissa:

Per your request, enclosed is a copy of the Operating Agreement which has been furnished to the Non-Operators listed on Exhibit "A" for execution. As discussed, Mewbourne's interest would be diminished in the event Heyco, Enron, Yates Energy, Cibola Energy and Jalapeno Corp. elected to participate in the captioned well and such Exhibit "A" would be revised accordingly.

As you have now advised me that the interest of Harvey E. Yates Company has partially been conveyed to Yates Energy Corp., Cibola Energy Corp. and Jalapeno Corp., I have sent copies of my previous correspondence with Heyco plus a copy of the referenced Operating Agreement to such additional corporations with a copy of our AFE.

In the event Harvey E. Yates Company elects to join, please have the enclosed AFE executed on behalf of Heyco and forward same to me at your earliest convenience. Upon receipt of same, I will forward duplicate originals of our revised Operating Agreement for Heyco's execution.

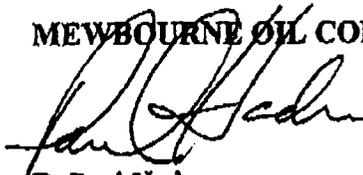
Post-It® Fax Note 7671		Date 2-21	# of pages 2
To Paul Haden		From Shari Hamilton	
Co./Dept. Mewbourne		Co. Yates Energy	
Phone # 915/682-3715		Phone # 505 623 4935	
Fax # 915/685-4170		Fax # 505 623 4947	

Harvey E. Yates Company
 February 11, 1997
 Page -2-

As we would like to dismiss Heyco, et al from the upcoming pooling hearing, we would appreciate receiving an election from Heyco, et al at the earliest possible date. Please call should you have any questions.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
 Landman

DPH/gb

cc: Yates Energy Corp.
 P.O. Box 2323
 Roswell, New Mexico 88202
 Attention: Shari Hamilton

Cibola Energy Corp.
 1429 Central, NW
 Albuquerque, New Mexico 87103

Jalapeno Corp.

P.O. Box 2323
 Roswell, New Mexico 88202
 Attention: Shari Hamilton

P.O. Box 1608
 Albuquerque, NM
 87103-1608

Harvey E. Yates, Jr.
 505/242-8501

Separate Company -
 requires independent
 notices from Yates Energy

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 20, 1997

Certified Mail-Return Receipt Requested P 268 434 098

Yates Energy Corporation
P.O. Box 2323
Roswell, New Mexico 88202

Attn: Shari Hamilton

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

Ladies and Gentlemen:

Although we can not confirm your ownership under the captioned land this date since our title examination for drilling purposes is not complete, Melissa Randle of Harvey E. Yates Company advises me you may own an interest in the operating rights below 3500' under the subject land. Apparently your ownership in same was derived from certain blanket assignments by and/or between Harvey E. Yates Company, Yates Energy Company and Coronado Exploration Corporation. In the event you own an interest in the operating rights below 3500' under the subject land, Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes to you 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.

Yates Energy Corporation

February 20, 1997

Page -2-

- 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.

Yates Energy Corporation

February 20, 1997

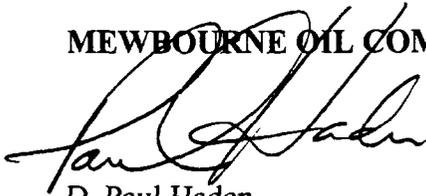
Page -3-

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

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

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 20, 1997

Certified Mail-Return Receipt Requested P 268 434 097

Cibola Energy Corporation
and Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103

Re: MOC Scanlon Draw Area
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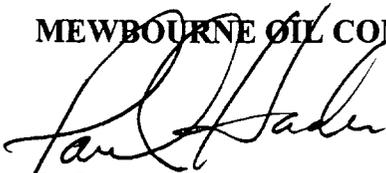
Cibola Energy Corporation
and Jalapeno Corporation
February 20, 1997
Page -3-

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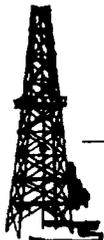
Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in cursive script, appearing to read "D. Paul Haden".

D. Paul Haden
Landman

DPH/gb

HEYCO**PETROLEUM PRODUCERS****HARVEY E. YATES COMPANY**

P. O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

FAX TRANSMITTAL

To: Paul Haden

Company: Mewbourne Oil Company

From: Melissa Randle

Date: February 11, 1997

Re: Scanlon Draw 34 State Com #1

Subject: Request for Operating Agreement and Title Opinion,
Blanket Conveyances Concerning SNM Lease E-6945

of pages: 5, including this cover page

Fax#: 915/685-4170

*******Message*******

Per my request in our telephone conversation on February 10, 1997, please forward Harvey E. Yates Company (HEYCO) a copy of your proposed Operating Agreement for the captioned well. As soon as it is available, please also forward HEYCO a copy of your drilling title opinion. Attached are copies of the Blanket Conveyances that I mentioned to you in our telephone conversation today. The conveyances transfer property in Eddy County from HEYCO into Yates Energy Corporation and Cibola Energy Corporation. Call me if you need more information concerning the conveyances.

If you are not receiving clearly, or if you have any problems with this transmission, please call (505)623-6601 and ask for Diana Marshall. Thank you. The information contained in this facsimile message is privileged and confidential information, intended for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee/agent responsible for delivery to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and return the original message to us at the address shown above.

BLANKET CONVEYANCE OF OIL AND GAS PROPERTIES

THIS CONVEYANCE, made July 20, 1982 between HARVEY E. YATES COMPANY, a New Mexico corporation, 300 Security National Bank Building, Roswell, New Mexico, 88201, hereinafter referred to as "Assignor," and YATES ENERGY CORPORATION, a New Mexico corporation, 919 Security National Bank Building, Roswell, New Mexico, 88201, hereinafter referred to as "Assignee,"

W I T N E S S E T H:

Assignor, for valuable consideration to it in hand paid by Assignee, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, bargain, sell, convey, assign, transfer, set over and deliver, effective December 31, 1981 at 11:59 P.M., determined as to each locality in accordance with the time then generally observed in such locality (the "Effective Date"), unto Assignee, its successors and assigns, the following:

A. An undivided 32.863912% interest in the oil and gas leases, leasehold, fee and mineral interests, the royalty and overriding royalty interests, the payments out of production, the operating rights and other oil and gas interests owned or claimed by Assignor, vested or contingent, and wherever situated, subject, however, to the restrictions, exceptions, reservations, conditions, limitations, outstanding interests, existing royalties, overriding royalties, production payment interests, burdens on production and other matters that are either shown of record or are shown on the books and records of Assignor (the "Subject Interests"). In the event of a conflict between matters of record and the books of Assignor, the books of Assignor shall be controlling.

B. An undivided 32.863912% of Assignor's right, title and interest in, to and under, or derived from (i) all of the presently existing and valid unitization, communitization, pooling and working interest agreements and the properties and the interests created thereby, (ii) all of the presently existing and valid oil, casinghead gas and gas sales purchase agreements, and (iii) all other contracts, agreements and instruments which relate to any of the properties and interests covered by this conveyance.

C. An undivided 32.863912% interest in all oil and liquid hydrocarbons in storage on the Effective Date, all personal property, improvements, easements, permits, licenses, servitudes and rights-of-way situated upon or used or useful or held for future use in connection with the exploration, development or operation of the interests covered by this conveyance or the production, storing or transportation of oil, gas and other hydrocarbon substances situated on the interests assigned by this conveyance or lands unitized therewith or which are used in connection with oil and gas operations on the interests described in A and B above.

TO HAVE AND TO HOLD the Subject Interests unto Assignee, its successors and assigns, forever.

Assignor presently has three employee benefit plans that are described in detail on the books and records of Assignor. Assignee, by the acceptance of this assignment, agrees that the Subject Interests shall bear an undivided 32.863912% of the burden of such employee benefit plans.

Assignor hereby binds itself to warrant and defend the title to the Subject Interests unto Assignee, its successors and assigns, against every person lawfully claiming the same or any

*Reco. ed in Eddy P.2
County Book 234, Page 370

Recorded in Chavez Co. -
BK. 282, Pg. 295

Recorded in Lea Co. -
BK. 247, Pg. 745

Recorded in Mora Co. -
BK. 0-31, Pg. 474.

3-21-78

BLANKET CONVEYANCE

THIS BLANKET CONVEYANCE is dated on February 3, 1978, between HARVEY E. YATES COMPANY, a New Mexico corporation, P. O. Box 1933, Roswell, New Mexico, 86201, hereinafter referred to as "Assignor," and CORONADO EXPLORATION CORP., a New Mexico corporation, 1007 Marquette NW, Albuquerque, New Mexico, 87102, hereinafter referred to as "Assignee,"

W I T N E S S E T H:

Assignor, for valuable consideration to it in hand paid by Assignee, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, bargain, sell, convey, assign, transfer, set over and deliver, effective January 1, 1978 at 7:00 A.M., determined as to each locality in accordance with the time then generally observed in such locality, unto Assignee, its successors and assigns, an undivided 14.9711% interest in all real and personal property owned or claimed by Assignor, vested or contingent, and wherever situated (the "Subject Interests").

TO HAVE AND TO HOLD all and singular the Subject Interests unto Assignee, its successors and assigns, forever.

In confirmation of this blanket conveyance, Assignor hereby covenants and agrees to and with Assignee, its successors and assigns, to execute, procure and deliver to Assignee such other and further instruments of conveyance, assignment or transfer, and all such notices, releases, acquittances and other documents, and to do or cause to be done all such other acts and things as may be necessary more fully to convey, assign, transfer and deliver to and vest in Assignee all properties herein and hereby transferred, assigned and conveyed or intended so to be.

Assignor hereby binds itself to warrant and forever defend title to the Subject Interests unto Assignee, its successors and assigns, against every person lawfully claiming the same or any part thereof by, through or under Assignor, but against none other. This Conveyance is made with full substitution and subrogation of Assignee in and to all warranties heretofore given or made by others in respect of the Subject Interests or any part thereof.

IN WITNESS WHEREOF, Assignor has caused this conveyance to be executed on the date first above written.

ATTEST:

HARVEY E. YATES COMPANY

 John C. Czizinski
Not. Secretary

by: Harvey E. Yates
Vice President

BOOK 282 PAGE 296

STATE OF NEW MEXICO)
COUNTY OF ^{F. DU} CHAVES) ss.

The foregoing instrument was acknowledged before me this March 13, 1978 by Fred E Yates, Vice President of HARVEY E. YATES COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires: 1-27-81

Jean Williams
Notary Public

STATE OF NEW MEXICO)
COUNTY OF ^{F. DU} CHAVES) ss.

Before me, Jean Williams, a notary public, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of HARVEY E. YATES COMPANY, a New Mexico corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this March 13, 1978.

My commission expires: 1-27-81

Jean Williams
Notary Public

(State of New Mexico, County of Chaves) ss.

FILED FOR RECORD

MAR 21 1978

Not. Public 203 h. and reported in
Joyce B. Walker Notary Clerk
Walter J. Jones Deputy

Losee & Carson P. A. Rec. 21309 \$4.00

P. O. Drawer 239

Artesia, N. M., 88210



Attest
Certified this 13th day of March, 19 78, as a true and correct copy of the original on file in this office.

-2-

RHODA GEORGE
Chaves County Clerk
Rhoda George
Deputy

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

—
(915) 682-3715
FAX (915) 685-4170

February 11, 1997

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202

Attn: Melissa Randle

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

Dear Melissa:

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February 11, 1997
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Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH/gb

cc: Yates Energy Corp.
P.O. Box 2323
Roswell, New Mexico 88202
Attention: Shari Hamilton

Jalapeno Corp.
P.O. Box 2323
Roswell, New Mexico 88202
Attention: Shari Hamilton

Cibola Energy Corp.
1429 Central, NW
Albuquerque, New Mexico 87103

Called Melissa Randle
this date regarding our
well proposal left
message for her to call.

P.H.

2-7-97

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 7, 1997

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202

Attn: Melissa Randle

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

Gentlemen:

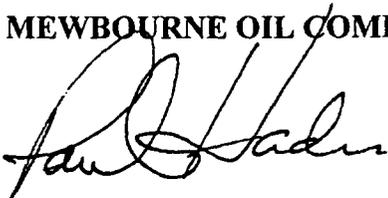
As previously proposed, Mewbourne Oil Company (Mewbourne) invites your participation in the captioned well which was proposed by Mewbourne's letter dated November 22, 1996. In the event you elect not to participate, we are still offering you the option to farmout or sell your interest to Mewbourne under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

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 9, 1997

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202

Attn: Melissa Randle

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



D. Paul Haden
Landman

DPH/gb

Scanlon Draw #34 State Com #1

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.
- 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):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Harvey E. Yates Company
 P.O. Box 1933
 Roswell, N.M. 88202
 Attention: Shari Darr

4a. Article Number
P 268434 071

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

7. Date of Delivery
11-25-96

5. Signature (Addressee)

6. Signature (Agent)
Harvey E. Yates

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

PS Form 3811, December 1991 U.S.G.P.O.: 1992-307-530 **DOMESTIC RETURN RECEIPT**

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

Paul URGENT

Date *1-7-97* Time *5:10* AM PM

WHILE YOU WERE OUT

From *Melissa Randall*
Heyco Yates Pet.

Phone *505-623-6601*

Telephoned	<input checked="" type="checkbox"/>	Please call	<input checked="" type="checkbox"/>
Came to see you	<input type="checkbox"/>	Wants to see you	<input type="checkbox"/>
Returned your call	<input type="checkbox"/>	Will call again	<input type="checkbox"/>

Message
Advised her of Heyco's interest this date.

Signed *PK*

Notes
1-8-97

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 268 434 071

Harvey E. Yates Company
P.O. Box 1933
Roswell, N.M. 88202

Attn: Shari Darr

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.

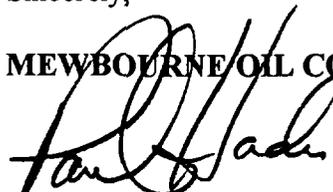
- 2) Sell all of your right, title and interest in the S/2 of Section 34 subject to title approval, for \$250.00 per net acre delivering an 81.25% net revenue interest to Mewbourne.

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