

CHRONOLOGY

- September 96 - Telephone inquiry from Richard Coates, Independent Landman (Midland) inquiring as to our position on developing leases in Section 10, 15, 22.
- March 10, 1997 - Letter offer from Mewbourne Oil Company to purchase lease in Section 10, 15, 16, 20, 21 in "attempt to consolidate leases in area where they conduct operations".
- March 13, 1997 - Meeting with Mewbourne Oil Company (Ralph Moore, Steve Cobb) regarding Strawn activity in the area and potential Joint Venture.
- April 23, 1997 - Meeting with Carlow Corporation representatives regarding Strawn activity in area and potential Joint Venture covering Section 15.
- May 6, 1997 - Meeting with Richard Coates (Carlow) in Midland regarding formation of 640 acres Working Interest Unit in Section 15, Devon Energy Corporation (Nevada) to operate. Carlow to evaluate and advise.
- June 12, 1997 - Mewbourne Oil Company well proposal (Carlsbad '15' Federal Com #1) and AFE located 1980' FSL and 1650' FWL of Section 15.
- June 24, 1997 - Mewbourne Oil Company letter change of location to 1980' FSL and 1850' FWL of Section 15.
- July 3, 1997 - Devon Energy Corporation (Nevada) letter to Mewbourne Oil Company electing to participate in Carlsbad '15' Federal Com #1, request for operations and listing of operational considerations.
- July 14, 1997 - Mewbourne Oil Company letter reiterating intent to operate and listing of operational considerations.
- July 30, 1997 - Mewbourne Oil Company/Devon Energy Corporation (Nevada) competing Pooling applications filed.
- August 6, 1997 - Mewbourne Oil Company submits Joint Operating Agreement for Carlsbad '15' Federal Com #1.
- August 18, 1997 - Mewbourne Oil Company (Ralph Moore) phone conversation was Devon Energy Corporation (Nevada), (Wayne Roberts).
- August 19, 1997 - Devon Energy Corporation (Nevada) letter to Mewbourne Oil Company, Joint Operating Agreement as 'premature'.

- August 21, 1997 - Mewbourne Oil Company (Ralph Moore) follow up letter attempting to resolve issue, indicating Mewbourne Oil Company had made a number of suggestions.
- August 22, 1997 - Telephone conversation with Steve Cobb advising that Devon Energy Corporation (Nevada) had contracted a drilling rig and would be spudding Avalon 15 'C' State Com #1 around September 2.
- August 26, 1997 - Devon response to Mewbourne Oil Company August 18, telephone conversation and August 21 letter, itemizing and summarizing proposals by both parties to date. Recommended Devon Energy Corporation (Nevada) as operator move drilling rig to Carlsbad 15 Federal Com #1 upon release from Avalon 15 'C' State Com #1.
- August 27, 1997 - Telephone conversation with Steve Cobb, discussion centered around Mewbourne Oil Company selling an interest in Mewbourne Oil Company leases in E/2 Section 20 in exchange for Mewbourne Oil Company operating in S/2 Section 15.
- September 3, 1997 - Devon Energy Corporation (Nevada) letter offering to purchase working interest E/2 Section 20 in exchange for operations in S/2 Section 15.
- September 5, 1997 - Telephone conversation with Steve Cobb proposing formation of 960 acres Working Interest Unit (all of 15, N/2 22) Devon Energy Corporation (Nevada) to operate. Mewbourne Oil Company rejected purchase offer of September 3.
- September 11, 1997 - Telephone conversation with Steve Cobb, Devon Energy Corporation (Nevada) rejected 960 acre Working Interest Unit, Mewbourne Oil Company requested continuance of hearing from September 18 to October 9.
- September 12, 1997 - Mewbourne Oil Company letter requesting further consideration of 960 acres Working Interest Unit.
- September 12, 1997 - Telephone conversation with Steve Cobb advising that Devon Energy Corporation (Nevada) will proceed with NMOCD hearing on September 18.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 10, 1997

Devon Energy Corporation
20 North Broadway
1500 Mid-America Tower
Oklahoma City, Oklahoma 73102

Attn: Mr. Ken Gray

Re: Avalon Prospect
all of Section 10, W/2 of Section 15,
E/2 of Section 16, W/2 of Section 20,
and the NW/4 of Section ~~21-21S-26E~~
Eddy County, New Mexico

FILE

Gentlemen:

Mewbourne Oil Company (Mewbourne) desires to consolidate its interest in those areas in which it conducts operations.

Mewbourne, subject to final management approval, hereby offers Devon Energy Corporation (Devon) \$150.00 per acre for all of its right, title and interest in the captioned lands subject to the following general terms:

- 1) Devon to deliver 100.00% of its working interest and an 87.50% net revenue interest to Mewbourne.
- 2) This offer is contingent upon Mewbourne's approval of title, form of Assignment, review of Devon's files and customary due diligence investigations.
- 3) The effective date of this sale would be March 1, 1997.
- 4) Devon agrees to furnish to Mewbourne free of any cost whatsoever, copies of all records and files in its possession covering the captioned lands.

Should the above purchase terms meet with your approval, please so signify by signing in the space provided and return an executed copy of this letter to the undersigned within thirty days from receipt.

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MAR 12 1997

LAND DEPARTMENT

Devon Energy Corporation
March 10, 1997
Page -2-

Failure to respond within thirty days shall render this offer voidable at Mewbourne's sole discretion.

Sincerely,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

SC/gb

AGREED to and ACCEPTED this _____ day of _____ 1997.

DEVON ENERGY CORPORATION

By: _____

Title: _____

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

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JUN 16 1997

LAND DEPARTMENT

June 12, 1997

Certified Mail-Return Receipt Requested P 268 434 146

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attn: Mr. Ken Gray

Re: Carlsbad "15" Prospect
Carlsbad "15" Federal Com. #1 Well
1980' FSL & 1650' FWL
Section 15-21S-26E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) 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 15 will be dedicated as the proration unit for the well.

This well will be located approximately 1980' FSL & 1650' FWL of Section 15-21S-26E, Eddy County, New Mexico. Our AFE dated June 10, 1997 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 your 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 the S/2 of Section 15 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 to a depth of 100' below the total depth drilled for each well.

- (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 leases(s). 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.

Please advise should the above general terms be acceptable to you and our formal Farmout Agreement will be provided under separate cover.

- 2) Sell all of your right, title and interest in this Unit, subject to title approval, for \$150.00 per net acre delivering an 87.50% net revenue interest to Mewbourne.

As we anticipate drilling the captioned well in the third 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 yours,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

June 24, 1997

Certified Mail-Return Receipt Requested P 268 434 157

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attn: Mr. Ken Gray

Re: Carlsbad "15" Prospect
Carlsbad "15" Federal Com. #1 Well
1980' FSL & 1850' FWL
Section 15-21S-26E
Eddy County, New Mexico

Gentlemen:

We have been advised by the Bureau of Land Management that in order for a permit to be issued, the location of the captioned well needs to be moved 200' to the East from the approximate location stated in our well proposal of June 12, 1997.

The permitted location will be 1980' FSL & 1850' FWL (previously 1650' FWL) of Section 15-21S-26E, Eddy County, New Mexico. We have changed the location named on the enclosed AFE to conform with the Bureau of Land Management's directions.

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

Sincerely yours,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

SC/gb

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JUN 26 1997
LAND DEPARTMENT



ENERGY CORPORATION

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: 405/235-3611
FAX 405/552-4550

July 3, 1997

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Attention: Steve Cobb

Re: Carlsbad 15 'J' Com #1
1980' FSL and 1850' FWL
Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

Devon Energy Corporation (Nevada) is in receipt of your letters dated June 12 & 24, 1997 proposing to drill the referenced 11,200' Morrow test well. Devon agrees to the drilling of the referenced well as proposed and hereby submits our AFE reflecting a dry hole cost of \$465,600 with a completed well cost of \$721,000.

Devon further proposes to be named as Operator of said well. In that regard, we offer the following operational considerations for your review:

- Devon currently has operations of existing Morrow and Delaware wells and a Saltwater Disposal Well in the immediate area, including Section 15.
- Devon maintains an alliance with a major service company for cementing and stimulation services.
- Devon maintains a purchasing alliance with four (4) major supply companies for material goods such as tubulars, stock tanks and other surface facility equipment.
- Due to the high volume of wells drilled by Devon in the last 4-5 years, we believe we would be able to maximize certain economies of scale relative to dirt work and location preparation.
- Any issues relative to ingress and egress to the proposed location would be easily resolved by the use of our existing lease roads in the area.

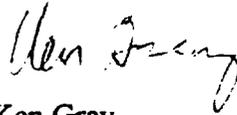
Mewbourne Oil Company
July 3, 1997
Page -2-

As we have discussed verbally, Devon would be agreeable to the formation of a 640 acre working interest unit consisting of all of Section 15, calculated on an acreage basis, in order to spread the risk of both Devon and Mewbourne.

In any event, Devon proposes to be named operator in as much as our working will be at least 50% under any unit configuration in Section 15. I will be in touch in the next few days so that we may further discuss our mutual development plans in the area.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

KG:cj\Mewbourne1.lt

enc.

6/25/97

**AUTHORIZATION FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE**

DRILLING
RECOMPLETION

AFE No.:
Lease Name - Well #: Carlsbad 15 "J" Fed. Comm #1
Legal Description: Sec. 15, T21S, R26E

County or Parish, State: Eddy County, New Mexico
Field: Avalon (Morrow)
Prepared By: W.M. Frank

AUTHORITY REQUESTED FOR:

Account Number	Intangible Costs Description	Dry Hole Costs	Completion Costs	Total Costs
SITE PREPARATION				
011	LAND AND LEGAL	5,000		5,000
012	SURFACE DAMAGES / RIGHT OF WAY	4,000		4,000
013	LOCATION, ROADS, PITS, FENCES	16,000		16,000
019	OTHER SITE PREPARATION			0
DRILLING CONTRACTOR SERVICES				
041	TURNKEY DRILLING COSTS			0
042	FOOTAGE	280,000		280,000
043	DAYWORK	12,000	12,000	24,000
044	MOBILIZATION / DEMOBILIZATION			0
049	OTHER DRILLING CONTRACTOR SERVICES			0
MATERIALS AND SUPPLIES				
101	DRILL BITS			0
102	DRILLING MUD, CHEMICALS, COMPLETION FLUIDS	22,400	3,500	25,900
103	RENTAL TOOLS & EQUIPMENT	3,000	2,000	5,000
109	OTHER MATERIALS AND SUPPLIES	3,500		3,500
GENERAL SERVICES				
201	WELDING & ROUSTABOUT	750	3,500	4,250
202	DIRT WORK & HEAVY EQUIPMENT			0
203	TRUCKING & HOTSHOT	1,500	3,000	4,500
204	PIPELINE INSTALLATION			0
209	OTHER GENERAL SERVICES			0
SPECIALIZED SERVICES				
251	CEMENT AND CEMENTING SERVICES	16,000	25,000	41,000
253	P&A COSTS	5,000		5,000
255	LOGGING, PERFORATING & WIRELINE	12,000	6,500	18,500
257	OPEN HOLE EVALUATION			0
259	CASING & TUBULAR SERVICES	3,700	5,500	9,200
261	FLUID SERVICES			0
263	SALT WATER DISPOSAL			0
265	STIMULATION & GRAVEL PACK		15,000	15,000
267	OFFSHORE TRANSPORTATION			0
269	CONSULTANTS	18,600	4,200	22,800
271	FISHING SERVICES			0
273	TESTING SERVICES		11,200	11,200
299	OTHER SPECIALIZED SERVICES			0
POWER, FUEL, AND WATER				
301	POWER & FUEL	1,000		1,000
302	WATER	7,500	2,500	10,000
COMPLETION AND CLEANUP				
501	PULLING & SWABBING UNIT		10,500	10,500
502	SNUBBING UNIT & COILED TUBING			0
503	BACKFILL PITS / RESTORE LOCATION	3,000		3,000
509	OTHER COMPLETION & CLEANUP			0
ENVIRONMENTAL & SAFETY				
551	ENVIRONMENTAL RESTORATION			0
552	SAFETY EQUIPMENT			0
553	ENVIRONMENTAL & SAFETY TRAINING			0
554	ENVIRONMENTAL & SAFETY FINES			0
559	ENVIRONMENTAL & SAFETY MISCELLANEOUS			0
MISCELLANEOUS				
711	COMPANY SUPERVISION			0
721	DRILLING OVERHEAD	20150		20,150
731	CONSTRUCTION OVERHEAD			0
741	WELL CONTROL INSURANCE			0
802	GENERAL LABOR			0
831	VEHICLE EXPENSE			0
861	DISTRICT & FIELD OFFICE EXPENSE			0
865	COMPANY BENEFITS			0
895	TAXES			0
TOTAL INTANGIBLES		\$435,100	\$104,400	\$539,500

10

GAS X
DATE

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

TEL 405-233-5071
FAX 405-552-4550

6/25/97

**AUTHORIZATION FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE**

DRILLING X
RECOMPLETION

AFE No.:
Lease Name - Well #: Carlsbad 15 "J" Fed. Comm #1
Legal Description: Sec. 15, T21S, R26E

County or Parish, State: Eddy County, New Mexico
Field: Avalon (Morrow)
Prepared By: W.M. Frank

AUTHORITY REQUESTED FOR:

Account Number	Tangible Costs Description	Dry Hole Costs	Completion Costs	Total Costs
WELL EQUIPMENT				
895	TAXES			0
901	SURFACE CASING	5,500		5,500
902	INTERMEDIATE CASING	25,000		25,000
903	PRODUCTION CASING		55,000	55,000
911	LINER			0
915	TUBING		32,000	32,000
921	SUCKER RODS			0
925	SUBSURFACE EQUIPMENT		7,500	7,500
931	WELLHEAD VALVES & EQUIPMENT		18,500	18,500
935	ARTIFICIAL LIFT EQUIPMENT			0
941	TANKS		11,000	11,000
945	TREATING VESSELS		27,000	27,000
951	COMPRESSORS			0
955	WATER DISPOSAL PUMPS			0
961	LINE PIPE, METERS & FITTINGS			0
985	OTHER TANGIBLE EQUIPMENT - SUBSURFACE			0
986	OTHER TANGIBLE EQUIPMENT - SURFACE			0
990	MATERIAL TRANSFER - SUBSURFACE			0
991	MATERIAL TRANSFER - SURFACE			0
TOTAL TANGIBLES		\$30,500	\$151,000	\$181,500
TOTAL ESTIMATED COSTS		\$465,600	\$255,400	\$721,000

Note: Costs and participations are generally estimates. Billings will be based on actual expenditures.

WORKING INTEREST OWNER APPROVAL

Company Name:

Signature:

Title:

Date:

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

July 14, 1997

Certified Mail-Return Receipt Requested P 268 434 168

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
Fax #(405) 552-4550

Attn: Ken Gray

Re: Carlsbad "15" Prospect
Carlsbad "15" Federal Com. #1 Well
S/2 of Section 15-21S-26E
Eddy County, New Mexico

Gentlemen:

Please be advised that Mewbourne Oil Company (Mewbourne) intends to operate the captioned well and asks that Devon Energy Corporation (Devon) support Mewbourne as operator based on the following:

- 1) Mewbourne maintains a fully staffed operations office located in Hobbs, New Mexico and an exploration office in Midland, Texas.
- 2) Due to Mewbourne's thirty years of operations in Southeast New Mexico, Mewbourne has established and maintains excellent long term relationships with the service companies and suppliers in the area.
- 3) Mewbourne has drilled approximately thirty-five Morrow wells in Eddy County, New Mexico within the last ten years and many more in the past thirty years. With this experience in drilling deep Morrow wells, we believe we can minimize any operational problems encountered in the drilling of this well.
- 4) Mewbourne's estimated completed well costs are \$31,000.00 less than Devon's.
- 5) Mewbourne has contracted a rig and plans to drill this well by December 1, 1997.

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LAND DEPARTMENT

- 6) Mewbourne initiated this geological idea and brought it to Devon's attention. On March 13, 1997 at a meeting in your Oklahoma City office, Mewbourne approached Devon regarding the formation of a Strawn Sand working interest area encompassing T21S-R26E Eddy County, New Mexico. It was evident at this meeting that Devon had no knowledge of the developing Strawn Sand play.

Ken, since you obviously agree with the merits of our proposal, we are hopeful that you will acknowledge that Mewbourne is entitled to be the operator. We have enjoyed an excellent relationship with Devon over the years, and hope that we can avoid an expensive and time-consuming hearing at the New Mexico OCD. We are ready to meet with you to negotiate a mutually acceptable Joint Operating Agreement naming Mewbourne Oil Company as operator.

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

Sincerely yours,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

SC/gb

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
E-MAIL ccbspa@ix.netcom.com

July 31, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Devon Energy Corporation
20 North Broadway
Suite 1500
Oklahoma City, OK 73102
Attn: Ken Gray

Re: Application of Mewbourne Oil Company for Compulsory Pooling, Eddy County,
New Mexico

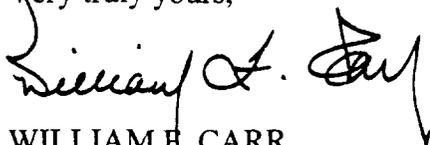
Dear Mr. Gray:

This letter is to advise you that Mewbourne Oil Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests from the surface to the base of the Morrow formation, in and under certain described spacing units in the S/2 of Section 15, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. Mewbourne Oil Company proposes to dedicate the referenced pooled unit to its Carlsbad "15" Federal Com #1 Well to be located 1980 feet from the South line and 1850 feet from the West line of said Section 15.

This application has been set for hearing before a Division Examiner on August 21, 1997. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, or otherwise affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

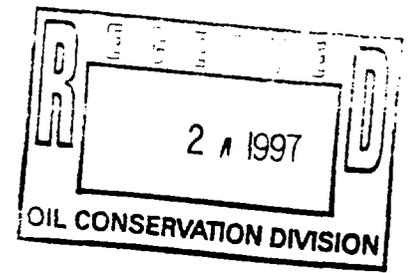
Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR MEWBOURNE OIL COMPANY
WFC:mlh
Enc.

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AUG 4 1997
LAND DEPARTMENT

BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

MEWBOURNE OIL COMPANY, through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all of the mineral interests under the S/2 for all formations developed on 320-acre spacing including the Avalon-Morrow Gas Pool, the West Burton Flat-Strawn Gas Pool and the Avalon-Upper Pennsylvanian Gas Pool under the SW/4 for all formations developed on 160-acre spacing; under the E/2 SW/4 for all formations developed on 80-acre spacing and under the NE/4 SW/4 for all formations developed on 40-acre spacing in Section 15, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the S/2 of Section 15 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration unit to its Carlsbad "15" Federal Com. #1 Well to be drilled at a standard location 1980 feet from the South line and 1850 feet from the West line of Section 15, to a depth sufficient to test any

and all formations from the surface to the base of the Morrow formation, Avalon-Morrow Gas Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from Devon Energy Corporation, 20 North Broadway, Suite 1500, Oklahoma City, OK 73102, Attn: Ken Gray.

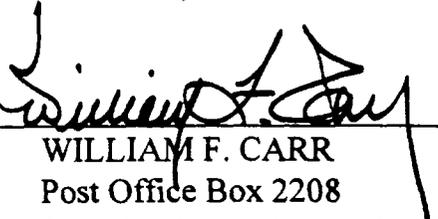
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 21, 1997 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR MEWBOURNE
OIL COMPANY

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 6, 1997

Certified Mail-Return Receipt Requested P 268 434 173

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attn: Mr. Ken Gray

Re: Carlsbad "15" Prospect
Carlsbad "15" Federal Com. #1 Well
S/2 of Section 15-21S-26E
Eddy County, New Mexico

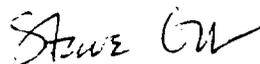
Gentlemen:

Enclosed for your review and execution is our Original Joint Operating Agreement dated July 30, 1997 covering the captioned well.

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

Sincerely yours,

MEWBOURNE OIL COMPANY



Steve Cobb
District Landman

SC/gb

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AUG 11 8 1997
LAND DEPARTMENT

August 19, 1997

Mewbourne Oil Company
500 West Texas, Suite 100
Midland, Texas 79701

Attention: Steve Cobb

Re: Carlsbad 15 'K' Federal Com #1
S/2 Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

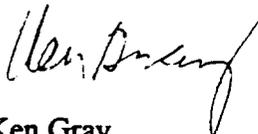
I am in receipt of your Joint Operating Agreement dated July 30, 1997 covering the referenced well which you have submitted for Devon's review and execution as non-operator.

In as much as Devon and Mewbourne have both proposed to drill the subject well at the same location, the issue of which company shall be designated as operator will, as you know, be the subject of our competing compulsory pooling applications presently pending before the NMOCD.

Accordingly, we have not provided Mewbourne with our preferred form of Operating Agreement nor will we review your Operating Agreement until such time as the NMOCD has issued an order relative to our competing pooling applications. Any actions by either company in a presumed capacity as operator is premature at this time.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

FACSIMILE TRANSMITTAL COVER SHEET

Date: 8-21-97

Time: 10:45

Page 1 of 2 Pages

TO: Mr. Wayne Roberts - Devon Energy Corporation

FACSIMILE NO.: 405-552-4552 PHONE NO.: _____

FROM: Ralph Moore

TYPE OF DOCUMENT: letter

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

MESSAGE: _____

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

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 21, 1997

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
Fax: (405-552-4552)

Attention: Mr. Wayne Roberts
District Geologist

Dear Mr. Roberts:

As a follow up to our telephone conversation of Monday, August 18, 1997 Mewbourne Oil Company "Mewbourne" remains open to any suggestions or proposals which Devon Energy Corporation "Devon" might have in order to resolve the Carlsbad "15" Federal Com. No. 1 well operational issues. As you know "Mewbourne" has made a number of suggestions to resolve this matter.

"Mewbourne" remains optimistic that a mutually acceptable resolution can be reached prior to the NMOCD hearing date. "Mewbourne" looks forward to hearing from "Devon".

Sincerely,

MEWBOURNE OIL COMPANY



Ralph P. Moore, Jr.
District Exploration Manager

RPM/gb

August 26, 1997

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, TX 79701

Attention: Steve Cobb
District Landman

Re: Carlsbad "15" Federal Com No. 1
S/2 Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

Devon Energy Corporation (Nevada) is in receipt of Ralph Moore's letter of August 21, 1997 as a follow up to his telephone conversation of August 18 with Wayne Roberts, Devon's District Geologist.

Mr. Moore's letter indicated that Mewbourne had made a "number of suggestions" in an attempt to resolve the ongoing operational issues covering the referenced well. During the course of our telephone conversation of August 22, it was determined that the "number of suggestions" were the following:

1. That Mewbourne should be named operator until January 1, 1998, after which time, if Mewbourne has not commenced drilling the referenced well, then Devon would be named operator.
2. Mewbourne, as operator, would agree to operate at some unspecified reduced drilling and producing overhead rates.

In response, Devon believes the well can and should be drilled much earlier than the January 1st date which you have proposed. Regarding suggestion #2 above, Devon concurs that the drilling and producing overhead rates should be minimized but also within industry standards. Such rates will surely be negotiated at a later date, but should not be the sole basis for determining or designating an operator.

Additionally, during our August 22 telephone conversation we determined that Devon, as well, has initiated alternative solutions as follows:

1. By letter dated July 3, but verbally declined by Mewbourne, Devon indicated a willingness to form a 640 acre working interest unit covering all of

Section 15 which would have (1) spread the inherent risk involved in the drilling of a well(s) in Section 15 and (2) established the working interest at Devon 75% and Mewbourne 25%, more or less.

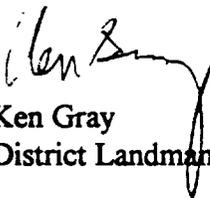
2. I have previously suggested that the two companies explore an arrangement whereby one company would drill and complete the well with the other company assuming operations after completion. (In this case, it seems logical that Devon would operate after completion, inasmuch as we have on going operations in the immediate area.)

Finally, during our August 22 telephone conversation, I advised that Devon has contracted a drilling rig and will be spudding its Avalon "15C" State Com #1 located 1,650' FWL and 660' FNL of Section 15 around September 2. As previously discussed, Devon, as operator, proposes to use this same rig to drill the Carlsbad "15" Federal Com No. 1 rather than wait for some extended period to drill such well either because of rig availability or prolonged hearings in front of the NMOCD. Based on current scheduling it would appear that Devon can spud the Carlsbad "15" Federal Com No. 1 as early as mid-October, subject to receipt of an approved APD.

Please consider our latest proposal and advise at your earliest convenience.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

September 3, 1997

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Attention: Steve Cobb
District Landman

Re: Carlsbad "15" Federal Com No. 1
S/2 Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

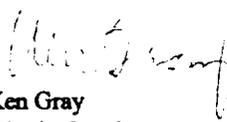
Pursuant to our telephone conversation of August 27, and in conjunction with the efforts of Mewbourne and Devon to resolve the current operational issues covering the referenced well, Devon proposes the following:

1. Devon agrees to execute a mutually acceptable contract covering the S/2 of Section 15 naming Mewbourne as operator of the referenced well.
2. Mewbourne agrees to sell to Devon and Devon agrees to buy from Mewbourne at cost, a 45% interest in the leases covering the E/2 of Section 20-T21S-R26E.
3. Mewbourne and Devon agree to enter into a mutually acceptable Joint Operating Agreement, naming Mewbourne as operator, covering the W/2 of Section 21-T21S-R26E. Such Operating Agreement shall provide that Mewbourne as operator, shall on or before November 1, 1997, re-complete the Ocotillo Hills #1 to test the Strawn formation.

If the above proposal meets with your approval, please so indicate by signing and returning one copy of this letter at your earliest convenience.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)


Ken Gray
District Landman

Agreed to and accepted this _____ day of _____, 1997.

Mewbourne Oil Company

KG:cj/mewbour5.lt
Enclosure

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

September 12, 1997

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attn: Mr. Ken Gray

Re: Carlsbad "15" Prospect
Carlsbad "15" Federal Com. #1 Well
S/2 of Section 15-21S-26E
Eddy County, New Mexico

Gentlemen:

In follow-up to our telephone conversation of September 11, 1997, Mewbourne Oil Company (Mewbourne) respectfully requests that Devon Energy Corporation (Devon) reconsider its decision to reject Mewbourne's proposal wherein we offered Devon the following:

- 1) Formation of a Joint Working Interest Unit comprising all of Section 15 and the N/2 of Section 22-21S-26E, Eddy County, New Mexico.
- 2) Mewbourne would relinquish operations to Devon for the development of this unit.
- 3) Mewbourne would participate to the full extent of its interest with Devon in the drilling and completing of its well in the N/2 of Section 15.

We feel this proposal is a major concession on our part and we are hopeful that you will review your decision and accept our offer in order to avoid a New Mexico Oil Conservation Division hearing and proceed with the development of this area to our mutual benefit.

Sincerely yours,

MEWBOURNE OIL COMPANY



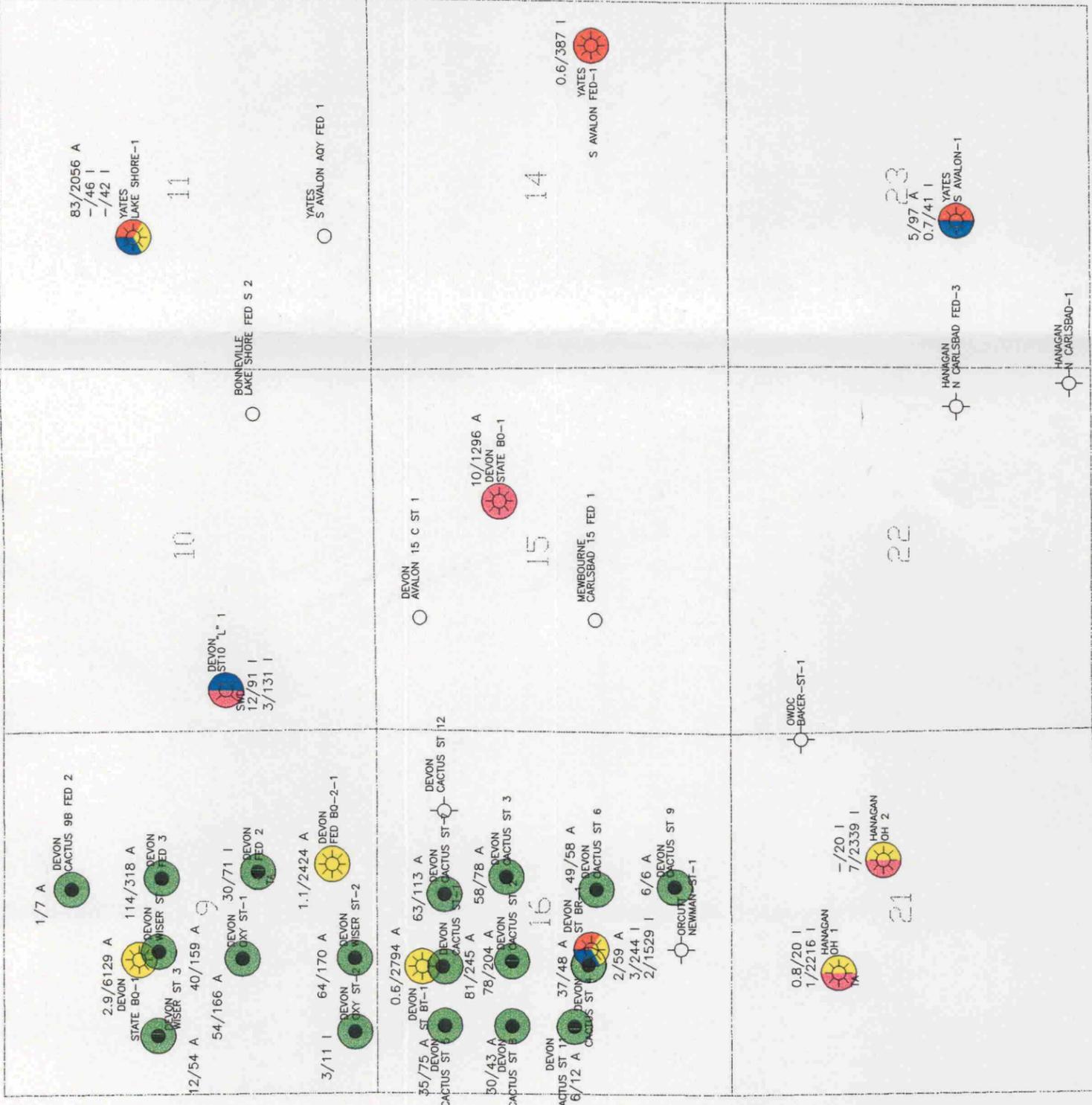
Steve Cobb
District Landman

SC/gb

RECEIVED
SEP 15 1997
LAND DEPARTMENT

R 26 E

T 21 S



- DELAWARE
- WOLFCAMP/UPPER PENN
- STRAWN
- ATOKA
- MORROW

MO/MMCF
 ACTIVE
 INACTIVE

CUMULATIVE PRODUCTION

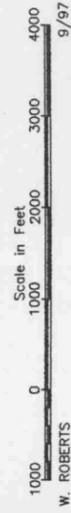
BEFORE THE
 OIL CONSERVATION COMMISSION
 Case No. 11833 Exhibit No. 4
 Submitted By:
 Devon Energy Corporation
 Hearing Date: October 9, 1997



CATCLAW DRAW
 EDDY COUNTY, NEW MEXICO

PRODUCING ZONES

NM01515N
 NM01535N



W. ROBERTS
 9/97

R 26 E

T 21 S



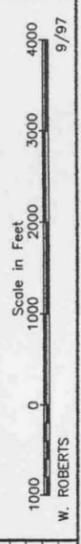
- DELAWARE PENETRATION/PROPOSED
- DELAWARE PRODUCER

BEFORE THE
OIL CONSERVATION COMMISSION
 Case No. 11833 Exhibit No. 5
 Submitted By:
Devon Energy Corporation
 Hearing Date: October 9, 1997



CATCLAW DRAW
 EDDY COUNTY, NEW MEXICO

STRUCTURE
T/DELAWARE "A" SAND
 CONTOUR INTERVAL 100 FEET



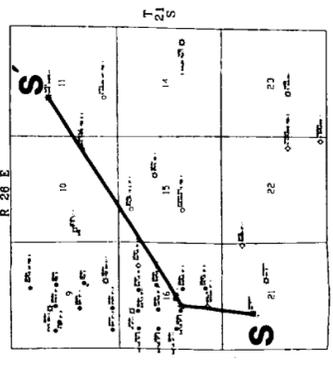
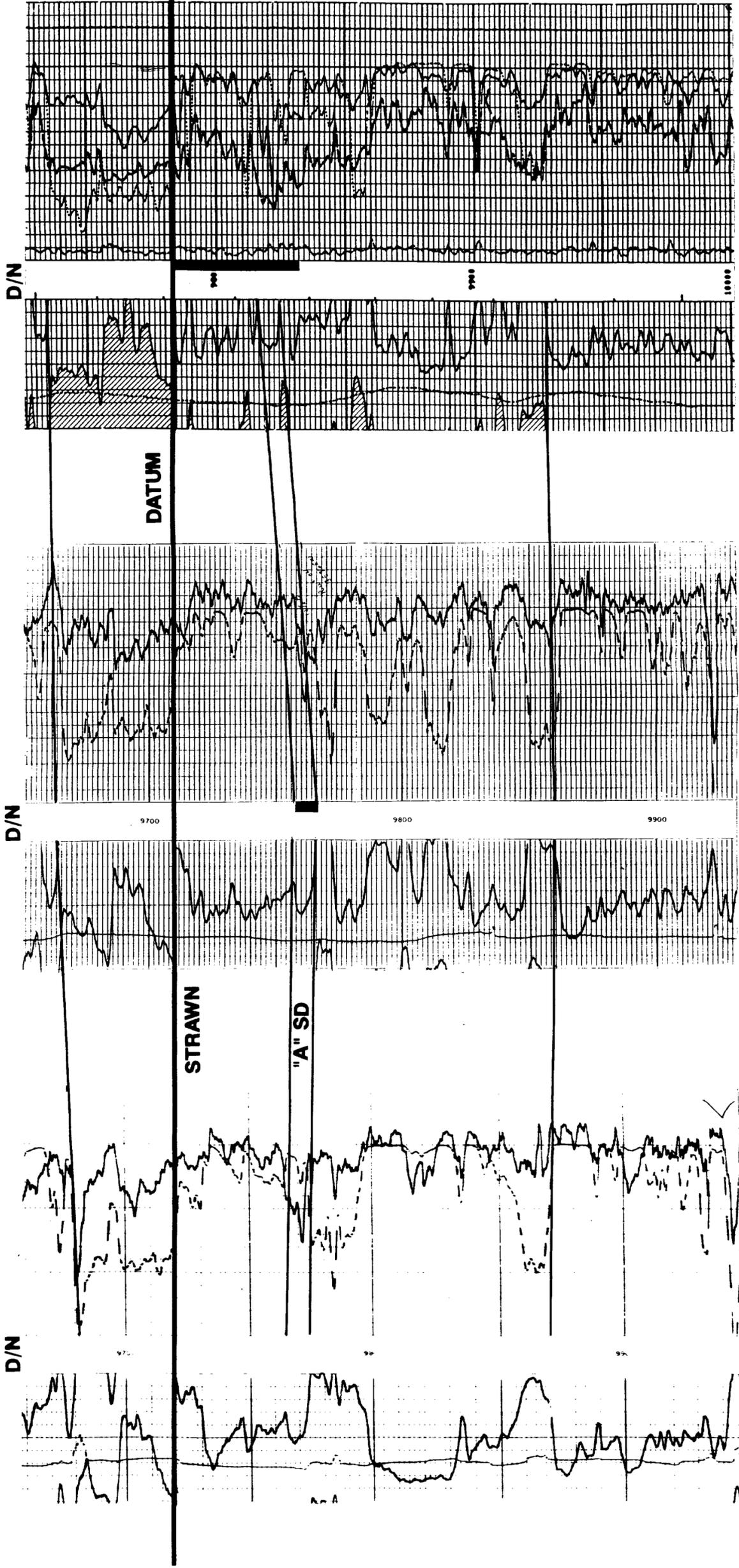
W. ROBERTS
 9/97

S

HANNIGAN PETROLEUM
Ocotillo Hills # 1
SENW 21-T21S-R26E
KB: 3284 Ft

ARCO (DEVON) (9/74)
State BR # 1
NESW 16-T21S-R26E
KB: 3298 Ft

YATES PETROLEUM (7/83)
Lakeshore "XH" Federal # 1
SENW 11-T21S-R26E
KB: 3204 Ft



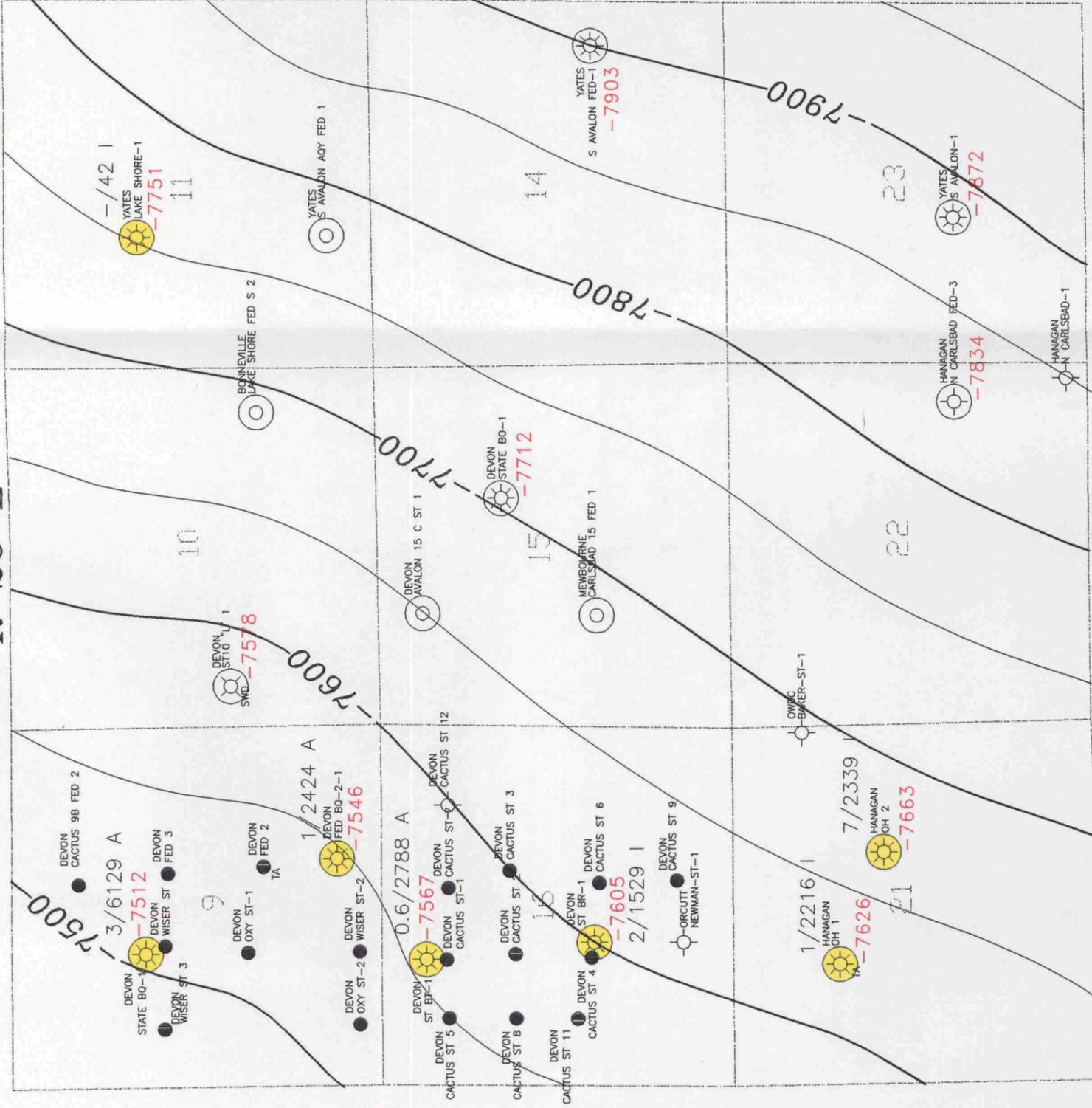
CATCLAW DRAW
EDDY COUNTY, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11833 Exhibit No. 7
Submitted By:
Devon Energy Corporation
Hearing Date: October 9, 1997

S

R 26 E

T 21 S



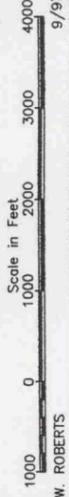
- MORROW PENETRATION/PROPOSED
- MORROW PRODUCER
- MBO/MMCF ACTIVE
- MBO/MMCF INACTIVE
- CUMULATIVE PRODUCTION

BEFORE THE
OIL CONSERVATION COMMISSION
 Case No. 11833 Exhibit No. 2
 Submitted By:
Devon Energy Corporation
 Hearing Date: October 9, 1997



CATCLAW DRAW
 EDDY COUNTY, NEW MEXICO

STRUCTURE
TOP LOWER MORROW
 CONTOUR INTERVAL 50 FEET



NMOT1515N
NMOT1533N
W. ROBERTS
9/97

Wells updated to 9/97

M1

INEXCO OIL (DEVON) (2/77)
Federal State Com # 1-10
NWSW 10-T21S-R26E
KB: 3272 Ft

ATLANTIC RICHFIELD (DEVON) (6/73)
State B.O. Com # 1
SWNE 15-T21S-R26E
KB: 3186 Ft

SINCLAIR OIL & GAS (3/65)
Federal Eddy 279-1
NESE 22-T21S-R26E
KB: 3186 Ft

YATES PETROLEUM (4/84)
Avalon "YI" Com # 1
NESW 23-T21S-R26E
KB: 3156 Ft

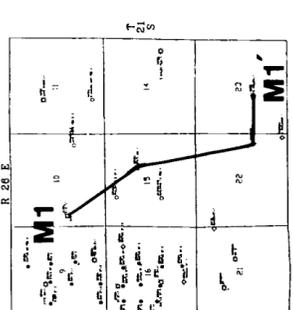
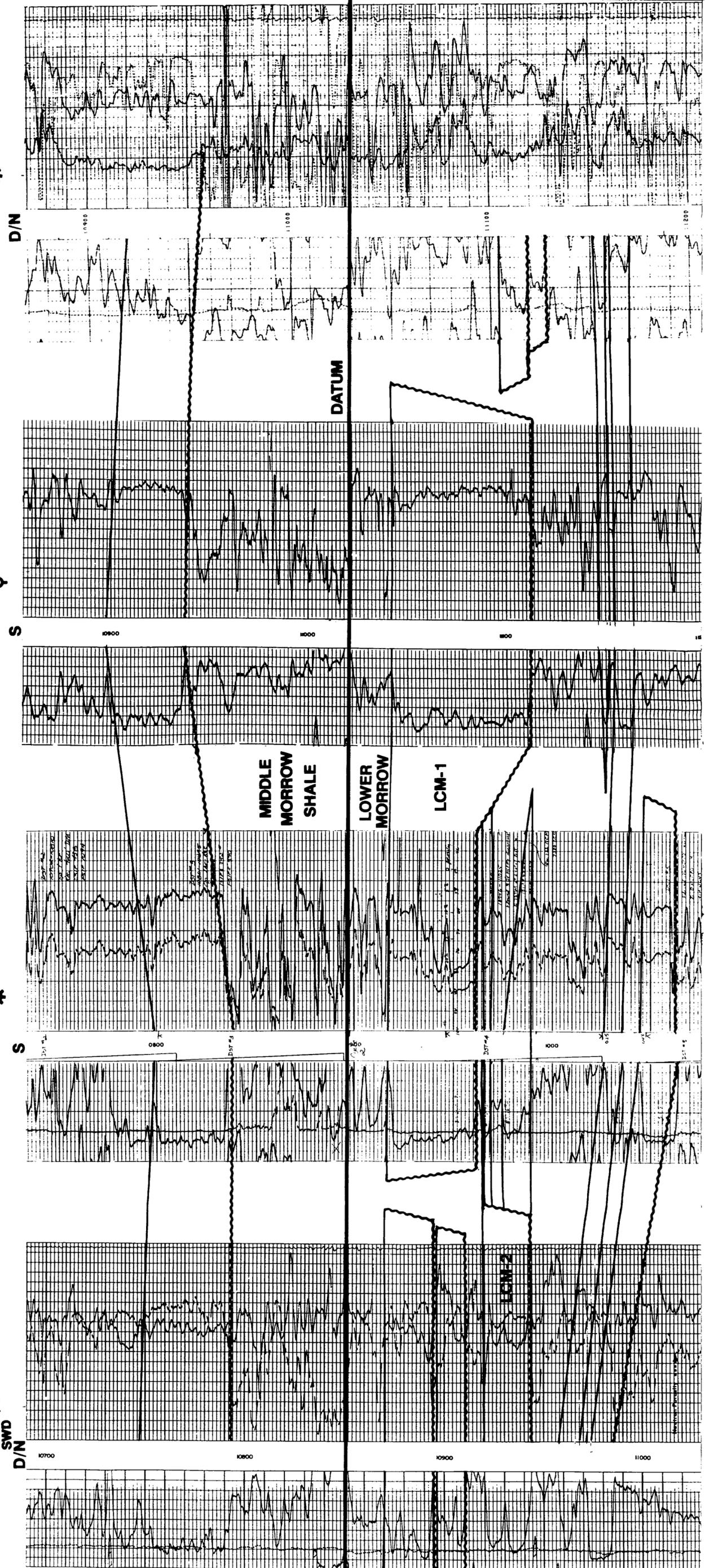
SWD
D/N

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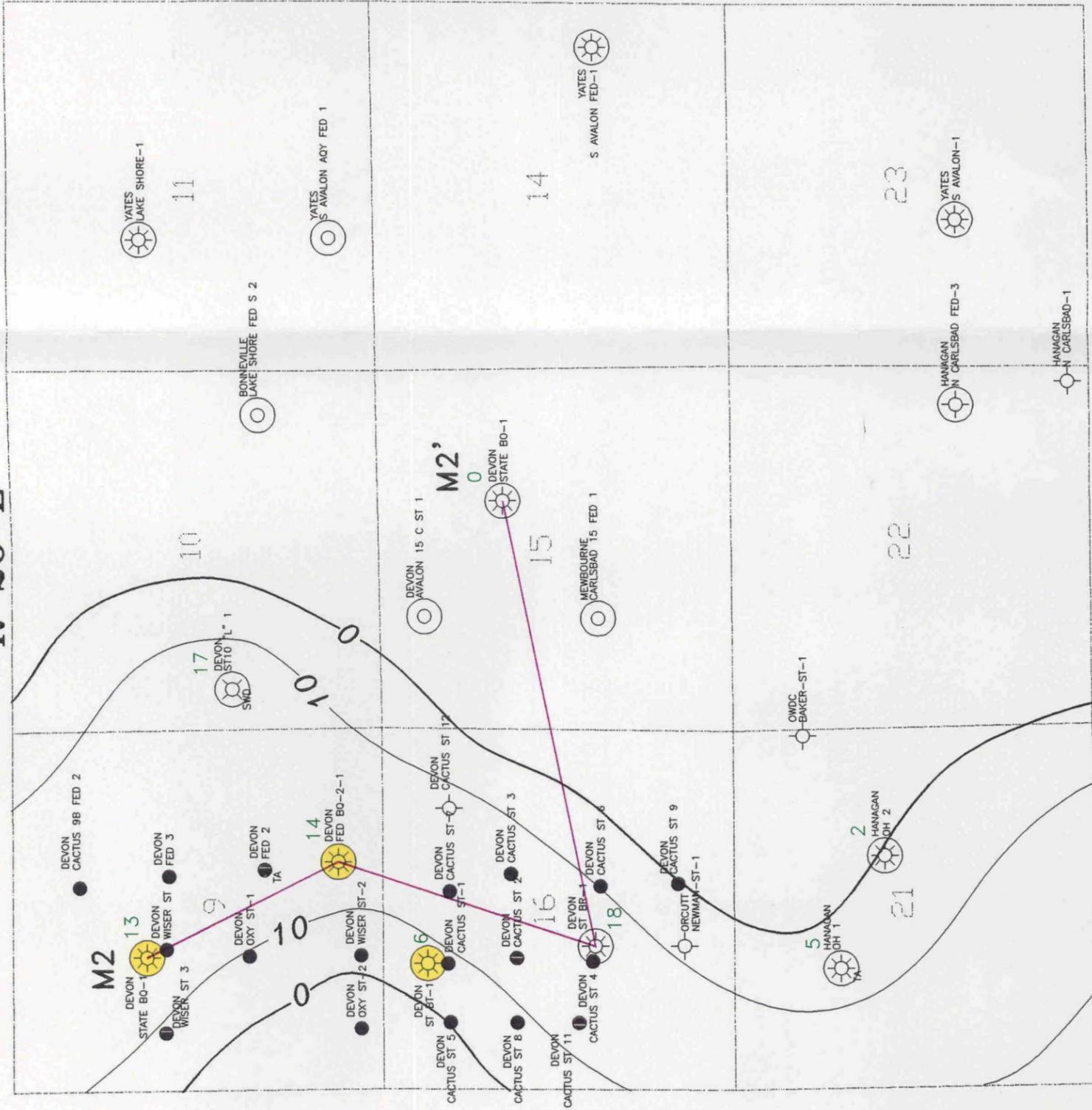
devon

CATCLAW DRAW
EDDY COUNTY, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11833 Exhibit No. 12
Submitted By:
Devon Energy Corporation
Hearing Date: October 9, 1997

R 26 E

T 21 S



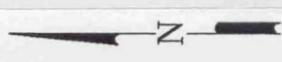
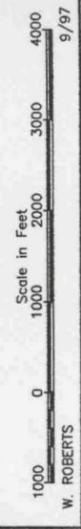
- MORROW PENETRATION/PROPOSED
- MORROW LMC-2 PRODUCER

BEFORE THE
OIL CONSERVATION COMMISSION
 Case No. 11833 Exhibit No. 4
 Submitted By:
Devon Energy Corporation
 Hearing Date: October 9, 1997



CATCLAW DRAW
 EDDY COUNTY, NEW MEXICO

GROSS ISOPACH
LMC-2
 CONTOUR INTERVAL 10 FEET



NM01515N
 NM01536N
 W. ROBERTS
 9/97

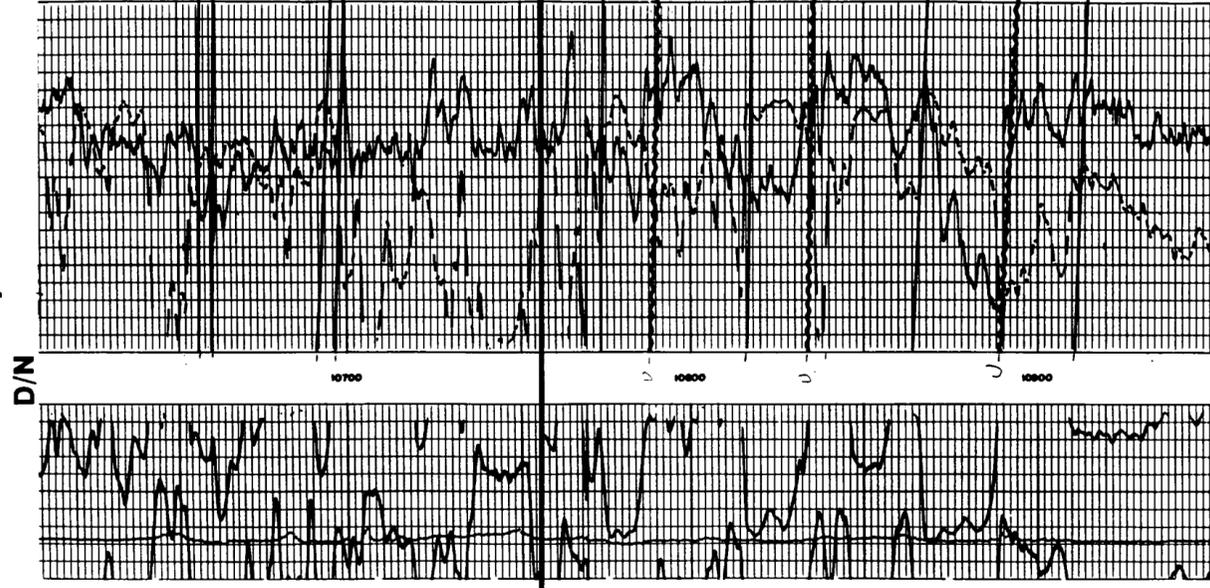
M2

ATLANTIC RICHFIELD (DEVON) (6-74)

State BQ # 1

SENW 9-T21S-R26E

KB: 3240 Ft



ATLANTIC RICHFIELD (DEVON) (12/74)

BQ 2 Fed Com # 1

SWSE 9-T21S-R26E

KB: 3294 Ft



MIDDLE MORROW SHALE

LOWER MORROW

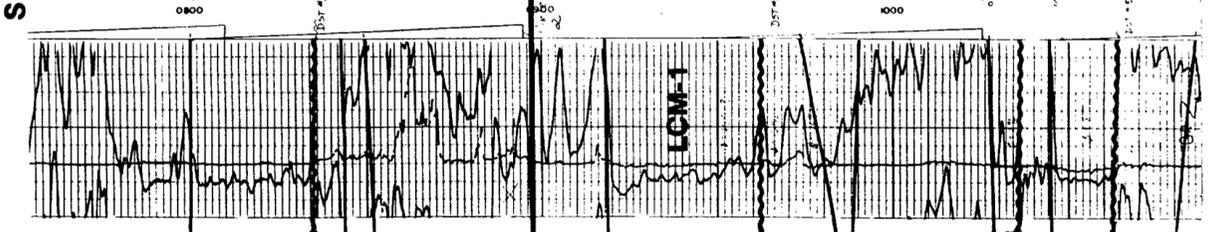
LCM-2

ARCO (DEVON) (9/74)

State BR # 1

NENW 16-T21S-R26E

KB: 3298 Ft



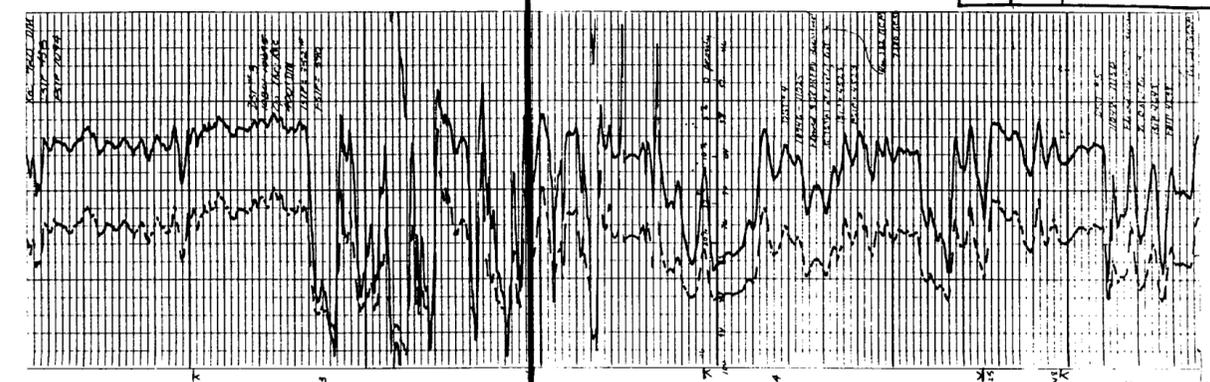
ATLANTIC RICHFIELD (DEVON) (6/73)

State B.O. Com # 1

SWNE 15-T21S-R26E

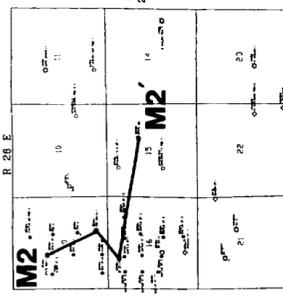
KB: 3186 Ft

M2



DATUM

LCM-1



CATCLAW DRAW
EDDY COUNTY, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11833 Exhibit No. 12
Submitted By:
Devon Energy Corporation
Hearing Date: October 9, 1974

**AVALON MORROW FIELD
WELL PROPOSAL
SEC. 15, T21S, R26E
EDDY CO., NEW MEXICO**

COST COMPARISON

DEVON		MEWBOURNE
\$ 25,000	Site Preparation	\$ 16,500
\$ 304,000	Rig Cost	\$ 298,000
\$ 34,400	Materials and Supplies	\$ 29,500
\$ 8,750	General Services	\$ 8,000
\$ 99,900	Specialized Services	\$ 78,500
\$ 11,000	Power, Fuel, and Water	\$ 17,500
\$ 13,500	Completion and Cleanup	\$ 6,000
\$ 22,800	Supervision	\$ 14,000
\$ 20,150	Overhead	\$ 11,000
\$ 181,500	Well Equipment	\$ 188,300
\$ 0	Contingencies and Taxes	\$ 22,700
-----	-----	-----
\$ 721,000	Total	\$ 690,000

8

Completion Days

4

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11833 Exhibit No. **13**
Submitted By:
Devon Energy Corporation
Hearing Date: October 9, 1997

OIL _____
 GAS X _____
 DATE _____

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

TEL 405-235-3611

FAX 405-552-4550

6/25/97

**AUTHORIZATION FOR EXPENDITURE
 DRILLING/COMPLETION COST ESTIMATE**

DRILLING X _____
 RECOMPLETION _____

AFE No.:
 Lease Name - Well #: Carlsbad 15 "J" Fed. Comm #1
 Legal Description: Sec. 15, T21S, R26E

County or Parish, State: Eddy County, New Mexico
 Field: Avalon (Morrow)
 Prepared By: W.M. Frank

AUTHORITY REQUESTED FOR:

Account Number	Tangible Costs Description	Dry Hole Costs	Completion Costs	Total Costs
WELL EQUIPMENT				
895	TAXES			0
901	SURFACE CASING	5,500		5,500
902	INTERMEDIATE CASING	25,000		25,000
903	PRODUCTION CASING		55,000	55,000
911	LINER			0
915	TUBING		32,000	32,000
921	SUCKER RODS			0
925	SUBSURFACE EQUIPMENT		7,500	7,500
931	WELLHEAD VALVES & EQUIPMENT		18,500	18,500
935	ARTIFICIAL LIFT EQUIPMENT			0
941	TANKS		11,000	11,000
945	TREATING VESSELS		27,000	27,000
951	COMPRESSORS			0
955	WATER DISPOSAL PUMPS			0
961	LINE PIPE, METERS & FITTINGS			0
985	OTHER TANGIBLE EQUIPMENT - SUBSURFACE			0
986	OTHER TANGIBLE EQUIPMENT - SURFACE			0
990	MATERIAL TRANSFER - SUBSURFACE			0
991	MATERIAL TRANSFER - SURFACE			0
TOTAL TANGIBLES		\$30,500	\$151,000	\$181,500

TOTAL ESTIMATED COSTS	\$465,600	\$255,400	\$721,000
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Note: Costs and participations are generally estimates. Billings will be based on actual expenditures.

WORKING INTEREST OWNER APPROVAL

Company Name: _____

Signature: _____

Title: _____

Date: _____

OIL _____

TEL 405-235-3611

GAS X _____
DATE _____

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

FAX 405-552-4550

**AUTHORIZATION FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE**

DRILLING _____
RECOMPLETION _____

AFE No.: _____
Lease Name - Well #: Carlsbad 15 "J" Fed. Comm #1
Legal Description: Sec. 15, T21S, R26E

County or Parish, State: Eddy County, New Mexico
Field: Avalon (Morrow)
Prepared By: W.M. Frank

AUTHORITY REQUESTED FOR:

Account Number	Intangible Costs Description	Dry Hole Costs	Completion Costs	Total Costs
SITE PREPARATION				
011	LAND AND LEGAL	5,000		5,000
012	SURFACE DAMAGES / RIGHT OF WAY	4,000		4,000
013	LOCATION, ROADS, PITS, FENCES	16,000		16,000
019	OTHER SITE PREPARATION			0
DRILLING CONTRACTOR SERVICES				
041	TURNKEY DRILLING COSTS			0
042	FOOTAGE	280,000		280,000
043	DAYWORK	12,000	12,000	24,000
044	MOBILIZATION / DEMOBILIZATION			0
049	OTHER DRILLING CONTRACTOR SERVICES			0
MATERIALS AND SUPPLIES				
101	DRILL BITS			0
102	DRILLING MUD, CHEMICALS, COMPLETION FLUIDS	22,400	3,500	25,900
103	RENTAL TOOLS & EQUIPMENT	3,000	2,000	5,000
109	OTHER MATERIALS AND SUPPLIES	3,500		3,500
GENERAL SERVICES				
201	WELDING & ROUSTABOUT	750	3,500	4,250
202	DIRT WORK & HEAVY EQUIPMENT			0
203	TRUCKING & HOTSHOT	1,500	3,000	4,500
204	PIPELINE INSTALLATION			0
209	OTHER GENERAL SERVICES			0
SPECIALIZED SERVICES				
251	CEMENT AND CEMENTING SERVICES	16,000	25,000	41,000
253	P&A COSTS	5,000		5,000
255	LOGGING, PERFORATING & WIRELINE	12,000	6,500	18,500
257	OPEN HOLE EVALUATION			0
259	CASING & TUBULAR SERVICES	3,700	5,500	9,200
261	FLUID SERVICES			0
263	SALT WATER DISPOSAL			0
265	STIMULATION & GRAVEL PACK		15,000	15,000
267	OFFSHORE TRANSPORTATION			0
269	CONSULTANTS	18,600	4,200	22,800
271	FISHING SERVICES			0
273	TESTING SERVICES		11,200	11,200
299	OTHER SPECIALIZED SERVICES			0
POWER, FUEL, AND WATER				
301	POWER & FUEL	1,000		1,000
302	WATER	7,500	2,500	10,000
COMPLETION AND CLEANUP				
501	PULLING & SWABBING UNIT		10,500	10,500
502	SNUBBING UNIT & COILED TUBING			0
503	BACKFILL PITS / RESTORE LOCATION	3,000		3,000
509	OTHER COMPLETION & CLEANUP			0
ENVIRONMENTAL & SAFETY				
551	ENVIRONMENTAL RESTORATION			0
552	SAFETY EQUIPMENT			0
553	ENVIRONMENTAL & SAFETY TRAINING			0
554	ENVIRONMENTAL & SAFETY FINES			0
559	ENVIRONMENTAL & SAFETY MISCELLANEOUS			0
MISCELLANEOUS				
711	COMPANY SUPERVISION			0
721	DRILLING OVERHEAD	20150		20,150
731	CONSTRUCTION OVERHEAD			0
741	WELL CONTROL INSURANCE			0
802	GENERAL LABOR			0
831	VEHICLE EXPENSE			0
861	DISTRICT & FIELD OFFICE EXPENSE			0
865	COMPANY BENEFITS			0
895	TAXES			0

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Carlsbad '15'
Well Name and No.: Carlsbad '15' Federal Com. #1
Section: 15 Block:
County: Eddy

Field: Avalon Morrow
Location: 1880' FSL & 1850' FWL
Township: 21S Range: 26E
Proposed Depth, ft: 11,200

DESCRIPTION		Cost To Casing Point APE NO.	Completion Cost APE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Surveys	\$12,000	\$2,000
302	Footage or Turnkey Drilling	\$280,000	
303	Day Work	\$12,000	\$8,000
304	Fuel, Water and Other	\$17,500	
305	Completion/Workover Rig 4 days		\$8,000
306	Mud and Chemicals	\$22,000	
307	Cementing	\$20,000	\$10,000
308	Logging and Wireline	\$14,000	\$5,000
309	Casing-Tubing Services Vann gun	\$2,000	\$15,000
310	Mud Logging	\$5,000	
311	Testing		
312	Treating 1 breakdown		\$7,500
313	Coring		
320	Transportation	\$2,000	\$4,000
321	Welding and Construction Labor	\$2,000	
322	Contract Supervision		
330	Equipment Rental	\$6,000	\$1,500
334	Well/Lease Legal/Tax	\$4,500	\$2,000
335	Well/Lease Insurance	\$8,000	
350	Intangible Supplies		
360	Pipeline ROW and Easements		
367	Pipeline Interconnect		
375	Company Supervision	\$10,500	\$3,500
380	Overhead Fixed Rate	\$8,000	\$5,000
399	Contingencies 2%	\$8,700	\$1,500
	Total Intangibles	\$431,700	\$70,000
TANGIBLE COST 181			
	Conductor Casing		
	Surface Casing 13 3/8" @ 260'	\$3,700	
	Intermediate Casing 9 5/8" @ 2,800'	\$38,400	
	Production Casing 8 1/2" @ 11,200'		\$73,400
	Production Casing		
	Tubing 2 3/8" @ 11,000		\$24,100
860	Drilling Head	\$3,700	
865	Tubing Head		\$4,000
870	Upper Section		\$6,000
875	Sucker Rods		
880	Packer, Pump & Other Subsurface		\$7,500
885	Pumping Unit & Prime Mover		
890-1	Tanks (Steel & Fiberglass)		\$4,000
894-5	Separation Equipment (fired, Non-fired)		\$7,500
898	Metering Equipment		
900	Line Pipe		
905	Valves		
906	Miscellaneous Fittings & Accessories		\$10,000
910	Production Equipment Installation		\$8,000
920	Pipeline Construction		
	Total Tangibles	\$43,800	\$144,500
	SUBTOTAL	\$475,500	\$214,500
	TOTAL WELL COST	\$690,000	

Date Prepared: June 10, 1997
Prepared By: Erik L. Hoover

Company Approval: *Erik L. Hoover*
Date Approved: 6-24-97
Joint Owner Approval:

Joint Owner Interest:
Joint Owner Amount:

Drilling Cost, \$/ft	\$42.46
Completion Cost, \$/ft	\$19.15
Total Well Cost, \$/ft	\$61.61



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING & RECOMPLETION

AFE NO. 97-075-0
AFE DATE 3/20/97

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Revised
<input type="checkbox"/> Final

LEASE NAME	South Avalon AQY Fed. Com. #1	PROJ'D DEPTH	11,300'
COUNTY	Eddy	STATE	New Mexico
LEGAL DESC.	660' FSL & 1980' FWL	LOCATION	Section 11-21S-26E
FIELD		HORIZON	Morrow
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: _____

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	2,000	2,000
920-110	Location, Right-of-Way	20,000	20,000
920-120	Drilling, Footage 11,00' @ \$23.75/ft.	284,500	284,500
920-130	Drilling, Daywork 6 days @ \$5800/day	36,900	36,900
920-140	Drilling Water, Fasline Rental	40,000	40,000
920-150	Drilling Mud & Additives	65,000	65,000
920-160	Mud Logging Unit, Sample Bags	19,300	19,300
920-170	Cementing - Surface Casing	39,000	39,000
920-180	Drill Stem Testing, OHT 3 DST'S	15,900	15,900
920-190	Electric Logs & Tape Copies	31,500	31,500
920-200	Tools & Equip. Rntl., Trkg. & Welding	35,000	35,000
920-210	Supervision & Overhead	19,000	19,000
920-220	Contingency		
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase		2,500
920-350	Cementing - Production Casing		36,500
920-410	Completion Unit - Swabbing		47,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		2,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,200
920-460	Tools & Equip. Rental, Etc. - Completion		39,000
920-470	Stimulation for Completion		60,000
920-480	Supervision & O/H - Completion		6,000
920-490	Additional LOC Charges - Completion		1,200
920-510	Bits, Tools & Supplies - Completion		1,800
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		608,100	829,300

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	2,000	29,000
930-020	Casing 13-3/8" @ 600'	11,500	11,500
	8-5/8" @ 2600'	37,500	37,500
	5-1/2" @ 11,500'		98,600
930-030	Tubing 2-7/8" @ 11,300'		36,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		28,000
940-040	Trucking & Construction Costs		14,600
TOTAL TANGIBLE EQUIPMENT COSTS		51,000	270,200
TOTAL COSTS		659,100	1,099,500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	Al Springer	Operations Approval	
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OWNER		SHARE
YATES PETROLEUM CORPORATION		1.718875%
BY	DATE	
YATES DRILLING COMPANY		4.654438%
BY	DATE	
ABO PETROLEUM CORPORATION		1.270438%
BY	DATE	
MYCO INDUSTRIES, INC.		2.964375%
BY	DATE	