

Summary of Communications

Cibola Energy Corporation and Jalapeno Corporation: Harvey E. Yates, Jr.; Richard Williams

- 1) 5-30-01: Proposed well via certified mail with AFE and JOA enclosed for execution.
- 2) 6-19-01: Follow up letter. Enclosed copy of signature pages as to Marbob Energy's and Tenison Oil Co.'s interests for their file and information.
- 3) 7-11-01: Follow up letter via certified mail.
- 4) 7-11-01: Richard Williams called this date and said they didn't think they owned as much interest as we credited them. Harvey E. Yates, Jr. is on vacation and will not be back before the pooling hearing, accordingly Richard will be making an appearance for their behalf at the hearing. Sent Richard a copy of our Drilling Opinion for their information.
- 5) 7-17-01: Sent our revised AFE for their information and consideration.
- 6) 7-19-01: Richard Williams called, left message for me to call him.
- 7) 7-20-01: Called Richard, left message. Richard called and wanted to know how my meeting with Heyco, et al went. I advised Richard that Heyco, et al still was reviewing their files to figure out their percentage interests.
- 8) 08-01-01 Follow up call, left message for Richard.
- 9) 08-01-01 Follow up letter advising Richard we would still acquire a farmout or term assignment under the terms stated therein w/such offer expiring August 16th.
- 10) 08-14-01 Faxed and sent Pooling Order via certified mail w/AFE for their further handling.
- 11) 08-17-01 Follow up call, Richard said they were still waiting to see what Heyco would do.
- 12) 08-24-01 Received copy of application for hearing de novo regarding Heyco and Jalapeno's interest.
- 13) 08-28-01 Jim Bruce filed request w/NMOCD requesting de novo hearing to be heard September 14th in lieu of October.
- 14) 09-03-01 Received copy of Feldewert's letter requesting the NMOCD to hear the de novo case in October in lieu of September.

OIL CONSERVATION DIVISION

CASE NUMBER _____ Page 1 of 2

EXHIBIT **2C**

- 15) 09-13-01 Received letter from Richard Williams requesting an itemization of their proportionate part of the well cost plus a revised Exhibit "A" to the JOA if ownership was different.
- 16) 09-18-01 Sent Richard a letter advising him of the estimated well cost as to Jalapeno's interest and set out calculations as to the determination of such cost. Advised Richard that Jalapeno's interest as set out on Exhibit "A" was correct.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

September 18, 2001

8501
Via Fax 505-242-8951 and
U.S. First Class Mail

Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103
Attn: Mr. Richard Williams

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Dear Richard:

In reference to your letter of September 13, 2001 regarding the subject well and land, Jalapeno's share of the well cost is calculated as follows:

- 1) Jalapeno's unit interest = .0263170
 - 2) Well cost (an estimated cost) = \$1,450,500
- Jalapeno's cost = .0263170 x \$1,450,500
= \$38,172.81

In reference to your request regarding Jalapeno's "correct interest", Jalapeno's interest is as set forth on Exhibit "A" of the Operating Agreement dated April 25, 2001 which agreement was previously furnished Harvey E. Yates, Jr. for execution. Such unit interest is also set forth on Page (4) of the Drilling Opinion of Title dated March 28, 2001 which was previously furnished to you. As to Jalapeno's ownership on a tract by tract basis such ownership is described in detail in the referenced title opinion.

Regarding the above, should Jalapeno elect to participate in the subject well, please forward the signed AFE, the executed Operating Agreement and Jalapeno's check for \$38,172.81 to me at your earliest convenience.

Enclosed for your information is another copy of the AFE, a copy of the referenced Exhibit "A" and a copy of Page 4 of the referenced title opinion.

Sincerely yours,

MEWBOURNE OIL COMPANY


D. Paul Haden
Senior Landman

DPH/gb

Harvey E. Yates Company	.16649814	.14568587 WI
Tenison Oil Company	.12500000	.10937500 WI
Mewbourne Oil Company	.50000000*	.37500000 WI*
	1.00000000	1.00000000

*The Mewbourne Oil Company leasehold interest arises under two year Term Assignment dated January 15, 2001, executed by Texaco Exploration and Production, Inc. and bears the entire burden of the Texaco overriding royalty reserved in said assignment; see analysis in Subparagraph V-4(x) below.

4. Tract 5 (V-5074):

<u>Name</u>	<u>Interest In Operating Rights</u>	<u>Net Interest in Production</u>
State of New Mexico	0	.16666667 RI
Raye P. Miller	0	.00500000 ORI
Black River Enterprises	0	.00250000 ORI
Darlene Boyce	0	.00500000 ORI
Marbob Energy Corporation	1.00	.82083333 WI
	1.00	1.00000000

IV. TITLE TO COMMUNITIZED OIL AND GAS IN THE CAPTIONED LANDS AND DEPTHS UNDER CAPTIONED LEASES AND APPLICABLE COMMUNITIZATION AGREEMENT:

Name	Tract No.	Calculation	Decimal Interest
State of New Mexico	1-4 5	1/8 x 280/320 +1/6 x 40/320	.13020833 RI
Harvey E. Yates, Jr., Trustee of Yates Revocable Trust	1	.005 x 40/320	.00062500 ORI
Spiral, Inc.	1	.005 x 40/320	.00062500 ORI
Tommy Phipps and wife, Werta Phipps	1	.005 x 40/320	.00062500 ORI
Marifred Miller, apparently now known as Marifred Miller Handley, separate property	1	.0025 x 40/320	.00031250 ORI
Heirs or devisees of Forrest C. Miller, deceased	1	.0025 x 40/320	.00031250 ORI
RussLynn Properties, LLC	1	.125 x 1/4 x 40/320	.00390625 ORI
Texaco Exploration and Production Inc.	4	.125 x 1/2 x 40/320	.00781250 ORI
Raye P. Miller	5	.005 x 40/320	.00062500 ORI
Black River Enterprises	5	.0025 x 40/320	.00031250 ORI
Darlene Boyce	5	.005 x 40/320	.00062500 ORI
Jalapeno Corporation	1 2-4	.05263435 x .875 x 40/320 +.02631718 x .875 x 240/320	.02302753 WI

$.05263435 \times 40/320 = .0065792$ NRI =
 $+ .02631718 \times 240/320 = .0197378$
.0263170 = UNIT INTEREST

HINBLE, HENSLEY, SHANOR & MARTIN, L.L.P.

JALAPENO CORPORATION
P.O. Box 1608, Albuquerque, New Mexico 87103
Phone: 505-242-2050 Fax: 505-242-8051

September 13, 2001

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, TX 79701
Attn: D. Paul Haden
Senior Landman

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Dear Mr. Haden,

We have received various documents regarding the above-captioned project. In an effort to arrive at a decision, we need the following:

- a. An itemized statement with the dollar amount comprising our share.
- b. An "Exhibit A" stating our correct interest.

We would appreciate your consideration of these items, so that we can make a decision based on detailed data.

Sincerely,



Richard Williams
Landman

HOLLAND & HART LLP
and
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE • CASPER
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 3208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-0021

TELEPHONE (505) 898-4421
FACSIMILE (505) 893-6043

Michael H. Feldewert

m.feldewert@westelpeas.com

August 31, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, NM 87505

**RE: Case No. 12698, de novo
In the Matter of the Application of Mewbourne Oil Company for
Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Wrotenbery,

I am in receipt of your August 30th letter. While I appreciate the Commission's desire to decide cases promptly, I respectfully request that the Commission follow its normal scheduling practices and hear the above referenced matter in October.

The *de novo* appeals were not due to be filed until September 11th. While the appeals were filed early, they were nonetheless filed after the deadline for placing the matter on the September 14th Commission docket because of counsel's schedule and the possibility that witnesses for the applicants could not be available until October. Indeed, I instructed my office to file the appeals after the deadline for the September 14th Commission docket because I have depositions scheduled on the 12th, 13th and 14th of September, and because Mr. Carr is unavailable for a September 14th hearing due to his recent surgery.

I see no prejudice to Mewbourne in following the Commission's regular scheduling practices and hearing this matter in October. The Division's order is not stayed, so Mewbourne is free to drill its well at any time. The only issue Heyco intends to raise at the Commission hearing concerns the formations which should be subject to the pooling order. Mewbourne intends to drill a Morrow well, yet seeks to tie up in its pooling order the shallower formations other working interest owners in the spacing unit desire to develop.

HOLLAND & HART LLP
ATTORNEYS AT LAW

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
August 31, 2001
Page 2

For the above reasons, the applicants respectfully request that the Commission follow its normal scheduling practice and hear the *de novo* appeals at its October docket. Thank you for your attention to this request.

Very truly yours,



Michael H. Feldewert

MHF/ras

cc (via fax): Stephen Ross, Esq., Oil Conservation Division
James Bruce, Esq.

JAMES BRUCE
ATTORNEY AT LAWPOST OFFICE BOX 1056
SANTA FE, NEW MEXICO 875013304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501(505) 982-2043
(505) 982-2151 (FAX)

August 28, 2001

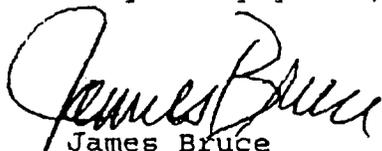
Via Fax and U.S. MailLori Wrotenbery
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505Re: Case No. 12698 *de novo*; application of Mewbourne Oil
Company ("Mewbourne") for compulsory pooling, Eddy
County, New MexicoTo be heard *de novo* at the request of Harvey E. Yates
Company and Jalapeno Corporation

Dear Ms. Wrotenbery:

The applications for hearing *de novo* in this matter were filed after the deadline to place the cases on the September 14, 2001 Commission docket. The only party affected by the *de novo* applications is Mewbourne. Mewbourne hereby expressly waives the notice period set forth in the Division's rules, and this matter need not wait until the October Commission docket to be heard. In addition, Mewbourne has rig scheduling problems which will impose upon it an undue burden if this matter is not heard until October. Therefore, Mewbourne requests that the above matter be heard at the September 14, 2001 Commission hearing.

Thank you for your consideration of this request.

Very truly yours,


James Bruce

Attorney for Mewbourne Oil Company

cc: Michael H. Feldewert (via fax)

**BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS
AND NATURAL RESOURCES DEPARTMENT**

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

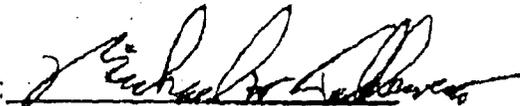
CASE NO. 12698

APPLICATION FOR HEARING DE NOVO

Comes now JALAPENO CORPORATION, a party adversely affected by Order No. R-11636, and hereby applies for a hearing *De Novo* before the full Commission, pursuant to NMSA 1978, Section 70-2-13.

Respectfully submitted,

HOLLAND & HART and
CAMPBELL & CARR

By: 

Michael H. Feldewert
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR JALAPENO CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Hearing *De Novo* was faxed and mailed this 24 day of August, 2001 to the following:

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504
Fax No. 505 982-2151


Michael H. Feldewert

Follow up call. Advised
Richard that our
offer to acquire a Farmout
tie lien of their joining
or being force pooled
was not perpetual. He
said they were still
waiting to see what
Hayes would do.

R.

8/17/01

Enclosure "15" State Com #1

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Cibola Energy Corporation
 and Jalapeno Corporation
 P.O. Box 1608
 Albuquerque, N.M. 87103
 Attn: Harvey E. Yates, Jr.

2. Article Number (Copy from service label)

2471130681

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Claudia K. Stevenson 8/16/01

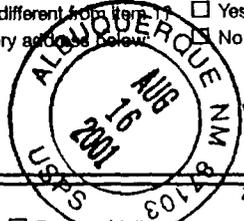
C. Signature

X Claudia Stevenson

Agent

Addressee

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below No



3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchandise

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 14, 2001

Via Fax 505-242-8501 and
Certified U.S. Mail-Return Receipt Requested

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

Attn: Mr. Harvey E. Yates, Jr.

Re: Order No. R-11636
Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Ladies and Gentlemen:

Pursuant to the terms of Ordering Paragraph (6) of the referenced Order, enclosed for your further handling is a copy of our AFE dated May 31, 2001 (an estimated well cost) for the captioned well.

In the event you elect to participate in the drilling and completion of the captioned well, please forward the undersigned your proportionate part of the estimated well cost within thirty (30) days of receipt of this letter.

Enclosed for your information regarding the above is a copy of the referenced Order.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 1, 2001

[Via Fax 505-242-8501 and First Class Mail]

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

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Gentlemen:

In the event Cibola Energy Corporation and Jalapeno Corporation (Cibola, et al) elect not to participate in the subject well and elect not to be force pooled, Mewbourne would be interested in acquiring the Cibola, et al interest by virtue of a term assignment as referenced in my previous letter dated May 30, 2001 or by virtue of a farmout agreement.

In the event Cibola, et al elect the farmout option, Mewbourne would be interested in acquiring a farmin of the Cibola, et al interest on the following terms:

- 1) 75% NRI delivered to MOC with Cibola, et al having the option APO to convert its retained ORI to a 25% WI, subject to proportionate reduction on a well by well basis.
- 2) Rights to be farmed out would include the Cibola, et al interest in the captioned land from the base of the Yates formation to the stratigraphic equivalent of a depth of 11,750 feet beneath the surface but in no event below the base of the Morrow formation.
- 3) MOC agrees to commence the captioned well by November 1, 2001.
- 4) In the event MOC completes the captioned well as a commercial producer, MOC would earn rights from the base of the Yates formation to 100' below TD drilled but in no event below the base of the Morrow formation.
- 5) The farmout agreement shall be on a form acceptable to MOC and the JOA to be used APO shall be on the form as previously furnished to you subject to reasonable revisions if necessary.

Esperanza "15" State Com. #1 Well
August 1, 2001
Page -2-

In the event Cibola, et al elect to grant Mewbourne a term assignment or a farmout agreement on the terms proposed above, please sign and return this letter within fifteen (15) days of receipt. Cibola, et al's failure to return same within such time period shall render the above offers voidable at Mewbourne's sole option.

Regarding the above, the above terms were offered to Harvey E. Yates Company, Shinnery Investment Company (if they own an interest), and Yates Energy Corporation.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Agreed and Accepted this _____ day of August, 2001.

CIBOLA ENERGY CORPORATION

JALAPENO CORPORATION

By: _____

By: _____

7-19-01: Richard Williams called, left message for me to call.

7-20-01: Called Richard, left message for him to call me.

7-20-01: Richard returned my call. He wanted to know how our meeting with Heyco went regarding ownership. I told him Heyco was still reviewing their files to figure out their ownership, however the ownership which they think they own, varies only slightly as to the ownership we credit them. Richard said he'd be at the hearing to enter an appearance.

8-1-01 Called Richard, left message for him to call me.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

July 17, 2001

Cibola Energy Corporation
and Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103
Attn: Richard Williams

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Dear Richard:

Regarding the captioned proposed well, enclosed for Cibola's and Jalapeno's consideration and execution is our revised AFE dated May 31, 2001. You will note that the estimated well cost is significantly lower than the previous AFE dated April 23, 2001.

Should you have any questions regarding the above proposed well and or questions regarding Cibola's and Jalapeno's title under the subject land, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Cibola/Jalapeño

Re: Richard Williams -
they don't agree with the
5% interest we credit
them. I told him I'd
send him a copy of our
Drilling Title Opinion. ~~But~~
I advised him I would be
happy to come to Albuquer.
to review their title.
He said we'd have to go
to pooling hearing as Harvey
is out of town and will
not be back until after the
hearing.

DF
7/11/01

Esperanza #15 State Com #1

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.

Is your RETURN ADDRESS completed on the reverse side?

3. Article Addressed to:

Cibola Energy Corporation
 and Jalapeno Corporation
 P.O. Box 1608
 Albuquerque, N.M. 87103
 Attn: Mr. Harvey E. Yates, Jr.

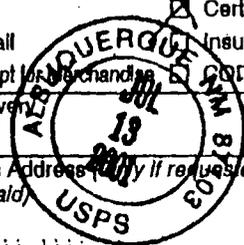
4a. Article Number

Z471130664

4b. Service Type

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

7. Date of Delivery



5. Received By: (Print Name)

Claudia Stevenson

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

6. Signature: (Addressee or Agent)

X Claudia Stevenson

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

July 11, 2001

[Certified Mail-Return Receipt Requested Z471130664]

Cibola Energy Corporation
and Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103
Attn: Mr. Harvey E. Yates, Jr.

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Dear Mr. Yates:

To date, we have not received a response from you regarding your participation in the subject proposed well. Although we would like to avoid the necessity for compulsory pooling, we have scheduled a compulsory pooling hearing for the captioned land and well for July 26, 2001 as referenced in Mr. James Bruce's notice letter dated July 3, 2001.

In the event you elect not to participate in the subject well, we would be agreeable to acquiring your interest in the captioned land on reasonable terms in lieu of force pooling.

In reference to the above, please respond at your earliest convenience regarding your desire to participate in the subject well.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPIH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

June 19, 2001

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

Attn: Mr. Harvey E. Yates, Jr.

Re: Esperanza "15" State Com. #1 Well
E/2 of Section 15, T21S, R27E
Eddy County, New Mexico

Dear Mr. Yates:

Regarding the captioned proposed well, enclosed for your file is a copy of the signature pages of that certain JOA dated April 25, 2001 as executed by Marbob Energy Corporation and Tenison Oil Company.

In the event Cibola Energy Corporation and Jalapeno Corporation elects to participate in the subject well as proposed, we would appreciate receiving the executed JOA and AFE as was previously furnished you at the earliest possible date.

Should you have any questions regarding the proposed well, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Escrow #15 State Com. #1

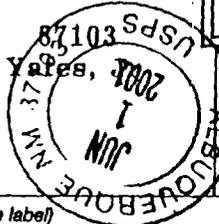
SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Cibola Energy Corporation
 and Jalapeno Corporation
 P.O. Box 1608
 Albuquerque, N.M. 87103
 Attn: Mr. Harvey E. Yates

JUN 04 2001



COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) | B. Date of Delivery

C. Signature
 X *Claudia Stevenson* Agent Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

2471 130633

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

May 30, 2001

[Certified Mail-Return Receipt Requested Z471130633]

Cibola Energy Corporation
and Jalapeno Corporation
P.O. Box 1608
Albuquerque, N.M. 87103
Attn: Mr. Harvey E. Yates, Jr.

Re: Esperanza "15" State Com. #1 Well
2232' FSL & 1980' FEL
Section 15, T21S, R27E
Eddy County, New Mexico

Gentlemen:

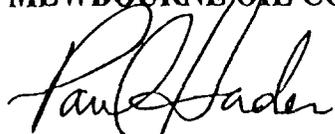
Mewbourne Oil Company (Mewbourne), as Operator hereby proposes drilling the captioned well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 11,800' beneath the surface. The E/2 of the captioned Section 15 will be dedicated to the well.

Enclosed for your further handling regarding the above well proposal are two (2) copies of our AFE dated April 23, 2001 and duplicate originals of our Operating Agreement dated April 25, 2001. In the event you elect to join Mewbourne in the proposed well, please sign and return one (1) copy of the enclosed AFE and one (1) original of the Operating Agreement to me at your earliest convenience.

In the event Cibola Energy Corporation (Cibola) and Jalapeno Corporation (Jalapeno) elects not to participate in the proposed well, Mewbourne would be interested in acquiring a two (2) year term assignment from Cibola and Jalapeno on the basis of \$200.00 per acre wherein Mewbourne would be delivered a 80% net revenue interest. Should you have any questions regarding the above, please do not hesitate to call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman