

Summary of Communications

Harvey E. Yates Company: Vernon Dyer and Melissa Randle

- 1) 5-30-01: Proposed well via certified mail with AFE and JOA enclosed for execution. Sent to Vernon Dyer's attention.
- 2) 6-11-01: Follow up telephone call to Vernon regarding well proposal. They've received proposal, currently reviewing their title.
- 3) 6-12-01: Melissa Randle called and said she was reviewing their title. I told her we would share our Drilling Title Opinion with them, sent same to her attention on 6-13-01.
- 4) 6-19-01: Follow up letter to Melissa.. Furnished her signature pages of the JOA regarding Marbob and Tenison.
- 5) 6-26-01: Melissa called this date & said they were still working on their title -- the title may be different than what we think it is. Melissa is aware we will be filing for pooling by the end of the month due to rig scheduling. I'm to get back with her and possibly meet in Roswell to work out the title questions after I return from vacation.
- 6) 7-11-01 Follow up letter to Melissa's attention advising her I would contact her next week to schedule a meeting with her and Vernon to discuss our proposal and to review their title.
- 7) 7-16-01: Called Melissa this date to set up meeting. She'll check around with her office. Tentatively we'll meet Thursday 7-19-01. I advised her to let us know is they have any requested revisions to the JOA if they participate.
- 8) 7-17-01: Melissa Randle called this date. They are still reviewing their title. Possibly they may farmout in lieu of joining. I advised her we would still name them in the pooling if no written agreement is executed prior to the hearing, however, we will dismiss them from pooling upon execution of any agreement. Advised Melissa I would see them in Roswell on Thursday, July 19<sup>th</sup> to discuss their title.
- 9) 7-19-01: Met with Melissa and Donita with Heyco on July 19<sup>th</sup> and discussed their title. Melissa said they would farmout @ 75% NRI with 1/3 BIAPO. I told her the 1/3 BIAPO was not acceptable for us that we could probably be agreeable to 1/4 BIAPO. She thought Shinnery Investments owns some interest also. Melissa is to send me their farmout offer for our response.

OIL CONSERVATION DIVISION

CASE NUMBER \_\_\_\_\_

EXHIBIT

2A

- 10) 7-20-01: Received letter from Heyco wherein Heyco and Shinnery Investments offered to farmout their rights below the base of the Wolfcamp formation to 11,750' wherein MOC would be delivered a 75% net revenue interest. After payout Heyco, et al would have option to convert their retained overriding royalty interest to a 1/3 working interest.
- 11) 7-24-01: Advised Melissa that our management would not accept the farmout terms she offered. Faxed Melissa our formal response as to her letter and our proposed farmout terms for their acceptance.

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

July 24, 2001

[Via Fax 505-622-4221 and U.S. Mail]

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

Attn: Melissa Randle

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

Ladies and Gentlemen:

In reference to our meeting on Thursday, July 19<sup>th</sup> and your letter dated July 20, 2001, regarding Harvey E. Yates Company and Shinnery Investment Company's (Heyco, et al) interest in the captioned land and well, the terms offered in the referenced letter are unacceptable to Mewbourne Oil Company (MOC). Economics for MOC's proposed well will not support a 1/3 BIAPO as referenced in your letter. Also, MOC would require rights commencing at the base of the Yates formation since our JOA covers rights below the base of the Yates formation through the base of the Morrow formation.

Regarding the above, MOC would consider acquiring a farmout from Heyco, et al on the following general terms:

- 1) 75% NRI delivered to MOC with Heyco, 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 Heyco, 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.

Esperanza "15" State Com. #1 Well  
July 24, 2001  
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- 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.

If the above terms are acceptable to Heyco, et al, please indicate same by signing and returning the copy of this letter to me with your form of Farmout Agreement within fifteen (15) days. Heyco, et al's failure to return same within such time period shall render MOC's farmin offer as referenced above void at MOC's sole option.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

Agreed and Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

**HARVEY E. YATES COMPANY**

**SHINNERY INVESTMENT COMPANY**

By: \_\_\_\_\_

By: \_\_\_\_\_

**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

Via Telefax and U.S. Mail

July 20, 2001

Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, Texas 79701

Attention: D. Paul Haden  
Senior Landman

Re: Esperanza 15 State Com #1  
T-21S, R-27E, N.M.P.M.  
2232' FSL & 1980' FEL  
Section 15: E/2  
Eddy County, New Mexico  
Farmout Terms

Ladies and Gentlemen:

Pursuant to your May 30, 2001 proposal to drill the Esperanza 15 State Com #1, Harvey E. Yates Company (HEYCO) and Shinnery Investment Company (HEYCO, et al) will farmout their interest in the captioned lands under the following terms and conditions:

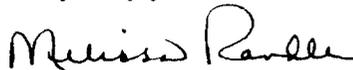
- 1) HEYCO, et al will farmout its operating rights in the proration unit for the Esperanza 15 State Com #1 well (initial test well), limited in depth from the base of the Wolfcamp formation down to the base of the Morrow formation or 11,750', whichever is shallower, retaining an overriding royalty interest equal to the difference in present burdens and 25%.
- 2) HEYCO, et al will have the option at payout of the initial test well to convert its retained overriding royalty interest to a 33.33% working interest, proportionately reduced.
- 3) HEYCO, et al's interest in subsequent wells will be based on its after payout interest.
- 4) HEYCO, et al's interest in the initial test well and any subsequent wells will be subject to a mutually acceptable joint operating agreement.

**JUL 23 2001**

- 5) All rental or shut-in royalty payments due on any of the leases under the farmout agreement will be paid by HEYCO and billed 100% to MOC.
- 6) MOC must commence the drilling of the initial test well by November 1, 2001.

Please acknowledge your acceptance of these terms by signing, dating and returning one copy of this letter to HEYCO by July 25, 2001. HEYCO will prepare and forward to you its form farmout agreement for MOC to execute and return one original to HEYCO.

Very truly yours,



Melissa Randle  
Landman

/mvr

EsperanzaMewbourneFOTerms.doc/L.and:NonOp#4

AGREED and ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2001.

MEWBOURNE OIL COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

Called Melissa this date to set up meeting date. She said she would check with her office to see what date would be good. She's to get back with me. Tentatively we'll meet on Thursday, 7-19-01

PL

7/16/01

7-17-01: Melissa called and said they could meet with me on Thurs., July 19th. They didn't want to be force pooled. I told her that if we would dismiss them from hearing upon our making an agreement with them (either joint or fallback).

7-19-01: Met w/ Melissa & Donita and discussed their title. Advised them they needed to file something of record between themselves which would clear up their title if they didn't agree with the title ownership we've credited to them. Advised them they could do this with a Stipulation of Interest. Melissa said they would forward us along with Shinnery Investments (Shinnery has no title of record). ~~Shinnery~~

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

July 11, 2001

Harvey E. Yates Company  
P.O. Box 1933  
Roswell, New Mexico 88202  
Attn: Melissa Randle

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

Dear Melissa:

Regarding the captioned proposed well, you should have received notice of our application for compulsory pooling by now. As indicated in Mr. James Bruce's letter of July 3, 2001, we have scheduled the pooling hearing for the July 26, 2001 Examiner's docket. Accordingly, we would appreciate receiving a decision from your firm regarding participation in the captioned proposed well in sufficient time prior to such hearing date.

In reference to the above, I tentatively have made plans to be in Roswell next week either Wednesday or Thursday (July 18<sup>th</sup> or 19<sup>th</sup>) to meet with you and Vernon Dyer to discuss any title issues or concerns you might have regarding Heyco's participation in the subject well. In this regard, I will call you Monday, July 16<sup>th</sup> to set up a meeting time.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPII/gb

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

June 19, 2001

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

Attn: Melissa Randle

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

Dear Melissa:

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 Harvey E. Yates Company 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

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

June 13, 2001

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

Attn: Melissa Randle

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

Dear Melissa:

Per your request, enclosed for your information is a copy of our Drilling Opinion of Title dated March 28, 2001 for the captioned land and proposed well. Please call should you have any questions.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

FOLLOW UP CALL THIS  
DATE W/ VERNON DYER.  
HE SAYS MELISSA RANDLE  
OF THEIR OFFICE IS  
REVIEWING THEIR TITLE.

PH

6-11-01

Melissa Randle w/ Heyco  
called & said they're reviewing  
their title. I told her I  
would send her a copy of our  
Title Opinion, PH. 6/12/01

Esperanza "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:

Harvey E. Yates Company  
 P.O. Box 1933  
 Roswell, N.M. 88202-1933  
 Attention: Vernon Dyer

JUN 04 2001

COMPLETE THIS SECTION ON DELIVERY

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

6-1-01

C. Signature

X *Harvey E. Yates*

- Agent
- Addressee

D. Is delivery address different from Item 1?

- Yes
- No

If YES, enter delivery address below:

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee)

- Yes

2. Article Number (Copy from service label)

Z 4711 30 630

# 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 Z471130632]

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

Attn: Vernon Dyer

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 Harvey E. Yates Company (Heyco) elects not to participate in the proposed well, Mewbourne would be interested in acquiring a two (2) year term assignment from Heyco 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

DPH/gb