

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 216

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA  
MARY JO SNYDER

FAX 988-7592  
AREA CODE 505

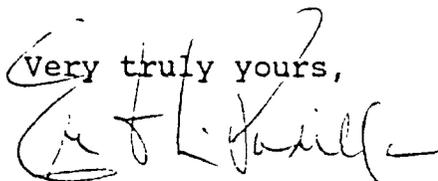
October 11, 1990

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL NON-CONSENTING WORKING INTEREST OWNERS (See attached list)

RE: Notice of Application For Compulsory Pooling, Chalk Bluff Federal #1 Well, Eddy County, New Mexico

PURSUANT to the Rules and Regulations of the General Rules of the Oil Conservation Division of New Mexico, notice is hereby given of the above-referenced application. You may protest the enclosed application which will be heard on November 14, 1990, beginning at the hour of 8:15 a.m., at the office of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Very truly yours,  
  
Ernest L. Padilla

ELP/pmc

Enclosure: Copy of Application  
List of Non-Consenting Working Interest Owners

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. _____

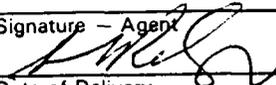
PARTIES FOR NOTICE PURPOSES:

Arco Oil & Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attn: Tim Derigo

Exxon Company USA  
Post Office Box 1600  
Midland, Texas 79702  
Attn: Joe Thomas

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent the mail from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

<p>3. Article Addressed to:</p> <p>ARCO OIL &amp; GAS P. O. BOX 1610 MIDLAND, TEXAS 79702 ATTN: TIM DERIGO <b>CHALK BLUFF FEDERAL</b></p>	<p>4. Article Number P124762214</p> <p>Type of Service:  <input type="checkbox"/> Registered      <input type="checkbox"/> Insured  <input type="checkbox"/> Certified      <input type="checkbox"/> COD  <input type="checkbox"/> Express Mail      <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b></p>
<p>5. Signature - Addressee X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent X </p>	
<p>7. Date of Delivery <b>OCT 22 1990</b></p>	

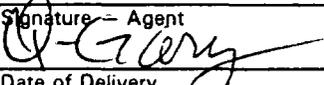
PS Form 3811, Apr. 1989

\*U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent the mail from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

<p>3. Article Addressed to:</p> <p>EXXON COMPANY USA P. O. BOX 1600 MIDLAND, TEXAS 79702 ATTN; JOE THOMAS <b>CHALK BLUFF FEDERAL</b></p>	<p>4. Article Number P124762213</p> <p>Type of Service:  <input type="checkbox"/> Registered      <input type="checkbox"/> Insured  <input type="checkbox"/> Certified      <input type="checkbox"/> COD  <input type="checkbox"/> Express Mail      <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b></p>
<p>5. Signature - Addressee X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent X </p>	
<p>7. Date of Delivery <b>OCT 22 1990</b></p>	

PS Form 3811, Apr. 1989

\*U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

October 18, 1990

## CERTIFIED MAIL

Exxon Company USA  
P. O. Box 1600  
Midland, Texas 79702-1600

Attention: Mr. Joe B. Thomas

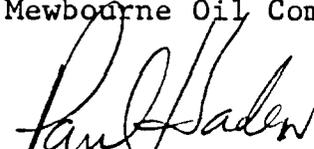
RE: Chalk Bluff Federal #1 Well  
Section 1, T18S, R27E  
Eddy County, New Mexico

Gentlemen:

This is in follow up of my previous correspondence and more specifically to my most recent letter to you dated October 4, 1990. Regarding same, Mewbourne would very much appreciate an agreement from your company prior to November 14, 1990 (the compulsory pooling hearing date) either to farmout your leasehold position as proposed, or join Mewbourne to the extent of your interest for the drilling of the captioned well to test the Morrow, as proposed.

Sincerely,

Mewbourne Oil Company



Paul Haden  
Landman

PH/nb

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

October 18, 1990

## CERTIFIED MAIL

Arco Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702

Attention: Mr. Timothy N. Derigo

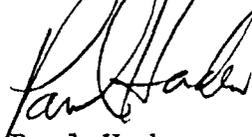
RE: Chalk Bluff Federal #1 Well  
Section 1, T18S, R27E  
Eddy County, New Mexico

Gentlemen:

This is in follow up of my previous correspondence and more specifically to my most recent letter to you dated October 4, 1990. Regarding same, Mewbourne would very much appreciate an agreement from your company prior to November 14, 1990 (the compulsory pooling hearing date) either to farmout your leasehold position as proposed, or join Mewbourne to the extent of your interest for the drilling of the captioned well to test the Morrow, as proposed.

Sincerely,

Mewbourne Oil Company



Paul Haden  
Landman

PH/nb

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

EXPLORATION DEPARTMENT  
WESTERN DIVISION

April 11, 1990

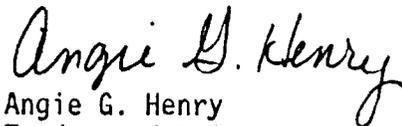
Farmout Request  
SE/4 Section 1  
T18S-R27E  
EDDY COUNTY, NEW MEXICO

Mr. D. Paul Haden  
Mewbourne Oil Company  
500 W. Texas, Suite 1020  
Midland, Texas 79701

Your April 5 request for farmout is in route to our management for consideration. Mr. Joe B. Thomas, Trades and Units landman, will be in touch with you as soon as a decision is made.

Meanwhile, please refer to AB-90-0100 (P) on any correspondence concerning this farmout.

Very truly yours,



Angie G. Henry  
Trades and Units  
(915) 683-0213

agh

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

April 5, 1990

## CERTIFIED MAIL

Exxon Company, U.S.A.  
P.O. Box 1600  
Midland, Texas 79702-1600

Attention: Mr. Joe B. Thomas

RE: T18S, R27E,  
Section 1: SE/4,  
Below the Abo Formation  
Eddy County, New Mexico

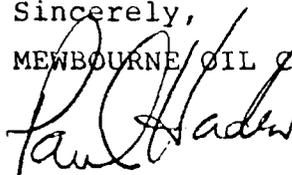
Gentlemen:

Reference is made to my previous letter of October 10, 1989 requesting a farmout of Exxon's operating rights under the captioned land. As Mewbourne has obtained a farmout of certain operating rights under the balance of the captioned Section 1, Mewbourne would appreciate Exxon reconsidering farming out their interest under the captioned land as originally proposed.

For reference, Mewbourne proposed Exxon to deliver Mewbourne a 75% net revenue interest lease of its operating rights under the captioned land for a 10,300' Morrow test well.

Your early response regarding the above will be greatly appreciated. Please call if you wish to discuss the above further.

Sincerely,  
MEWBOURNE OIL COMPANY



D. Paul Haden  
Landman

DPH/sm

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

EXPLORATION DEPARTMENT  
WESTERN DIVISION

J B THOMAS  
LAND ASSOCIATE

November 7, 1989

AB-89-0203 (R)  
Section 1: SE/4  
T18S-R27E  
Eddy County, New Mexico

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

Gentlemen:

Exxon respectfully declines your request to enter into a farmout in the SE/4 Section 1, T18S-R27E located in Eddy County, New Mexico, at this time, as proposed in your letter dated October 10.

We appreciate your request and hope the future will hold some mutually beneficial opportunities.

Yours very truly,



\agh

**EXXON** COMPANY, U.S.A.  
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

EXPLORATION DEPARTMENT  
WESTERN DIVISION

October 20, 1989

Re: Section 1: SE/4  
T18S-R27E  
Eddy County, New Mexico

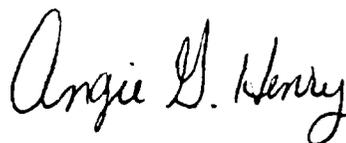
Mr. D. Paul Haden  
500 W. Texas, Suite 1020  
Midland, Texas 79701

Dear Mr. Haden:

Your request to farmout in the SE/4 of Section 1, T18S-R27E located in Eddy County, New Mexico, has been assigned the number AB-89-0203 (P) which you should caption in any future correspondence.

Once we receive recommendation from management, Mr. Joe B. Thomas, Trades and Units landman, will contact you with their decision.

Yours very truly,



Angela G. Henry

agh

\land\wegot.agh

**MEWBOURNE OIL COMPANY**

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915/682-3715

October 10, 1989

683-0300

Exxon Company USA  
P.O. Box 1600  
Midland, Texas 79702

Attention: Joe B. Thomas

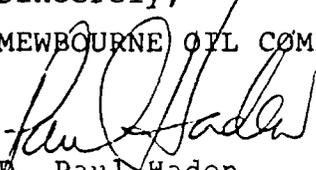
RE: T18S, R27E  
Section 1: SE/4  
Below the Abo Formation  
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company hereby requests a farmout of your operating rights under the captioned land under the following terms:

1. Mewbourne, as operator, will commence within 90 days from the date of your farmout agreement a test well at a location of its selection in the S/2 of the captioned Section 1 and drill same to a depth sufficient to test the Morrow formation estimated to be approximately 10,300 feet subsurface.
2. By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment from you to 100 feet below the total depth drilled as to your leasehold interest under the captioned land.
3. Exxon would retain in addition to the shallow rights and deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the premises may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease.
4. As Amoco owns the balance of the operating rights under the drilling and spacing unit, acceptance of our farmout proposal by both parties is necessary to our proceeding with this farmout.
5. Upon acceptance of the farmout proposal, Exxon agrees to furnish Mewbourne with whatever title information it has in its files in connection with this property, such as copies of the original base lease, title opinions, gas contracts, etc.

Your early attention to the above request will be greatly appreciated.

Sincerely,  
MEWBOURNE OIL COMPANY  
  
D. Paul Haden  
Landman

DPH/sm

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Over 200 Mas P.O. Box 1610 Midland, Tx Tim Derigo Chalk Bluff Federal	4. Article Number P 124-762-203
5. Signature - Addressee X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X	Always obtain signature of addressee or agent and <b>DATE DELIVERED</b> .
7. Date of Delivery OCT 5 1990	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989      \* U.S.G.P.O. 1989-238-815      DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Exxon Company P.O. Box 1600 MIDLAND, Tx Joe Thomas (Chalk Bluff Federal)	4. Article Number P-124-762-204
5. Signature - Addressee X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X	Always obtain signature of addressee or agent and <b>DATE DELIVERED</b> .
7. Date of Delivery OCT 5 1990	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989      \* U.S.G.P.O. 1989-238-815      DOMESTIC RETURN RECEIPT

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

October 4, 1990

## CERTIFIED MAIL

Exxon Company, USA  
P. O. Box 1600  
Midland, Texas 79702-1600

Attention: Mr. Joe B. Thomas

RE: AB-90-0100  
Farmout Request  
SE/4 of Sec. 1 below  
the Abo formation,  
T18S, R27E  
Eddy County, New Mexico

Gentlemen:

Reference is made to my previous letters of October 10, 1989 and April 5, 1990 wherein Mewbourne Oil Company requested a farmout of Exxon's interest under the captioned land in support of a 10,200' Morrow test well. Mewbourne hereby amends its previous farmout request to include the following proposed terms:

- 1) Mewbourne Oil Company, as operator, will commence within 90 days from the date of your executed farmout agreement a test well at a location 790' FSL and 2250' FWL of the captioned Section 1 and drill same to a depth sufficient to test the Morrow formation estimated total depth being 10,300 feet subsurface. The S/2 of the captioned Section 1 will be dedicated to the test well.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights below the base of the Abo formation to 100 feet below the total depth drilled in the test well.
- 3) Exxon would retain in addition to the shallow and deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the captioned land may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease under the above described land. At payout of the above described test well, you

would have the option to convert your override to a 25% working interest. The interests set out in this paragraph are to be proportionately reduced to the interest actually owned by you in the proration unit attributable to the test well.

- 4) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne a copy of the base lease covering your interest under the captioned land, title opinions, title curative which Mewbourne may request and any applicable gas sales contract associated with the captioned land.

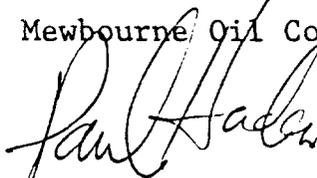
In the event Exxon prefers not to farmout their interest under the captioned land as proposed, Mewbourne Oil Company hereby proposes Exxon to join Mewbourne in the drilling and completion of the test well provided for herein. Enclosed for Exxon's approval in this connection is an AFE.

If Exxon is agreeable to joining in the test well as proposed, Exxon agrees to enter into a joint operating agreement with Mewbourne on the AAPL Form 610-1982 Model Form Operating Agreement naming Mewbourne Oil Company as operator.

Time is of the essence in drilling the proposed test well. Your early decision regarding the above will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



Paul Haden  
Landman

PH/nb  
enclosure

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

October 4, 1990

## CERTIFIED MAIL

Arco Oil & Gas Company  
P. O. Box 1610  
Midland, Texas 79702

Attention: Mr. Tim Derigo

RE: Farmout Request  
N/2 and SW/4 of Sec 1  
below the Abo formation,  
T18S, R27E  
Eddy County, New Mexico

Gentlemen:

Reference is made to my previous letters of October 17, 1989 and January 30, 1990 wherein Mewbourne Oil Company requested a farmout of Arco's interest under the captioned land in support of a 10,200' Morrow test well. Mewbourne hereby amends its previous farmout request to include the following proposed terms:

- 1) Mewbourne Oil Company, as operator, will commence within 90 days from the date of your executed farmout agreement a test well at a location 790' FSL and 2250' FWL of the captioned Section 1 and drill same to a depth sufficient to test the Morrow formation estimated total depth being 10,200 feet subsurface. The S/2 of the captioned Section 1 will be dedicated to the initial test well.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights below the base of the Abo formation to 100 feet below the total depth drilled in the test well.
- 3) Within 120 days after completion of the initial test well as a commercial producer or dry hole, Mewbourne would have the option to drill a subsequent test well at a location in the N/2 of the captioned Section 1 to adequately test the Morrow formation or to the deepest commercially productive zone encountered in the initial test well.

- 4) Upon completion of the subsequent well as a commercial producer, Mewbourne would earn an assignment of your operating rights from below the base of the Abo formation to 100 feet below the total depth drilled not to exceed the base of the Morrow formation.
- 5) Arco would retain in addition to the shallow and deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the captioned land may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease under the above described land. At payout of the initial test well and subsequent well, on a well by well basis, you would have the option to convert your override to a 25% working interest. The interests set out in this paragraph are to be proportionately reduced to the interest actually owned by you in the proration unit(s) attributable to the test wells provided for herein.
- 6) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne a copy of the base lease covering your interest under the captioned land, title opinions, title curative which Mewbourne may request and any applicable gas sales contract associated with the captioned land.

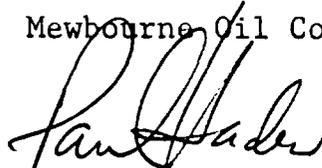
In the event Arco prefers not to farmout their interest under the captioned land as proposed, Mewbourne Oil Company hereby proposes Arco to join Mewbourne in the drilling and completion of the test well provided for herein. Enclosed for Arco's approval in this connection is an AFE.

If Arco is agreeable to joining in the initial test well as proposed, Arco agrees to enter into a joint operating agreement with Mewbourne on the AAPL Form 610-1982 Model Form Operating Agreement naming Mewbourne Oil Company as operator.

Time is of the essence in drilling the proposed test well. Your early decision regarding the above will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



Paul Haden  
Landman

PH/nb  
enclosure

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

January 30, 1990

Arco Oil & Gas Company  
P.O. Box 1610  
Midland, Texas 79702

Attention: Tim Derigo

RE: T18S, R27E  
Section 1: All  
Below the base of the  
Abo formation  
Eddy County, New Mexico

Gentlemen:

As previously requested in my letter of October 17, 1989, Mewbourne Oil Company would appreciate a farmout of your operating rights to certain depths under the captioned land subject to the following terms:

- 1) Mewbourne as operator, will commence an initial test well at a location of its choice in the S/2 of the captioned Section 1, to adequately test the Morrow formation estimated to be approximately 10,300 feet subsurface.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights from below the base of the Abo formation to 100 feet below the total depth drilled in the initial well not to exceed the base of the Morrow formation.
- 3) Within 120 days after the completion of the initial test well as a commercial producer or dry hole, Mewbourne would have the option to drill an option test well at a location in the N/2 of the captioned Section 1 to adequately test the Morrow formation or to the deepest commercially productive zone encountered in the initial test well.
- 4) Upon completion of the option well as a commercial producer, Mewbourne would earn an assignment of your operating rights from below the base of the Abo formation to 100 feet below the total depth drilled not to exceed the base of the Morrow formation.

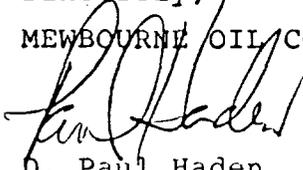
BEFORE EXAMINER CALVIN H. HATCH  
OIL CONSERVATION DIVISION

EXHIBIT NO. \_\_\_\_\_

CASE NO. \_\_\_\_\_

- 5) Arco would retain in addition to the shallow and deep rights as described above, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests and other burdens in current existence, to the extent Mewbourne will be assigned a 75% net revenue interest lease.
- 6) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne with copies of the original base lease, title opinions and gas contracts associated with the captioned land.

Your earliest response regarding the above will be greatly appreciated.

Sincerely,  
MEWBOURNE OIL COMPANY  
  
D. Paul Haden  
Landman

DPH/sm

**MEWBOURNE OIL COMPANY**

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915/682-1715

October 17, 1989

*Jill Jackson*  
*688-5200*

Arco Oil & Gas Company  
P.O. Box 1610  
Midland, Texas 79702

Attention: Tim Derigo

RE: T18S, R27E  
Sec. 1: All  
Below the base of the  
Abo formation  
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company hereby requests a farmout of your operating rights under the captioned land subject to the following terms:

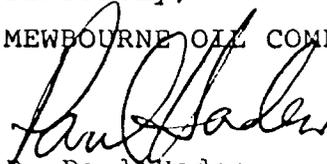
- 1) Mewbourne as operator, will commence an initial test well at a location of its choice in the S/2 of the captioned Section 1, to adequately test the Morrow formation estimated to be approximately 10,300 feet subsurface.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights from below the base of the Abo formation to 100 feet below the total depth drilled in the initial well not to exceed the base of the Morrow formation.
- 3) Within 120 days after the completion of the initial test well as a commercial producer or dry hole, Mewbourne would have the option to drill an option test well at a location in the N/2 of the captioned Section 1 to adequately test the Morrow formation or to the deepest commercially productive zone encountered in the initial test well.
- 4) Upon completion of the option well as a commercial producer, Mewbourne would earn an assignment of your operating rights from below the base of the Abo formation to 100 feet below the total depth drilled not to exceed the base of the Morrow formation.
- 5) Arco would retain in addition to the shallow and deep rights as described above, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests and other burdens in current existence, to the extent Mewbourne will be assigned a 75% net revenue interest lease.

- 6) As Amoco and Exxon own the balance of the operating rights under the captioned land, acceptance of our farmout proposal by all of the parties is necessary to our proceeding with drilling the test wells as described above.
- 7) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne with copies of the original base lease, title opinions and gas contracts associated with the captioned land.

Your earliest response regarding the above will be greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Landman

DPH/sm