

Exhibits 1 through 9
Complete Set

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

Artesia
Artesia

Artesia
Artesia

Artesia
Artesia

Artesia
Artesia

Case 10689
 Spacing Unit Ownership - Operating rights
 Illinois Camp "17" State #1
 W/2 of Section 17, T18S, R28E
 Eddy County, New Mexico

As to the operating rights from a depth of 500 feet below the top of the San Andres formation to the base of the Morrow formation:

<u>Land; Owner</u>	<u>Interest Owned</u>
<u>Tract 1:</u>	
NW/4NW/4 and NE/4SW/4, 80 acres, more or less:	
Mewbourne Oil Company	100%
<u>Tract 2:</u>	
NE/4NW/4, 40 acres, more or less:	
OXY USA, Inc.	100% (Uncommitted)
<u>Tract 3:</u>	
S/2NW/4, 80 acres, more or less:	
Phillips Petroleum Company	100% (Uncommitted)
<u>Tract 4:</u>	
NW/4SW/4, 40 acres, more or less:	
Mewbourne Oil Company	2.96%
Estate of George M. Hatcher, Deceased	1.48% (Uncommitted)
Marathon Oil Company	95.56% (Uncommitted)
<u>Tract 5:</u>	
SW/4NW/4, 40 acres, more or less:	
Mewbourne Oil Company	50%
Louis Dreyfus Gas Holdings, Inc. and Louis Dreyfus Natural Gas Corp.	15.98% (Uncommitted)
Marathon Oil Company	15.97% (Uncommitted)
Yates Petroleum Corporation	18.05% (Uncommitted)
<u>Tract 6:</u>	
SE/4SW/4, 40 acres, more or less:	
Mewbourne Oil Company	10%
Corrine Grace	45% (Uncommitted)
Michael P. Grace.	45% (Uncommitted)

Spacing Unit Ownership

<u>Owner</u>	<u>% Ownership</u>
Mewbourne Oil Company	32.87000
OXY USA, Inc.	12.50000
Phillips Petroleum Company	25.00000
Estate of George M. Hatcher, Deceased	0.18500
Marathon Oil Company.	13.94125
Louis Dreyfus Gas Holdings, Inc. and Louis Dreyfus Natural Gas Corp.	1.99750
Yates Petroleum Corporation	2.25625
Corrine Grace	5.62500
Michael P. Grace	5.62500
	100.00000

NEW MEXICO

OIL CONSERVATION DIVISION

Mewbourne EXHIBIT 2

CASE NO. 10689

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 3

Re: Case 10689
Summary of Communications
with Poolees prior to hearing

CASE NO. 10689

Louis Dreyfus Gas Holdings, Inc.
and Louis Dreyfus Natural Gas Corp.

Mr. Rusty Waters:

- 2-4-93: Well proposal letter sent requesting farmout, joinder or cash considerations for assignment with AFE for well.
- 2-19-93: Letter sent advising location changed to 2180' FNL & 1980' FWL with the spacing unit comprising the W/2.
- 2-26-93: Per phone conversation they are still reviewing our proposal.
- 3-10-93: Follow-up letter sent again requesting decision and written commitment prior to hearing.
- 3-11-93: Per Mr. Waters, they are filing an appearance for the hearing, they want to get exhibits, would try to get us something in writing prior to the hearing.
- 3-16-93: Per Mr. Waters, they will enter an appearance, will not protest the hearing. Still unable to make a decision to date.

Corrine Grace

Mrs. Corrine Grace

- 2-14-92: Offered to purchase her interest by letter this date for cash consideration.
- 3-9-92: Follow-up letter sent regarding purchase offer.
- 2-4-93: Well proposal sent this date with AFE; farmout, join or sell.
- 2-17-93: Follow-up letter sent this date via Federal Express with our proposed Operating Agreement and AFE for Morrow well to be drilled in NW/4 with the W/2 being dedicated to the well.
- 2-19-93: Per Mitch Morriss w/Grace, send all correspondence to their Carlsbad office. They haven't made decision yet.
- 2-23-93: Mrs. Grace wanted to borrow our geology for the area to make her decision. Advised her our geology was proprietary info, however I advised her we were drilling our location based upon the geological Morrow trends in the area based on stratigraphic datum available to the public.
- 3-9-93: Follow-up letter sent requesting decision prior to hearing date.
- 3-10-93: Mrs. Grace advised she was still undecided, had a geologist working on our proposal.
- 3-12-93: Jim Brannigan - geologist for Corrine Grace advised they would farmout to us. We are to prepare letter.
- 3-16-93: Faxed MOC's proposed Farmout Letter Agreement to Jim Brannigan and Corrine Grace.

Michael P. Grace

Mr. Grace:

- 2-14-92: Letter sent offering to purchase his interest.
- 3-9-92: Follow-up letter sent regarding purchase proposal.
- 2-4-93: Well proposal with AFE requesting his participation, farmout or purchase proposal.
- 2-5-93: Well proposal with AFE sent to his P. O. Box in Venice, Ca. requesting participation, farmout or our offer to purchase his interest.
- 2-19-93: Follow-up letter sent advising him of our location and spacing unit and requesting his decision.
- 2-24-93: Mr. Grace met with us in our office, he wants cash for a farmout to us. His interest subject to written agreement with Corrine Grace, possible operating agreement with Mrs. Grace. Our attorney is to review, he's to talk to our attorney and get back with us.
- 3-17-93: Michael Morgan represents Mr. Grace. Mr. Morgan called

and wanted the particulars as to our well proposal and negotiations with Mr. Grace. I advised him of our negotiations with Mrs. Grace. Hope to get farmout letter agreement to him this date, same terms offered as Mrs. Grace.

Marathon Oil Company

Mr. Randal P. Wilson/Mr. Wayne L. Ransbottom

- 10-3-91: Sent letter offering to purchase Marathon's interest for cash consideration for a 2 yr. primary term.
- 11-6-91: Received Marathon's letter dated 11-5-91 wherein they declined to sell.
- 2-4-93: Sent well proposal with AFE requesting Marathon to join, farmout or sell.
- 2-19-93: Sent letter setting forth our location change; requested their decision.
- 2-24-93: MOC's Ken Waits had lunch w/Wayne Ransbottom, discussed our proposal.
- 2-25-93: Called Randal, left message for him to call me regarding our proposal.
- 2-26-93: Randal called, I advised him our geologist was to go to lunch with their geologist early next week. No decision yet.
- 3-10-93: Sent follow-up letter requesting their decision and written commitment prior to hearing.
- 3-10-93: Received fax from their attorney regarding their entry of appearance at the hearing.
- 3-12-93: Sent cash offer by letter regarding their interest in Sec. 17 and 18 among other lands.
- 3-15-93: Mr. Wilson called, offered to sell us an assignment, unacceptable to us as the net revenue interest offered was too low for the cash they wanted.

OXY USA, Inc.

Mr. Charles E. Dickenson/Mr. Pat McGee/Mr. Mike Gooding:

- 10-18-91: Sent letter offering to purchase their interest
- 2-4-93: Sent well proposal letter with AFE requesting their participation, a farmout purchase agreement.
- 2-19-93: Lunch with Mike Gooding, requested their decision at the earliest date, advised him of our priority status of our well proposals.
- 2-19-93: Sent letter advising a change in our proposed location and unit designation with new AFE which reflects the change in location, the well cost remains the same.
- 2-22-93: Sent letter setting forth our priority status regarding our well proposals.
- 2-26-93: Follow-up letter sent along with the information they requested in our meeting 2-25-93 at their offices.
- 3-8-93: Sent cash offer to Mr. McGee this date by MOC's Ken Waits offering to purchase OXY's interest in Sec. 17 and 18 among other lands pursuant to Mr. McGee's and Mr. Wait's phone conversations.
- 3-16-93: We agreed to dismiss them from hearing this date pursuant to our letter agreement with them.

Phillips Petroleum Company

Mr. Troy E. Richard:

- 10-17-91: Sent letter offering to purchase their interest.
- 2-2-93: Sent well proposal letter with AFE requesting Phillips to join, farmout or sell.
- 2-5-93: Sent letter with AFE's for our subsequent wells in Sec. 17 and 18.
- 2-15-93: Follow-up phone call, he wanted to know what the spacing units were to be. So advised him.
- 2-18-93: Lunch meeting with Mr. Richard, discussed our proposals, they would probably participate in the initial well at

- least, not sure about the others. He said he could get us letter stating they would farmout or join.
- 2-19-93: Sent letter advising of our location change for the initial well and the spacing unit.
- 3-5-93: Lunch meeting with Mr. Richard, Brad Hargrove (Phillips Landman), Scott Balke (Phillips geologist). They are 99% sure they would participate in initial well, would get us letter next week. Would join or farmout in subsequent wells.
- 3-10-93: Sent our proposed Operating Agreement this date via Fed. Express requesting their execution of same.
- 3-11-93: Mr. Richard advises this date they have executed our AFE for the initial well and it is in the mail.

Yates Petroleum Company

Mr. Rob Bullock:

- 2-5-93: Sent letter requesting them to participate or farmout.
- 2-19-93: Follow-up letter sent which also advises of our location change and acreage dedication to the initial well. AFE was resubmitted for their review and execution.
- 3-10-93: Sent Yates our proposed Operating Agreement for the proposed well.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 10, 1993

Louis Dreyfus Natural Gas Corp.
Quail Springs Corporate Park
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134
Attn: Mr. Rusty Waters

Re: Illinois Camp "17" State #1 Well
Illinois Camp Prospect
W/2 Section 17-18S-28E
Eddy County, New Mexico

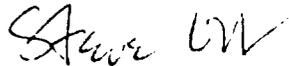
Gentlemen:

The pooling application (NMOCD Case #10689) for the captioned unit is to be heard before the New Mexico Oil Conservation Division on March 18, 1993 in Santa Fe, New Mexico.

We would like to have a written commitment as to the status of your interest prior to the pooling date and possibly avoid the pooling of this unit. We invite you to contact the undersigned or Mr. Paul Haden of this office as to any questions or considerations you may have concerning your interest.

Sincerely,

Mewbourne Oil Company



Steve Cobb
District Landman

SC/klc

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 4

CASE NO. 10689

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 19, 1993

Louis Dreyfus Natural Gas Corp.
Quail Springs Corp. Park
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134
Attn: Mr. Rusty Waters

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

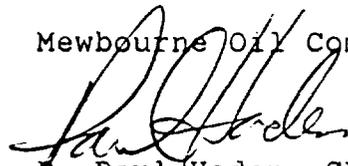
Gentlemen:

In reference to Mewbourne's previous letter dated February 4, 1993 wherein Mewbourne proposed the drilling of a Morrow test well named above, please be advised Mewbourne has elected to drill said well at a location 2180' FNL & 1980' FWL of the subject Section 17 in lieu of a location at 1780' FNL & 1980' FWL as previously proposed. Furthermore, the spacing unit for the above well shall be dedicated to the W/2 of the captioned Section 17.

Enclosed for your consideration regarding the above is a copy of Mewbourne's AFE for the above well which reflects the revised location. The estimated well cost remains the same as the previous AFE furnished you.

Sincerely,

Mewbourne Oil Company


D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 _____ a fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Louis Dreyfus Natural Gas Corp.
 Quail Springs Corp. Park
 1400 Quail Springs Parkway
 Suite 600
 Oklahoma City, OK 73104
 Attn: Mr. Rusty Waters

4a. Article Number

P 546 946 587

4b. Service Type

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

7. Date of Delivery

5. Signature (Addressee)

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

6. Signature (Agent)

HOWARD RAYNES



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

February 4, 1993

Louis Dreyfus Natural Gas Corp.
Quail Springs Corp. Park
1400 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134
Attn: Mr. Rusty Waters

Re: Illinois Camp Prospect
Illinois Camp 17 State #1
1980' FWL & 1780' FNL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,550'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FWL & 1780' FNL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 1, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:
 - (A) If any well drilled under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will

Louis Dreyfus Natural Gas Corp.

February 4, 1993

Page 2

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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

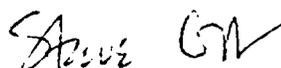
- 2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 85.83% net revenue interest to Mewbourne.

Louis Dreyfus Natural Gas Corp.
February 4, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company

A handwritten signature in cursive script, appearing to read "Steve Cobb".

Steve Cobb
District Landman

SC/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

May 20, 1992

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: Offer to Purchase

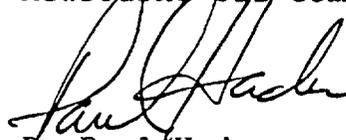
John:

In reference to our phone conversation yesterday evening, we are disappointed DEKALB declined to sell their interest to Mewbourne as to acreage listed in Exhibit "A" of my letter dated April 28, 1992.

In the event DEKALB is interested in entertaining offers at a later date in regard to selling their interest, Mewbourne would consider purchasing DEKALB's operating rights in Eddy County, New Mexico. If DEKALB is interested in such offers, please forward a listing of the properties and the percentage interest owned by DEKALB in the properties to me for evaluation.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

April 28, 1992

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: Offer to Purchase

Gentlemen:

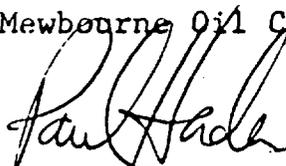
Mewbourne Oil Company hereby offers to purchase DEKALB Energy Company's operating rights in the lands and leases described in the attached Exhibit "A" on the basis of \$200.00 per net mineral acre.

The above offer is subject to immediate acceptance and approval of title. This offer can be withdrawn without notice as to all or portions of the lands described in Exhibit "A" attached hereto.

Please respond at your early convenience.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb
enclosure
CC: Gary L. Winter
Ken Waits

EXHIBIT "A"

Attached to and made a part of that certain letter dated April 28, 1992 from Mewbourne Oil Company to DEKALB Energy Company.

Tract 1: Below the base of the Abo formation:

<u>Section 6, T18S, R28E:</u>	<u>Interest</u>	<u>Net Acres</u>
A) S/2NE/4, NE/4NE/4 .. and NE/4SE/4 LEASE: State Lease 647 Dated: November 14, 1922	23/144	25.56

Tract 2: From below 500' from the top of the San Andres formation:

<u>Section 15, T18S, R28E:</u>		
A) N/2NE/4, NE/4NW/4 & SE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	44.72
B) NW/4SW/4 LEASE: State Lease E-1286-2 Dated: April 10, 1947	23/144	6.39

<u>Section 22, T18S, R28E:</u>		
A) E/2NE/4, E/2SE/4, SW/4SE/4 and S/2SW/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	44.72
B) SE/4NW/4 LEASE: State Lease E-1288-2 Dated: April 10, 1947	23/144	6.39

Tract 3: From below 500' from the top of the San Andres formation:

<u>Section 17, T18S, R28E:</u>		
A) S/2NE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	12.78
B) SW/4SW/4 LEASE: State Lease E-1821-17 Dated: April 10, 1948	23/144	6.39

<u>Section 18, T18S, R28E:</u>		
A) NW/4NE/4 LEASE: State Lease 647-368 Dated: November 14, 1922	23/144	6.39

Tract 4: Below the base of the Abo formation:

Section 34, T17S, R28E:

A) N/2SE/4	23/144	12.78
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Section 35, T17S, R28E:

A) NE/4 and E/2NW/4	23/144	38.33
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Section 26, T17S, R28E:

A) All	23/144	102.22
LEASE: State Lease 647-368		
Dated: November 14, 1922		

Tract 5: Below a depth of 3500':

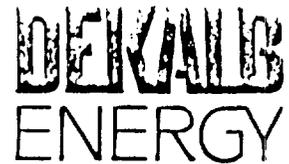
Section 27, T17S, R28E:

A) NW/4NE/4	11.5/288	1.6
LEASE: State Lease B-2071-2		
Dated: August 10, 1933		

Tract 6: From a depth of 5000' to a depth of 10,987':

Section 27, T17S, R28E:

A) NE/4NE/4	11.5/288	1.6
LEASE: State Lease B-2071-2		
Dated: August 10, 1933		



November 25, 1991

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

Attention: Mr. Paul Haden

RE: Artesia Area
Townships 17, 18, 19 South
Ranges 27, 28 East
Eddy County, New Mexico

Gentlemen:

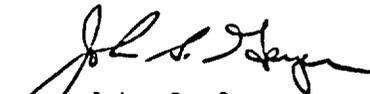
Reference is made to your letter dated November 20, 1991, in which you offered to acquire DEKALB's interest in the captioned area.

DEKALB does not wish to dispose of its leasehold at this time. If you wish to propose a multi-well drilling program, DEKALB would be happy to discuss said plans.

The next time you are in Denver, please give me a call and I'll buy the coffee.

Yours very truly,

DEKALB Energy Company


John S. Geyer
District Landman

JSG/id

DEKALB Energy Company
1625 Broadway
Denver, Colorado 80202
(303) 592-4600
FAX (303) 592-5901

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

November 20, 1991

Dekalb Energy Company
1625 Broadway
Denver, Colorado 80202

Attention: Mr. John S. Geyer
District Landman

RE: T17S, R28E
Section 26: N/2;
Section 34: N/2SE/4;
Section 35: NE/4, E/2NW/4;

T18S, R28E
Section 15: N/2NE/4, NE/4NW/4
and SE/4;
Section 22: E/2NE/4, SE/4NW/4;
Section 17: S/2NE/4 and
SW/4SW/4;
Section 18: NE/4NE/4;

T19S, R27E
Section 26: NE/4;
All of the above lands being in
Eddy County, New Mexico

Gentlemen:

Reference is made to my previous letter of September 10, 1991 regarding portions of the captioned lands. Mewbourne's previous purchase offer is hereby amended to include the captioned land. As offered previously, Mewbourne proposes purchasing DEKALB's interest on the basis of \$250.00 per net acre.

Regarding the above, Mewbourne would appreciate the opportunity to meet with you in your office to discuss the above. Accordingly, I will be in contact with you in the near future.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

Per John Geyer with
DeKalb —

He said to shoot ~~on~~ them
~~on~~ another offer in about
45 days. Their geologists
are re-evaluating the areas
we are interested in as
far as the deeper horizons.
It sounds like they will
be in a position to sell
out to us as to the requested
properties. J.H.
10-11-91

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

C. GRACE

March 16, 1993

Corrine B. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Re: Illinois Camp Prospect
Illinois Camp "17" State #1 Well
W/2 Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

This letter represents our agreement wherein Corrine B. Grace (Grace) has agreed to Farmout her interest in the captioned lands to Mewbourne Oil Company (Mewbourne) under the following terms:

- 1) Mewbourne, as operator, will have the option but not the obligation to commence drilling operations within one year from the execution date of this agreement on an initial well at a location of its choice in the W/2 of the captioned Section 17 and drill same to a depth sufficient to adequately test the Morrow formation, estimated total depth being 10,550' beneath the surface.
- 2) If, in conducting any of the drilling operations herein described, permitted or provided for, Mewbourne encounters any conditions or difficulties, whether natural or mechanical, which make further drilling and or completion of any well impossible or impracticable, then Mewbourne shall have the option to continue its rights under this agreement, which are dependent upon the drilling or the completing of such well as a commercial producer of oil and/or gas, in full force and effect by commencing operations for the drilling of a substitute well within sixty (60) days after cessation of operations on the well in which conditions or difficulties were encountered. Such substitute well shall be drilled at a location acceptable to Mewbourne and in the manner and to the depth specified for the well which it replaces.
- 3) Upon the completion of the initial or substitute well as herein provided as a commercial producer or dry hole, Mewbourne would have the option to commence additional wells

Corrine Grace
March 16, 1993
Page 2

to the depth of its choice on approved proration units including your acreage to establish oil and/or gas production below the base of the Bone Spring formation not to exceed the base of the Morrow formation. If such option is exercised by Mewbourne, we agree to allow not more than 180 days to lapse between the completion or abandonment of one well and the commencement of the next well until all of your acreage is earned by Mewbourne under a continuous development program.

- 4) If any well drilled under the terms of this farmout agreement results in oil and/or gas production including your acreage, Mewbourne will earn an assignment of your operating rights included in the spacing or proration unit prescribed by the applicable regulatory authority, said assignment shall be limited to those depths below the base of the Bone Spring formation to 100' below the total depth drilled in any well, not to exceed the base of the Morrow formation. It being the intent of this agreement for Mewbourne to have the option to earn all of your operating rights, limited to those formations spaced 320 acres.
- 5) You would retain an overriding royalty interest equal to the difference between 25% of all oil and gas produced and saved and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which your leases may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest in the leasehold to be assigned hereunder.

The reserved overriding royalty interest shall increase to the difference between existing burdens and twenty-seven percent (27%) upon receipt by Grace from Mewbourne of written notice that Mewbourne has recouped out of the total proceeds from the production of all oil and gas attributable to the assigned premises a sum equivalent to one hundred percent (100%) of all costs and expenses chargeable to the assigned premises in connection with the drilling, testing, completing, recompleting, equipping, operating, and producing the well thereon, after deducting from such proceeds all overriding royalties or other burdens payable out of production stipulated in said lease, the overriding royalty interest herein reserved Grace and all production, severance, and other applicable taxes. Upon payout, as defined above, Mewbourne shall promptly execute and deliver to Grace, an assignment by which Mewbourne assigns to Grace the additional two percent (2%) overriding royalty interest in and to the assigned premises. The assignment of said additional overriding royalty

Corrine Grace
March 16, 1993
Page 3

interest by Mewbourne to Marathon shall be effective as of 7:00 a.m. local time on the first day of the month following payout of said well.

The overriding royalty interest retained is to be subject to proportionate reduction in the event you own less than the full interest in the lease insofar as it covers the land described above or if the lease covers less than all of the oil and gas proration unit. The overriding royalty reserved herein shall bear its ratable portion of all treating, compression, gathering and transportation costs and subject to applicable taxes.

- 6) Mewbourne shall have the right to pool the lands covered by the oil and gas lease to be assigned and any retained overriding royalty interests into any type of proration unit or other unit approved by the State of New Mexico and/or the Bureau of Land Management, with such pooling to be accomplished without your further consent.
- 7) Mewbourne shall not be held liable for any delays or damage from failure to act due, occasioned or caused by reasons of any laws, rules, regulations, or orders promulgated by federal, state or local government body including but not limited to delays or failure to secure the necessary regulatory orders and permits sought by Mewbourne as to any well, or the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the operation of force majeure, procurement or use of tools and equipment, or due, occasioned or caused by strikes, action of the elements, water conditions, inability to obtain fuel or other critical materials or other causes beyond the control of the party affected thereby. In the event that Mewbourne is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this agreement, including but not limited to the continuous drilling obligation contained in this agreement, it is agreed that Mewbourne shall give notice and details of force majeure in writing as promptly as possible after its occurrence. In such cases, this agreement shall be extended while and for so long as Mewbourne is prevented by any such cause from conducting drilling or reworking operations.

There is no obligation upon Mewbourne to commence a well under the terms of this agreement, and the only penalty for failure to commence such well shall be the forfeiture of Mewbourne's rights hereunder.

Corrine Grace
March 16, 1993
Page 4

- 8) Upon Mewbourne's request, you agree to furnish Mewbourne at no cost whatsoever, all title information currently in your files pertaining to the captioned land including but not limited to title opinions, copies of leases, rental receipts, farmout or letter agreements and any gas contract currently in effect as to the captioned land.
- 9) Regarding any well drilled pursuant to this agreement, Mewbourne shall furnish Grace two copies of: 1) all forms filed with governmental agencies 2) daily reports including DST data 3) all mud logs and open hole logs. Furthermore, Mewbourne shall notify a Grace representative twelve (12) hours prior to any testing or logging procedure and allow Grace access to the rig floor. Grace agrees to "tight-hole" all non-public information.

If you agree to the above proposed farmout terms, please indicate your acceptance of same by signing and returning one copy of this letter to the undersigned at your earliest convenience.

Sincerely,

Mewbourne Oil Company



Steve Cobb
District Landman

The undersigned hereby agrees to farmout my operating rights to Mewbourne Oil Company as proposed above this _____ day of _____, 1993.

By: _____
Corrine Grace

Corrine Grace - Re: Illinois Camp
"17" St. A /

Ken Waits talked to Corrine G.
this date. ~~They~~ She advised Ken
she still was undecided as to
whether she would participate.

P.H.

3-10-93

Jim Drennigan deal w/ Corrine Grace.
He talked to Ken Waits, they would
deliver 75% BPO w/ option to convert to
1/3 BIAPD. ~~Ken~~ Ken W. advised, then
no deal because of our risk. Ken
offered they deliver 75% BPO - 23%
IAPD. They agreed, will get in
writing.

P.H.

~~3-11-93~~ 3-12-93

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 9, 1993

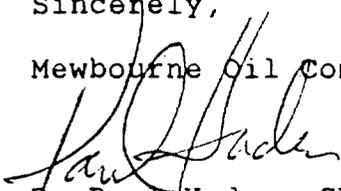
Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220
Attn: Mitchell Morris

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Sec. 17, T18S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

This is in follow up of our letter and phone conversations regarding the captioned well proposed by Mewbourne. Regarding same, we would appreciate a final decision from your very respected company at the earliest possible date. Preferably we would like such decision prior to Mewbourne's compulsory pooling hearing which is scheduled for March 18, 1993.

If I can be of further assistance regarding the above, please call me.

Sincerely,
Mewbourne Oil Company

D. Paul Haden, CPL
Landman

PH/klc

Phillips

Re: Illinois Camp "17" St. #1

Per Corrine Grace -

She wanted to look (borrow) our geology for the area. I advised ~~her~~ her we could not accommodate her request, we can not show our geology as it is proprietary info. I advised her we were ~~using~~ drilling our location because of the geological trends in the area for the Morrow ~~and~~ based on stratigraphic geological information.

PH
2-23-93



HOTEL SANTA FE

Re. Illinois Comp "17" St. #1

Per Mitchell (Mitch) Morris
w/ Grace Petroleum (Corrine
Grace) send all corres -
pondence to their Carlisbad
office, P.O. Box 1418
Carlisbad, N.M. 88220
505-887-5581. As to
Michael Grace's interest, they
have 1ST right of refusal if
he elects to sell. P.A. 2-19-93

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

February 17, 1993

Federal Express

Corrine Grace
714 North Elm Drive
Beverly Hills, CA 90210

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
2180' FNL & 1980' FWL
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

Dear Corrine:

As discussed this date, enclosed for review and execution are duplicate originals of Mewbourne's Operating Agreement for the captioned well and land. Please note the well name and the location of Mewbourne's proposed well. Previously, our initial well was to be dedicated to the N/2 of the captioned Section 17 which would have excluded you. As we wanted you in our initial well, we've dedicated the initial well to the W/2 of the subject Section 17.

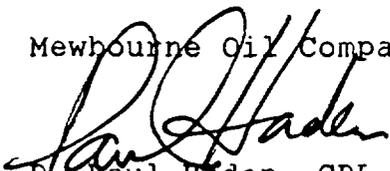
Regarding the above, please execute and return one of the enclosed Operating Agreements and AFEs to me at your earliest convenience. Also, please furnish me a copy of your geological well requirements regarding the captioned well so we can forward you your well information.

Please be advised, we anticipate commencing the above well within 45 days. In the event you decide not to join us in the above well, please advise me of same at your earliest convenience so I can forward you a farmout letter agreement for execution.

Should you have any questions regarding our proposal, please call me. Your cooperation in connection with the above is greatly appreciated.

Sincerely,

Mewbourne Oil Company


D. Paul Haden, CPL
Landman

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 _____ a fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Michael & Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico
88220

4a. Article Number

P 546 946 594

4b. Service Type

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

7. Place of Delivery

8. Addressee's Address (Only if requested and see fee table)

5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]



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

February 4, 1993

CERTIFIED MAIL - RETURN RECEIPT

Michael Grace & Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Re: Illinois Camp Prospect
Illinois Camp 17 State #2
1980' FSL & 1980' FEL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,600'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FSL & 1980' FEL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 3, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:
 - (A) If any well drilled under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will

Michael Grace and Corrine Grace

February 4, 1993

Page 2

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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

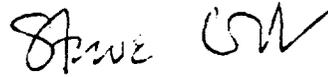
- 2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 87.50% net revenue interest to Mewbourne.

Michael & Corrine Grace
February 4, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company

A handwritten signature in cursive script, appearing to read "Steve Cobb".

Steve Cobb
District Landman

SC/klc

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 next to the article number.

I also wish to receive the following services (for an r fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

MICHAEL & CORRINE GRACE
P O BOX 1418
CARLSBAD, N.M.

88220

4a. Article Number

P-124-768-818

4b. Service Type

- | | |
|---|---|
| <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 |

7. Date of Delivery

3-10-92

5. Signature (Addressee)

Michael Grace

6. Signature (Agent)

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

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

March 9, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Michael and Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

RE: T18S, R28E
Section 17: SE/4SW/4 below a
depth of 3000'
Eddy County, New Mexico
State Lease L-3852

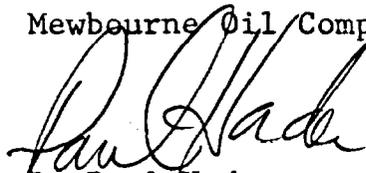
Dear Mr. & Mrs. Grace:

This is in followup of my previous letter dated February 14, 1992 wherein Mewbourne offered to purchase your operating rights under the captioned land.

A response regarding our offer would be greatly appreciated at your earliest convenience.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

February 14, 1992

Michael and Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

RE: T18S, R28E
Section 17: SE/4SW/4
below a depth of 3000'
Eddy County, New Mexico
State Lease L-3852

Dear Mr. & Mrs. Grace:

State and county records indicate you own 90% of the operating rights under the captioned land and depths. Accordingly, Mewbourne Oil Company hereby offers you \$200.00 per net acre for an assignment of all of your right, title and interest in the operating rights under the above land below a depth of 3000'.

The above offer is subject to immediate acceptance and approval of title.

Please respond at your earliest convenience. Your cooperation in connection with the above is greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

M. GRACE

March 17, 1993

Michael P. Grace
P. O. Box 731
Venice, California 90291

Re: Illinois Camp Prospect
Illinois Camp "17" State #1 Well
W/2 Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

This letter represents our agreement wherein Michael P. Grace (Grace) has agreed to Farmout his interest in the captioned lands to Mewbourne Oil Company (Mewbourne) under the following terms:

- 1) Mewbourne, as operator, will have the option but not the obligation to commence drilling operations within one year from the execution date of this agreement on an initial well at a location of its choice in the W/2 of the captioned Section 17 and drill same to a depth sufficient to adequately test the Morrow formation, estimated total depth being 10,550' beneath the surface.
- 2) If, in conducting any of the drilling operations herein described, permitted or provided for, Mewbourne encounters any conditions or difficulties, whether natural or mechanical, which make further drilling and or completion of any well impossible or impracticable, then Mewbourne shall have the option to continue its rights under this agreement, which are dependent upon the drilling or the completing of such well as a commercial producer of oil and/or gas, in full force and effect by commencing operations for the drilling of a substitute well within sixty (60) days after cessation of operations on the well in which conditions or difficulties were encountered. Such substitute well shall be drilled at a location acceptable to Mewbourne and in the manner and to the depth specified for the well which it replaces.
- 3) Upon the completion of the initial or substitute well as herein provided as a commercial producer or dry hole, Mewbourne would have the option to commence additional wells

Michael Grace
March 17, 1993
Page 2

to the depth of its choice on approved proration units including your acreage to establish oil and/or gas production below the base of the Bone Spring formation not to exceed the base of the Morrow formation. If such option is exercised by Mewbourne, we agree to allow not more than 180 days to lapse between the completion or abandonment of one well and the commencement of the next well until all of your acreage is earned by Mewbourne under a continuous development program.

- 4) If any well drilled under the terms of this farmout agreement results in oil and/or gas production including your acreage, Mewbourne will earn an assignment of your operating rights included in the spacing or proration unit prescribed by the applicable regulatory authority, said assignment shall be limited to those depths below the base of the Bone Spring formation to 100' below the total depth drilled in any well, not to exceed the base of the Morrow formation. It being the intent of this agreement for Mewbourne to have the option to earn all of your operating rights, limited to those formations spaced 320 acres.
- 5) You would retain an overriding royalty interest equal to the difference between 25% of all oil and gas produced and saved and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which your leases may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest in the leasehold to be assigned hereunder.

The reserved overriding royalty interest shall increase to the difference between existing burdens and twenty-seven percent (27%) upon receipt by Grace from Mewbourne of written notice that Mewbourne has recouped out of the total proceeds from the production of all oil and gas attributable to the assigned premises a sum equivalent to one hundred percent (100%) of all costs and expenses chargeable to the assigned premises in connection with the drilling, testing, completing, recompleting, equipping, operating, and producing the well thereon, after deducting from such proceeds all overriding royalties or other burdens payable out of production stipulated in said lease, the overriding royalty interest herein reserved Grace and all production, severance, and other applicable taxes. Upon payout, as defined above, Mewbourne shall promptly execute and deliver to Grace, an assignment by which Mewbourne assigns to Grace the additional two percent (2%) overriding royalty interest in and to the assigned premises. The assignment of said additional overriding royalty

Michael Grace
March 17, 1993
Page 3

interest by Mewbourne to Marathon shall be effective as of 7:00 a.m. local time on the first day of the month following payout of said well.

The overriding royalty interest retained is to be subject to proportionate reduction in the event you own less than the full interest in the lease insofar as it covers the land described above or if the lease covers less than all of the oil and gas proration unit. The overriding royalty reserved herein shall bear its ratable portion of all treating, compression, gathering and transportation costs and subject to applicable taxes.

- 6) Mewbourne shall have the right to pool the lands covered by the oil and gas lease to be assigned and any retained overriding royalty interests into any type of proration unit or other unit approved by the State of New Mexico and/or the Bureau of Land Management, with such pooling to be accomplished without your further consent.
- 7) Mewbourne shall not be held liable for any delays or damage from failure to act due, occasioned or caused by reasons of any laws, rules, regulations, or orders promulgated by federal, state or local government body including but not limited to delays or failure to secure the necessary regulatory orders and permits sought by Mewbourne as to any well, or the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the operation of force majeure, procurement or use of tools and equipment, or due, occasioned or caused by strikes, action of the elements, water conditions, inability to obtain fuel or other critical materials or other causes beyond the control of the party affected thereby. In the event that Mewbourne is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this agreement, including but not limited to the continuous drilling obligation contained in this agreement, it is agreed that Mewbourne shall give notice and details of force majeure in writing as promptly as possible after its occurrence. In such cases, this agreement shall be extended while and for so long as Mewbourne is prevented by any such cause from conducting drilling or reworking operations.

There is no obligation upon Mewbourne to commence a well under the terms of this agreement, and the only penalty for failure to commence such well shall be the forfeiture of Mewbourne's rights hereunder.

Michael Grace
March 17, 1993
Page 4

- 8) Upon Mewbourne's request, you agree to furnish Mewbourne at no cost whatsoever, all title information currently in your files pertaining to the captioned land including but not limited to title opinions, copies of leases, rental receipts, farmout or letter agreements and any gas contract currently in effect as to the captioned land.
- 9) Regarding any well drilled pursuant to this agreement, Mewbourne shall furnish Grace two copies of: 1) all forms filed with governmental agencies 2) daily reports including DST data 3) all mud logs and open hole logs. Furthermore, Mewbourne shall notify a Grace representative twelve (12) hours prior to any testing or logging procedure and allow Grace access to the rig floor. Grace agrees to "tight-hole" all non-public information.

If you agree to the above proposed farmout terms, please indicate your acceptance of same by signing and returning one copy of this letter to the undersigned at your earliest convenience.

Sincerely,

Mewbourne Oil Company



Steve Cobb
District Landman

The undersigned hereby agrees to farmout my operating rights to Mewbourne Oil Company as proposed above this _____ day of _____, 1993.

By: _____
Michael P. Grace

MEWBOURNE OIL COMPANY
FAX TRANSMITTAL COVER SHEET

DATE: 3-16-93
TO: MICHAEL GRACE
COMPANY: _____
FROM: PAUL HADEN
COMPANY: Mewbourne Oil Company - Midland
PAGES TO FOLLOW: 4
REMARKS: _____

MR. GRACE ::
THIS IS THE AGREEMENT WE ARE SUBMITTING
TO CORRINE GRACE THIS DATE FOR HER
APPROVAL. WE ARE WILLING TO DO THE SAME WITH
YOU. PLEASE ADVISE. IF THE TERMS ARE NOT ACCEPTABLE
WE WILL CONTINUE TO NEGOTIATE WITH YOU FOR
AN ACCEPTABLE TRADE.

Paul

If you have problems receiving this fax, please call (915) 682-3715.

Thanks!

cc: Mr. Michael Morgan

Michael P. Grace

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 16, 1993

Corrine B. Grace
Corrine B. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Re: Illinois Camp Prospect
Illinois Camp "17" State #1 Well
W/2 Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

This letter represents our agreement wherein Corrine B. Grace (Grace) has agreed to Farmout her interest in the captioned lands to Mewbourne Oil Company (Mewbourne) under the following terms:

- 1) Mewbourne, as operator, will have the option but not the obligation to commence drilling operations within one year from the execution date of this agreement on an initial well at a location of its choice in the W/2 of the captioned Section 17 and drill same to a depth sufficient to adequately test the Morrow formation, estimated total depth being 10,550' beneath the surface.
- 2) If, in conducting any of the drilling operations herein described, permitted or provided for, Mewbourne encounters any conditions or difficulties, whether natural or mechanical, which make further drilling and or completion of any well impossible or impracticable, then Mewbourne shall have the option to continue its rights under this agreement, which are dependent upon the drilling or the completing of such well as a commercial producer of oil and/or gas, in full force and effect by commencing operations for the drilling of a substitute well within sixty (60) days after cessation of operations on the well in which conditions or difficulties were encountered. Such substitute well shall be drilled at a location acceptable to Mewbourne and in the manner and to the depth specified for the well which it replaces.
- 3) Upon the completion of the initial or substitute well as herein provided as a commercial producer or dry hole, Mewbourne would have the option to commence additional wells

Corrine Grace
March 16, 1993
Page 2

to the depth of its choice on approved proration units including your acreage to establish oil and/or gas production below the base of the Bone Spring formation not to exceed the base of the Morrow formation. If such option is exercised by Mewbourne, we agree to allow not more than 180 days to lapse between the completion or abandonment of one well and the commencement of the next well until all of your acreage is earned by Mewbourne under a continuous development program.

- 4) If any well drilled under the terms of this farmout agreement results in oil and/or gas production including your acreage, Mewbourne will earn an assignment of your operating rights included in the spacing or proration unit prescribed by the applicable regulatory authority, said assignment shall be limited to those depths below the base of the Bone Spring formation to 100' below the total depth drilled in any well, not to exceed the base of the Morrow formation. It being the intent of this agreement for Mewbourne to have the option to earn all of your operating rights, limited to those formations spaced 320 acres.
- 5) You would retain an overriding royalty interest equal to the difference between 25% of all oil and gas produced and saved and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which your leases may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest in the leasehold to be assigned hereunder.

The reserved overriding royalty interest shall increase to the difference between existing burdens and twenty-seven percent (27%) upon receipt by Grace from Mewbourne of written notice that Mewbourne has recouped out of the total proceeds from the production of all oil and gas attributable to the assigned premises a sum equivalent to one hundred percent (100%) of all costs and expenses chargeable to the assigned premises in connection with the drilling, testing, completing, recompleting, equipping, operating, and producing the well thereon, after deducting from such proceeds all overriding royalties or other burdens payable out of production stipulated in said lease, the overriding royalty interest herein reserved Grace and all production, severance, and other applicable taxes. Upon payout, as defined above, Mewbourne shall promptly execute and deliver to Grace, an assignment by which Mewbourne assigns to Grace the additional two percent (2%) overriding royalty interest in and to the assigned premises. The assignment of said additional overriding royalty

Corrine Grace
March 16, 1993
Page 3

interest by Mewbourne to Marathon shall be effective as of 7:00 a.m. local time on the first day of the month following payout of said well.

The overriding royalty interest retained is to be subject to proportionate reduction in the event you own less than the full interest in the lease insofar as it covers the land described above or if the lease covers less than all of the oil and gas proration unit. The overriding royalty reserved herein shall bear its ratable portion of all treating, compression, gathering and transportation costs and subject to applicable taxes.

- 6) Mewbourne shall have the right to pool the lands covered by the oil and gas lease to be assigned and any retained overriding royalty interests into any type of proration unit or other unit approved by the State of New Mexico and/or the Bureau of Land Management, with such pooling to be accomplished without your further consent.
- 7) Mewbourne shall not be held liable for any delays or damage from failure to act due, occasioned or caused by reasons of any laws, rules, regulations, or orders promulgated by federal, state or local government body including but not limited to delays or failure to secure the necessary regulatory orders and permits sought by Mewbourne as to any well, or the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the operation of force majeure, procurement or use of tools and equipment, or due, occasioned or caused by strikes, action of the elements, water conditions, inability to obtain fuel or other critical materials or other causes beyond the control of the party affected thereby. In the event that Mewbourne is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this agreement, including but not limited to the continuous drilling obligation contained in this agreement, it is agreed that Mewbourne shall give notice and details of force majeure in writing as promptly as possible after its occurrence. In such cases, this agreement shall be extended while and for so long as Mewbourne is prevented by any such cause from conducting drilling or reworking operations.

There is no obligation upon Mewbourne to commence a well under the terms of this agreement, and the only penalty for failure to commence such well shall be the forfeiture of Mewbourne's rights hereunder.

Corrine Grace
March 16, 1993
Page 4

- 8) Upon Mewbourne's request, you agree to furnish Mewbourne at no cost whatsoever, all title information currently in your files pertaining to the captioned land including but not limited to title opinions, copies of leases, rental receipts, farmout or letter agreements and any gas contract currently in effect as to the captioned land.
- 9) Regarding any well drilled pursuant to this agreement, Mewbourne shall furnish Grace two copies of: 1) all forms filed with governmental agencies 2) daily reports including DST data 3) all mud logs and open hole logs. Furthermore, Mewbourne shall notify a Grace representative twelve (12) hours prior to any testing or logging procedure and allow Grace access to the rig floor. Grace agrees to "tight-hole" all non-public information.

If you agree to the above proposed farmout terms, please indicate your acceptance of same by signing and returning one copy of this letter to the undersigned at your earliest convenience.

Sincerely,

Mewbourne Oil Company



Steve Cobb
District Landman

The undersigned hereby agrees to farmout my operating rights to Mewbourne Oil Company as proposed above this _____ day of _____, 1993.

By: _____
Corrine Grace

Re: Illinois Camp
"17" St. #1

Michael Trace -

He met with us in our office this date. He said he couldn't sell his interest to us per his agreement with Corrine Trace. However, - he would give us fairmount for some cash. He was to think about what type of terms were acceptable to us & get back with us. We were to review the contractual agreement he has with Corrine. Our attorney is examining same. Michael Trace is to call us.

P.H.
2-24-93

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 19, 1993

Michael P. Grace
P. O. Box 731
Venice, California 90291

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

Dear Mr. Grace:

Please refer to my previous letter to you dated February 5, 1993 wherein Mewbourne proposed the drilling of the Illinois Camp "17" State #2 well at a location described in the SE/4 of the captioned Section 17, being a Morrow test well. Please be advised, Mewbourne has elected to dedicate W/2 and E/2 spacing units for the drilling of two (2) Morrow test wells. Accordingly, your leasehold interest in the SE/4SW/4 of the captioned Section 17 would become part of the spacing unit for Mewbourne's initial Morrow test well to be located in the NW/4 with the spacing unit being dedicated to the W/2 of the captioned Section 17.

Regarding the above, Mewbourne Oil Company as Operator proposes the drilling of a Morrow test well at a location 2180' FNL and 1980' FWL to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 10,550' beneath the surface. While drilling said well, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths.

As to the above well proposal, Mewbourne requests your election to participate in the above well to the full extent of your leasehold interest in the spacing unit, farmout to Mewbourne or sell your interest to Mewbourne on the same general terms offered you previously in Mewbourne's letter dated February 5, 1993 wherein Mewbourne proposed drilling the Illinois Camp "17" State #2 well at a location described in the SE/4 of the captioned Section 17.

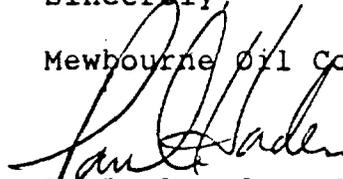
In the event you elect to participate in the drilling and completion of the Illinois Camp "17" State #1 well, enclosed for your consideration and execution is a copy of Mewbourne's AFE dated February 1, 1993 for said well.

Michael P. Grace
February 19, 1993
Page 2

As Mewbourne would like to commence drilling operations on the captioned well within 45 days from this date, your earliest response to the above would be greatly appreciated.

Sincerely,

Mewbourne Oil Company

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

D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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.

PH

I also wish to receive the following services (for an fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Michael P. Grace
P. O. Box 731
Venice, California
90291

RE: Illinois Camp "17"

4a. Article Number

P 546 946 597

4b. Service Type

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

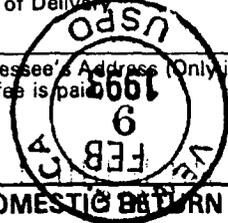
7. Date of Delivery

5. Signature (Addressee) #

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

6. Signature (Agent)

[Handwritten Signature]



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

February 5, 1993

CERTIFIED MAIL - RETURN RECEIPT

Michael P. Grace
P. O. Box 731
Venice, California 90291

Re: Illinois Camp Prospect
Illinois Camp "17" State #2
1980' FSL & 1980' FEL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,600'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FSL & 1980' FEL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 3, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:
 - (A) If any well drilled under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will

Michael P. Grace
February 5, 1993
Page 2

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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

(B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding ~~royalty interest retained by you and its net revenue~~ interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.

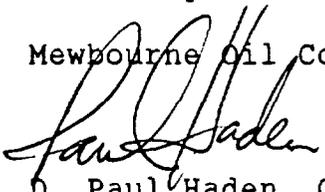
(D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 87.50% net revenue interest to Mewbourne.

Michael P. Grace
February 5, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely
Mewbourne Oil Company

D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 a fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Michael & Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico
88220

4a. Article Number
P 546 946 594

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

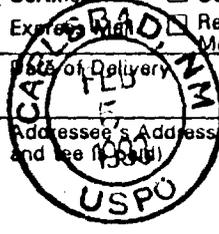
7. Date of Delivery

5. Signature (Addressee)

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

6. Signature (Agent)

[Handwritten Signature]



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

February 4, 1993

CERTIFIED MAIL - RETURN RECEIPT

Michael Grace & Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Re: Illinois Camp Prospect
Illinois Camp 17 State #2
1980' FSL & 1980' FEL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,600'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FSL & 1980' FEL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 3, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:

(A) If any well drilled under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will

Michael Grace and Corrine Grace
February 4, 1993
Page 2

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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

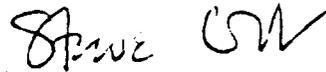
- 2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 87.50% net revenue interest to Mewbourne.

Michael & Corrine Grace
February 4, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company

A handwritten signature in dark ink, appearing to read "Steve Cobb" with a stylized flourish at the end.

Steve Cobb
District Landman

SC/klc

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 next to the article number.

I also wish to receive the following services (for an fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

MICHAEL & CORRINE GRACE
P O BOX 1418
CARLSBAD, N.M.

88220

4a. Article Number

P-124-768-818

4b. Service Type

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

7. Date of Delivery

3-10-92

5. Signature (Addressee)

Heberan Porter

6. Signature (Agent)

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

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

March 9, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Michael and Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

RE: T18S, R28E
Section 17: SE/4SW/4 below a
depth of 3000'
Eddy County, New Mexico
State Lease L-3852

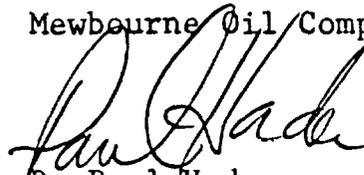
Dear Mr. & Mrs. Grace:

This is in followup of my previous letter dated February 14, 1992 wherein Mewbourne offered to purchase your operating rights under the captioned land.

A response regarding our offer would be greatly appreciated at your earliest convenience.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

February 14, 1992

Michael and Corrine Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

RE: T18S, R28E
Section 17: SE/4SW/4
below a depth of 3000'
Eddy County, New Mexico
State Lease L-3852

Dear Mr. & Mrs. Grace:

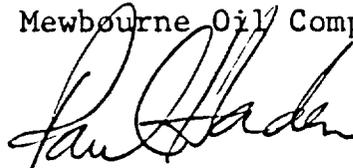
State and county records indicate you own 90% of the operating rights under the captioned land and depths. Accordingly, Mewbourne Oil Company hereby offers you \$200.00 per net acre for an assignment of all of your right, title and interest in the operating rights under the above land below a depth of 3000'.

The above offer is subject to immediate acceptance and approval of title.

Please respond at your earliest convenience. Your cooperation in connection with the above is greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

MARATHON -

PER STEVE COBB'S LETTER DATED
3-12-93 MOC ~~OFFER~~ MADE A CASH OFFER
TO MARATHON FOR ALL OF MARATHON'S
INTEREST IN SEC. 17 & 18, AMONG OTHER
LANDS.

P.H.

3-12-93

MARATHON

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

March 10, 1993

Marathon Oil Company
P. O. Box 552
Midland, Texas 79701
Attn: Randal Wilson

Re: Illinois Camp "17" State #1 Well
Illinois Camp Prospect
W/2 Section 17-18S-28E
Eddy County, New Mexico

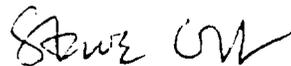
Gentlemen:

The pooling application (NMOC Case #10689) for the captioned unit is to be heard before the New Mexico Oil Conservation Division on March 18, 1993 in Santa Fe, New Mexico.

We would like to have a written commitment as to the status of your interest prior to the pooling date and possibly avoid the pooling of this unit. We invite you to contact the undersigned or Mr. Paul Haden of this office as to any questions or considerations you may have concerning your interest.

Sincerely,

Mewbourne Oil Company



Steve Cobb
District Landman

SC/klc

Re: Illinois Camp "17"
State #1 & #2 wells
and Ill. Camp "18" St. #1

Called Randal Wilson w/ Marathon
this date regarding our captioned
well proposals - He was on the
phone - left message for him to
call me. Okey Wats had meeting
with Wayne Ransbottom 2-24-93
regarding our requests. They indicated
they would not participate, would
probably farmout.

P.H.

2-25-93

Marathon - Advised Jim Dexter
Larson would call their geol. (Lisa)
and would set up lunch meeting next week.

P.H.

2-26-93

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 19, 1993

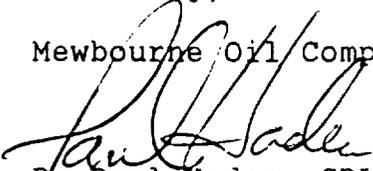
Marathon Oil Company
P. O. Box 552
Midland, Texas 79701
Attn: Mr. Randal P. Wilson

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

Gentlemen:

In reference to Mewbourne's previous letter dated February 4, 1993 wherein Mewbourne proposed the drilling of a Morrow test well named above, please be advised Mewbourne has elected to drill said well at a location 2180' FNL & 1980' FWL of the subject Section 17 in lieu of a location at 1780' FNL & 1980' FWL as previously proposed. Furthermore, the spacing unit for the above well shall be dedicated to the W/2 of the captioned Section 17.

Enclosed for your consideration regarding the above is a copy of Mewbourne's AFE for the above well which reflects the revised location. The estimated well cost remains the same as the previous AFE furnished you.

Sincerely,
Mewbourne Oil Company

D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Marathon Oil Company
 P. O. Box 552
 Midland, Texas 79701
 Attn: Mr. Randal P. Wilson

4a. Article Number
 P 546 946 586

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
FEB - 5 1993

5. Signature (Addressee)

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

6. Signature (Agent)
Robert Douglas

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

February 4, 1993

Marathon Oil Company
P. O. Box 552
Midland, Texas 79701
Attn: Mr. Randal P. Wilson

Re: Illinois Camp Prospect
Illinois Camp 17 State #1
1980' FWL & 1780' FNL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,550'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FWL & 1780' FNL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 1, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:
 - (A) If any well drilled 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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

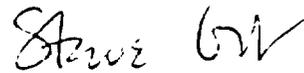
- 2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 86.93% net revenue interest to Mewbourne.

Marathon Oil Company
February 4, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company

A handwritten signature in cursive script, appearing to read "Steve Cobb".

Steve Cobb
District Landman

SC/klc



**Marathon
Oil Company**

P.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626

November 5, 1991

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

Attention: Mr. D. Paul Haden

Re: Our Lease NM-50 - State of New Mexico #647
NM-4043 - State of New Mexico #657-368
NM-4111 - State of New Mexico E-1821
NW/4 SW/4, S/2 NE/4, SW/4 SW/4
Section 17, T-18-S, R-28-E,
Eddy County, New Mexico

Dear Mr. Haden:

Marathon Oil Company has reviewed your proposal made in letter dated October 3, 1991, and decided against assigning any interest in the referenced property.

Very truly yours,

MARATHON OIL COMPANY

Randal P. Wilson, CPL
Landman

RPW;mmc'

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

October 3, 1991

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Attention: Mr. Leland D. Howard

Re: Purchase offer
T18S,R28E
Section 17: S/2NE/4,
SW/4SW/4 and NW/4SW/4;
below the base of the
San Andres formation to
the base of the Morrow
Eddy County, N.M.

Gentlemen:

Regarding the captioned land, Mewbourne Oil Company hereby offers Marathon Oil Company \$250.00 per net mineral acre for a 2 year term assignment of Marathon's operating rights below the base of the San Andres formation with such assignment providing Mewbourne an 80% net revenue interest.

The above offer is subject to approval of title and immediate acceptance.

Very truly yours,



D. Paul Haden
Landman

DPH/mjd

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
MAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. O. MARTIN
ROBERT P. TANNIN, JR.
MARSHALL B. MARTIN
OWEN H. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
NICHOLAS J. NORDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD
RICHARD E. QILSON
RICHARD R. WILFONG
THOMAS J. MCBRIER
JAMES J. WECHLER
NANCY S. GUBACK
JEFFREY L. FORNACIARI
JEFFREY D. HOWETT
JAMES BRUCE
JERRY F. BRACKELFORD
JEFFREY W. HELLBERG
ALBERT L. PITTS
THOMAS H. HANASAD
JOHN C. CHAMBERS
DAVE D. COMPTON
MICHAEL A. GROSS
THOMAS D. HAINES, JR.
GREGORY J. N. BERT
DAVID T. HARKETTE
MARA C. DON

FRED W. SCHREINDMANN
JAMES M. HUDSON
JEFFREY B. BAIRD
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON
STANLEY A. KOTOVSKY, JR.
M. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG
S. BARRY PAUSNER
STEPHEN M. CRAMPTON
MARTIN MEYERS
GREGORY B. WHEELER
ANDREW L. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULBETH, JR.
MARGARET A. MCNETT
BRIAN T. CARTWRIGHT
LISA K. SMITH
ROBERT H. BETHRA
EMERLEY W. HOWARD
CHARLES A. BUTTON
NORMAN D. SHAW
DARRIN T. BRIDGES
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART
DARRIN L. BROOKS
CHRISTINE E. LALE
PAUL B. NASON
DARLA M. SILVA

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

FAX (505) 982-2623

CLARENCE E. HINKLE (908-888)
% S. BONDURANT, JR. (202-487)
ROY C. SNOODGRASS, JR. (404-988)

OF COURSE
O. H. CANNON
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

WASHINGTON, D.C.
SPECIAL COUNSEL
ALAN J. STATMAN

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88203
(505) 822-8810
FAX (505) 822-8332

2800 CLAYDESTA CENTER
6 DESTA DRIVE
POST OFFICE BOX 3040
MIDLAND, TEXAS 79702
(512) 832-4881
FAX (512) 832-8818

1700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-8889
FAX (806) 372-9781

800 MARQUETTE N.W., SUITE 800
POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103
(505) 788-8900
FAX (505) 788-8820

*NOT LICENSED IN NEW MEXICO

March 16, 1993

W. Thomas Kellahin, Esq.
Post Office Box 2280
Santa Fe, New Mexico 87504-2280

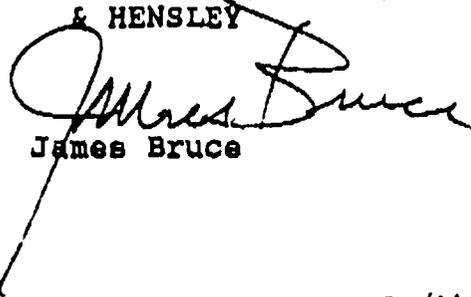
Re: Illinois Camp "17" State No. 1 Well; OCD
Case No. 10,689

Dear Mr. Kellahin:

Mewbourne Oil Company and Oxy U.S.A. Inc. have reached agreement regarding the commitment of Oxy's interest to the above well. Therefore, Mewbourne Oil Company will dismiss Oxy from the above compulsory pooling case.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

JB:frs
cc: M. Gooding
S. Cobb

OXY

Re: Allin's Camp "17" St. #1
W/2 Sec. 17, T18S, R28E

OXY -

Made cash offer in writing this date to OXY's Pat McLee pursuant to Newbourn's Ken Waits letter dated March 8, 1993. Said offer covered OXY's interest in Sec. 17 & 18 among other lands.

P.H.

3-8-93

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 26, 1993

Via Fax

OXY USA, Inc.
Box 50250
Midland, Texas 79710
Attn: Mike Gooding

Re: Purchase Offers and
Well Proposals;
Section 5, 6, 17 and 18,
T18S, R28E, and
Section 2 and 13, T18S, R27E
Eddy County, New Mexico

Gentlemen:

Pursuant to OXY's request regarding Mewbourne's recent purchase offers and well proposals covering OXY's interest under portions of the captioned lands, the following is a listing of the information OXY requested.

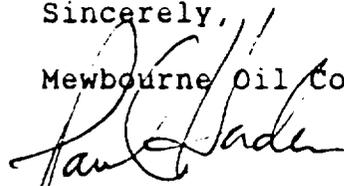
- 1) MOC's Chalk Bluff Federal #2 well located in the NW/4 (a N/2 unit) in Section 1, T18S, R27E, Eddy County, New Mexico was drilled to a total depth of 10,140' and was completed as a Morrow producer 8-24-91. Said well had lost circulation problems but not severe. The total actual well cost for said well was approximately \$723,000. However, if severe lost circulation is encountered, the well costs in this area could be significantly greater.
- 2) The LOE for the referenced well runs \$1,400.00/month.
- 3) The BTU content of the above well is 1.124 MMBTU.
MCF
- 4) MOC's current net gas price for the above well and immediate area is \$1.79/MCF for February 1993.

The above information is furnished at your request purely as a matter of accommodation. Your use of or reliance on such information shall be without recourse to Mewbourne Oil Company.

OXY USA, Inc.
February 26, 1993
Page 2

Should you have any questions regarding the above or in regard to Mewbourne's proposals, please call.

Sincerely,
Mewbourne Oil Company

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

D. Paul Haden, CPL
Landman

PH/klc

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 22, 1993

Via Fax

OXY USA Inc.
Box 50250
Midland, Texas 79710
Attn: Mike Gooding

Re: Purchase Offers and
Well Proposals;
Sec. 17 & 18, T18S, R28E,
Sec. 2 and 13, T18S, R27E
Eddy County, New Mexico

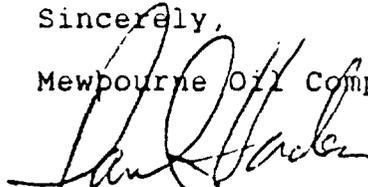
Dear Mike:

Pursuant to our meeting February 12, 1993, this letter is to advise OXY of Mewbourne's rank in priority regarding a decision from OXY as to the above lands. As we plan to commence drilling an initial Morrow test well in the W/2 of the captioned Section 17 within 45 days, the requests as to Section 17 and 18 are the most important to us. As to the requests for Sections 2 and 13 we would like to have an answer as soon as possible, but such lands have less priority to us. However, we do plan to drill an initial Upper Pennsylvanian Carbonate test in Section 13 as soon as our land trades are finalized. Regarding such test well, we will submit you a well proposal under separate cover.

Should you have any questions regarding the above, please call. Your cooperation in connection with Mewbourne's requests are sincerely appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

PH/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 19, 1993

OXY USA, Inc.
6 Desta Drive
Box 50250
Midland, Texas 79710
Attn: Mr. Mike Gooding

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

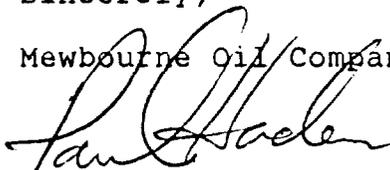
Gentlemen:

In reference to Mewbourne's previous letter dated February 4, 1993 wherein Mewbourne proposed the drilling of a Morrow test well named above, please be advised Mewbourne has elected to drill said well at a location 2180' FNL & 1980' FWL of the subject Section 17 in lieu of a location at 1780' FNL & 1980' FWL as previously proposed. Furthermore, the spacing unit for the above well shall be dedicated to the W/2 of the captioned Section 17.

Enclosed for your consideration regarding the above is a copy of Mewbourne's AFE for the above well which reflects the revised location. The estimated well cost remains the same as the previous AFE furnished you.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

OKY USA, Inc.
 6 Desta Drive
 Box 50250
 Midland, Texas 79710
 Attn: Mr. Mike Gooding

4a. Article Number

P 546 946 591

4b. Service Type

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

7. Date of Delivery

2-5-93

5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]

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

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

February 4, 1993

OXY USA, Inc.
6 Desta Drive
Box 50250
Midland, Texas 79710
Attn: Mr. Mike Gooding

Re: Illinois Camp Prospect
Illinois Camp 17 State #1
1980' FWL & 1780' FNL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,550'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FWL & 1780' FNL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 1, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 Section 17-18S-28E to Mewbourne under the following general terms:
 - (A) If any well drilled 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, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

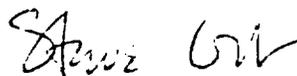
- 2) Sell all of your right, title and interest in this section subject to title approval, for \$200.00 per acre delivering an 87.50% net revenue interest to Mewbourne.

OXY USA, Inc.
February 4, 1993
Page 3

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company

A handwritten signature in cursive script, appearing to read "Steve Cobb".

Steve Cobb
District Landman

SC/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

October 18, 1991

Oxy USA Inc.
Box 50250
Midland, Texas 79710

Attention: Mr. Charles E. Dickenson

RE: T18S, R28E
Section 17: NE/4NW/4, below a
depth of 2324';
Section 18: N/2NW/4
Eddy County, New Mexico

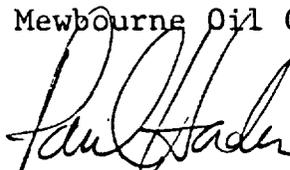
Gentlemen:

Records indicate you own the operating rights as to certain depths under the captioned lands. Accordingly, Mewbourne Oil Company hereby offers you \$250.00 per net acre for all of your right, title and interest in the operating rights under the captioned lands.

The above offer is subject to immediate acceptance and approval of title.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

PHILLIPS

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

March 10, 1993

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attn: Mr. Troy E. Richard

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Sec. 17, T18S, R28E
Eddy County, New Mexico

Gentlemen:

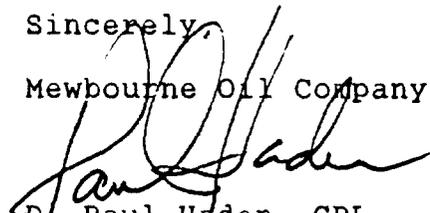
Regarding the captioned well proposed by Mewbourne Oil Company as Operator, enclosed for Phillips Petroleum Company's consideration and execution are duplicate originals of Mewbourne's proposed Operating Agreement dated March 4, 1993.

Please have the enclosed Operating Agreements executed on behalf of Phillips Petroleum Company and return one executed original of said agreement to the undersigned for further handling at your earliest convenience.

Your cooperation in connection with Mewbourne's well proposal is greatly appreciated.

Sincerely,

Mewbourne Oil Company


D. Paul Haden, CPL
Landman

PH/klc

3.6.93

Re: SEC. 17 & 18

Paul-

Lunch w/ Phillips: Tony Richard (landman)

3/5/93

Brad Hargrave (landman)

Scott Burke (geologist)

They are 99.9% sure they will part in

17#1 and will get us a little next

week - wherein they will part. or 4%

in 17#2 & Sec. 18 - "Will not have to

pool us" we are going to prepare

the SOA's on a unit basis - (one at a time)

Please send them 17-1 Sec -

Section 6 - made Rumbblings about filling

their own well here!?

Section 7 - will be in E&CO Sale -

cc: kw

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

February 19, 1993

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attn: Mr. Troy E. Richard

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

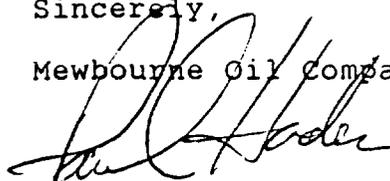
Gentlemen:

In reference to Mewbourne's previous letter dated February 2, 1993 wherein Mewbourne proposed the drilling of a Morrow test well named above, please be advised Mewbourne has elected to drill said well at a location 2180' FNL & 1980' FWL of the subject Section 17 in lieu of a location at 1780' FNL & 1980' FWL as previously proposed. Furthermore, the spacing unit for the above well shall be dedicated to the W/2 of the captioned Section 17.

Enclosed for your consideration regarding the above is a copy of Mewbourne's AFE for the above well which reflects the revised location. The estimated well cost remains the same as the previous AFE furnished you.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

PH/klc

Re: Sec. 17 & 18

Lunch meeting w/ Troy Richard -
(Phillips) and MOC's Dexter
Harmon & me. -

Troy said their geologist wanted
to join us at least in the
initial well. They prefer to be under
Open Agmt. covering all Sec. 17 &
& 18, would participate in
future wells under the consent -
non-consent provisions. He said
they would give us a better status if
they would join our farmout.

P.H.

2-18-93

PER TROY RICHARD W/ PHILLIPS :

THEY WOULD PROBABLY JOIN US
IN OUR WELLS IN SEC. 17 & 18. HE
WANTED TO KNOW WHAT THE SPACING
UNITS WOULD BE - ADVISED HIM
N/2 SEC. 17 FOR #1, S/2 SEC. 17 & 2
& WASN'T SURE ABOUT THE UNIT FOR
SEC. 18, THEY WOULD LIKE AN S/2 UNIT -
AS THE WELL WOULD INCLUDE THEM.

J.H.

2-1593-

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

PHILLIPS PETROLEUM Co.
400L PENBROOK
ODESSA, TEXAS 79762

4a. Article Number

P 080 146 792

4b. Service Type

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

7. Date of Delivery

2-3-93

Missis C. Pharr
5. Signature (Addressee)

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

6. Signature (Agent)

Thank you for using Return Receipt Service.

171

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 5, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attn: Mr. Troy E. Richard

Re: Illinois Camp Prospect
Illinois Camp "17" State #2
Illinois Camp "18" State #1
T-18S, R-28E
Eddy County, New Mexico

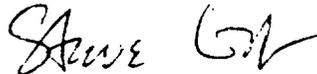
Gentlemen,

Pursuant to our well proposal letter of February 2, 1993 covering the captioned wells, enclosed are AFE's covering our Illinois Camp "17" State #2 well dated February 3, 1993 and our Illinois Camp "18" State #1 well dated February 3, 1993 for your review.

Should you have any questions or require any additional information, please do not hesitate to call.

Sincerely,

Mewbourne Oil Company



Steve Cobb

SC/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

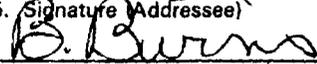
Phillips Petroleum Company
 4001 Penbrook
 Odessa, Texas 79762
 Attn: Mr. Troy E. Richard

4a. Article Number
 P 546 946 589

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 2-8-93 

5. Signature (Addressee)


6. Signature (Agent)

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

Thank you for using Return Receipt Service.

beneath the surface. The spacing unit for the initial well will be dedicated to the N/2 of the captioned Section 17.

- 2) Upon completion of the initial well as a producer or dry hole, Mewbourne would have the option but not the obligation to commence additional wells on NMOCD approved proration units including your acreage to establish oil and/or gas production under the captioned lands not to exceed the base of the Morrow formation. If 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 the next well until all of your acreage in the captioned lands is earned by Mewbourne under a continuous drilling program.
- 3) If any well drilled under the terms of your farmout agreement results in oil and/or gas production including your acreage, Mewbourne will earn an assignment of 100% of your operating rights in the proration units allocated to each well to 100' below the total depth drilled for each well, not to exceed the base of the Morrow formation.
- 4) Phillips would retain in addition to the shallow depth restrictions specified above and below 100' below the total depth drilled for each well, an overriding royalty interest equal to the difference between 25% of all oil and gas produced and the total of all royalty interests and other burdens or lawful claims upon production which your leases may be currently subject, to the extent Mewbourne will be assigned a 75% net revenue interest in your leases. Such overriding royalty interest retained by Phillips and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration units.
- 5) Upon acceptance of our farmout proposal you agree to furnish us with title information at no cost to Mewbourne 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.

In the event you do not desire to farmout or sell your acreage to Mewbourne as proposed above, Mewbourne invites your company to join Mewbourne in the captioned wells to the extent of Phillips' interest in the spacing unit for each well. Enclosed for Phillips' consideration in this connection is a copy of Mewbourne's AFE for the Illinois Camp "17" State #1 well. As to the other two (2) wells proposed above, I will forward you an AFE for each well in the next few days.

Phillips Petroleum Company
February 2, 1993
Page 3

As Mewbourne Oil Company is interested in drilling the captioned wells in the very near future, Mewbourne would appreciate an early decision from your company to allow us to finalize our drilling schedule with our drilling contractors.

Your cooperation in connection with the above well proposals are greatly appreciated.

Sincerely,

Mewbourne Oil Company

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

D. Paul Haden, CPL
Landman

PH/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

October 17, 1991

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attention: Troy E. Richard
Landman

RE: T18S, R28E
Section 17: S/2NW/4 and
SW/4SE/4;
Section 18: SW/4, NE/4SE/4
and SW/4SE/4
Eddy County, New Mexico

Gentlemen:

Records indicate you own the operating rights as to certain depths under the captioned lands. Accordingly, Mewbourne Oil Company hereby offers you \$250.00 per net acre for all of your right, title and interest in the operating rights under the captioned lands.

As there may be production under parts of the above lands, Mewbourne would be agreeable to limiting an assignment for the rights below the base of whatever formation is currently producing on the respective proration units currently allocated to production.

The above offer is subject to immediate acceptance and approval of title.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

YATES

March 10, 1993

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210
Attn: Mr. Robert H. Bullock

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Sec. 17, T18S, R28E
Eddy County, New Mexico

Gentlemen:

Regarding the captioned well proposed by Mewbourne Oil Company as Operator, enclosed for Yates Petroleum Corporation's consideration and execution are duplicate originals of Mewbourne's proposed Operating Agreement dated March 4, 1993.

Please have the enclosed Operating Agreements executed on behalf of Yates Petroleum Corporation and return one executed original of said agreement to the undersigned for further handling at your earliest convenience.

Your cooperation in connection with Mewbourne's well proposal is greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

PH/klc

Sent Yate Petro. 2 duplicate
originals of our JOA for
their consideration & execution
via Fed. Exp.

P.H.

3-10-93

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 19, 1993

Yates Petroleum Corporation
105 South Fourth
Artesia, New Mexico 88201
Attn: Mr. Robert Bullock

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
W/2 Section 17, T18S, R28E
Eddy County, New Mexico

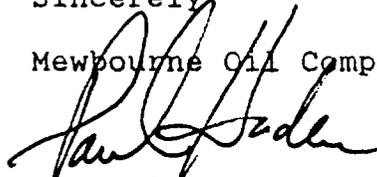
Gentlemen:

In reference to Mewbourne's previous letter dated February 5, 1993 wherein Mewbourne proposed the drilling of a Morrow test well named above, please be advised Mewbourne has elected to drill said well at a location 2180' FNL & 1980' FWL of the subject Section 17 in lieu of a location at 1780' FNL & 1980' FWL as previously proposed. Furthermore, the spacing unit for the above well shall be dedicated to the W/2 of the captioned Section 17.

Enclosed for your consideration regarding the above is a copy of Mewbourne's AFE for the above well which reflects the revised location. The estimated well cost remains the same as the previous AFE furnished you.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

PH/klc

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Corp.
105 South Fourth St.
Artesia, New Mexico 88201
Attn: Rob Bullock

4a. Article Number

P 546 946 588

4b. Service Type

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

7. Date of Delivery

2-8-93

5. Signature (Addressee)

[Handwritten Signature]

6. Signature (Agent)

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

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

February 5, 1993

CERTIFIED MAIL - RETURN RECEIPT

Yates Petroleum
105 South Fourth
Artesia, New Mexico 88201
Attn: Robert Bullock

Re: Illinois Camp Prospect
Illinois Camp "17" State #1
1980' FWL & 1780' FNL
Section 17-18S-28E
Eddy County, New Mexico

Gentlemen:

Subject to final management approval, 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 10,550'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well.

This well will be located approximately 1980' FWL & 1780' FNL of Section 17-18S-28E, Eddy County, New Mexico. Our AFE dated February 1, 1993 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion 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 that you farmout all of your interest in Section 17-18S-28E to Mewbourne under the following general terms:

- (A) If any well drilled 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

Yates Petroleum
February 5, 1993
Page 2

a depth of 100' below the total depth drilled for each well, not to exceed the base of the Morrow formation, plus any additional depth as is drilled to enable completion in the Morrow formation.

- (B) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on NMOCD approved proration units that include your acreage to establish oil and/or gas production under the captioned lands at depths not to exceed the base of the Morrow formation. 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. Such overriding royalty interest retained by you and the net revenue interest delivered to Mewbourne shall be subject to proportionate reduction as to production allocated to the proration unit where other leases or lands are included in the proration unit.
- (D) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Should the above general terms be acceptable our formal Farmout Agreement will be provided under separate cover.

As we anticipate drilling the captioned well in the first quarter of 1993 your earliest response to this proposal would be greatly appreciated.

Sincerely

Mewbourne Oil Company



Steve Cobb
District Landman

MEWBOURNE OIL COMPANY
Authorization for Expenditure

Revised Prospect Illinois Camp Well Name and No. Illinois Camp "17" State #1
 Field Illinois Camp Morrow Location 1980' FWL & 2180' FNL
 Section 17 Block _____ Township 18S Range 28E Survey _____
 County Eddy State New Mexico Proposed Depth 10,550'

<u>DESCRIPTION</u>		<u>COST TO CASING POINT APE NO.</u>	<u>COMPLETION COST APE NO.</u>
<u>INTANGIBLE COST 180</u>			
300	Permits & Surveys	\$ 600.00	\$ 600.00
301	Location, Roads & Damages	25,000.00	2,000.00
302	Footage or Turnkey Drilling	179,000.00	-0-
303	Day Work	16,000.00	-0-
304	Fuel, Water & Other	20,000.00	1,500.00
305	Completion/Workover Rig	-0-	18,000.00
306	Mud & Chemicals	22,000.00	500.00
307	Cementing	15,000.00	18,000.00
308	Logging & Wireline	18,000.00	7,000.00
309	Casing - Tubing Services & Tools	3,000.00	2,000.00
310	Mud Logging	5,000.00	-0-
311	Testing	4,000.00	2,000.00
312	Treating	-0-	45,000.00
313	Coring	-0-	-0-
320	Transportation	2,500.00	5,000.00
321	Welding & Construction Labor	2,000.00	1,000.00
322	Contract Supervision	-0-	-0-
330	Equipment Rental	6,000.00	4,000.00
334	Well/Lease Legal/Tax	1,500.00	-0-
335	Well/Lease Insurance	6,000.00	-0-
350	Intangible Supplies	500.00	500.00
360	Pipeline ROW & Easements	-0-	3,000.00
367	Pipeline Interconnect	-0-	10,000.00
375	Company Supervision	35,000.00	10,000.00
380	Overhead Fixed Rate	10,500.00	8,000.00
399	Contingencies	10,400.00	3,900.00
Total Intangibles		\$ 382,000.00	\$ 142,000.00
<u>TANGIBLE COST 181</u>			
	Conductor Casing	\$ -0-	\$ -0-
	Surface Casing 13 3/8" @ 500'	9,000.00	-0-
INT.	Surface Casing 9 5/8" @ 2600'	28,000.00	-0-
	Production Casing 5 1/2" @ 10,550'	-0-	69,000.00
	Production Casing		
	Tubing 2 7/8" @ 10,550'	-0-	24,000.00
860	Drilling Head	3,000.00	-0-
865	Tubing Head	-0-	3,000.00
870	Upper Section	-0-	3,500.00
875	Sucker Rods	-0-	-0-
880	Packer, Pump & Other Subsurface	-0-	6,000.00
885	Pumping Unit	-0-	-0-
890-1	Tanks (Steel, Fiberglass)	-0-	6,000.00
894-5	Separation Equipment (Fired, Non-fired)	-0-	8,500.00
898	Metering Equipment	-0-	5,000.00
900	Line Pipe	-0-	20,000.00
905	Valves	-0-	1,000.00
906	Miscellaneous Fittings & Accessories	-0-	5,000.00
910	Production Equipment Installation	-0-	15,000.00
920	Pipeline Construction	-0-	25,000.00
Date Prepared: <u>February 1, 1993</u>		Total Tangibles	\$ 40,000.00 \$ 191,000.00
Prepared By: <u>Bill Pierce</u>		Subtotal	\$ 422,000.00 \$ 333,000.00
Company Approval: <u>[Signature]</u>		TOTAL WELL COST	\$ 755,000.00
Date Approved: <u>2-3-93</u>			
Joint Owner Approval: _____			
Joint Owner Interest: _____			
Joint Owner Amount: _____			

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 5

COPAS Accounting Procedure Wage Index Adjustment for 1992

The Petroleum Accountants Society of Oklahoma-Tulsa has completed for COPAS the percentage Wage Index Adjustment to be an increase of 1.5 percent. This adjustment applies to the Administration Overhead and/or combined fixed rates as of April 1, 1992, based on the index of average weekly earnings of crude petroleum and gas production workers as published by the United States Department of Labor, Bureau of Labor Statistics. These adjustments are provided for in the COPAS Accounting Procedures dated 1962, 1968, 1974 and 1984, and the Offshore Accounting Procedures of 1976 and 1986.

The computation is as follows:

1991	Average Earnings	\$704.74
1990	Average Earnings	\$694.22
	Increase	\$10.52
	$\$10.52 \div \$694.22 = 1.5\%$	

Effective with April 1992 business, increase 1991 rates by multiplying current rates by 101.5%.

Following are the past year's adjustments:

Effective	Adjustment
April 1	
1963	+1.6%
1964	+3.9%
1965	+ .8%
1966	+2.2%
1967	+3.6%
1968	+5.1%
1969	+4.4%
1970	+7.0%
1971	+5.9%
1972	+8.9%
1973	+7.5%
1974	+5.2%
1975	+16.7%
1976	+10.3%
1977	+10.5%
1978	+10.3%
1979	+11.0%
1980	+9.3%
1981	+9.3%
1982	+13.0%
1983	+9.9%
1984	+5.9%
1985	+2.7%
1986	+4.4%
1987	+4.5%
1988	-1.4%
1989	+3.3%
1990	+8.1%
1991	+7.2%
1992	+1.5%

BEFORE EXAMINER STOGNER

OIL CONSERVATION DIVISION

EXHIBIT NO. 5-A

CASE NO. 10689

Audit Per Diem Rate Adjustment Continues on Next Page

COPAS Employee Benefits Survey

The 1992 Employee Benefits Limitation Survey was mailed on May 11, 1992, to all COPAS member companies and responses are due by June 15, 1992.

The results of this survey will directly determine the COPAS Employee Benefits Percentage for 1993 and we strongly encourage your company to participate. Please contact Debbie Theodoratos at (303) 893-1666 if you have any questions.

EXHIBIT " "

1 Attached to and made a part of _____
2 _____
3 _____
4 _____

5
6
7
8 **ACCOUNTING PROCEDURE**
9 **JOINT OPERATIONS**

10
11 **I. GENERAL PROVISIONS**

12
13
14 **1. Definitions**

15
16 "Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure
17 is attached.

18 "Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and
19 maintenance of the Joint Property.

20 "Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint
21 Operations and which are to be shared by the Parties.

22 "Operator" shall mean the party designated to conduct the Joint Operations.

23 "Non-Operators" shall mean the Parties to this agreement other than the Operator.

24 "Parties" shall mean Operator and Non-Operators.

25 "First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct
26 supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating
27 capacity.

28 "Technical Employees" shall mean those employees having special and specific engineering, geological or other
29 professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and
30 problems for the benefit of the Joint Property.

31 "Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

32 "Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

33 "Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as
34 most recently recommended by the Council of Petroleum Accountants Societies.

35
36 **2. Statement and Billings**

37
38 Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint
39 Account for the preceding month. Such bills will be accompanied by statements which identify the authority for
40 expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and
41 expense except that items of Controllable Material and unusual charges and credits shall be separately identified and
42 fully described in detail.

43
44 **3. Advances and Payments by Non-Operators**

45
46 A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their
47 share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the
48 billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust
49 each monthly billing to reflect advances received from the Non-Operators.

50
51 B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made
52 within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at _____
53 _____ on the first day of the month in which delinquency occurs plus 1% or the
54 maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located,
55 whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid
56 amounts.

57
58 **4. Adjustments**

59
60 Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof;
61 provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall
62 conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar
63 year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes
64 claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same
65 prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of
66 Controllable Material as provided for in Section V.

1 5. Audits

2
3 A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit
4 Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four
5 (24) month period following the end of such calendar year; provided, however, the making of an audit shall not
6 extend the time for the taking of written exception to and the adjustments of accounts as provided for in
7 Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make
8 every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience
9 to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this
10 paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year
11 without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made
12 at the expense of those Non-Operators approving such audit.

13
14 B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

15
16 6. Approval By Non-Operators

17
18 Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of
19 this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no
20 contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the
21 agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

22
23
24 II. DIRECT CHARGES

25
26 Operator shall charge the Joint Account with the following items:

27
28 1. Ecological and Environmental

29
30 Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy
31 environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or
32 archaeological nature and pollution control procedures as required by applicable laws and regulations.

33
34 2. Rentals and Royalties

35
36 Lease rentals and royalties paid by Operator for the Joint Operations.

37
38 3. Labor

39
40 A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of
41 Joint Operations.

42
43 (2) Salaries of First Level Supervisors in the field.

44
45 (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are
46 excluded from the overhead rates.

47
48 (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly
49 employed in the operation of the Joint Property if such charges are excluded from the overhead rates.

50
51 B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to
52 employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.
53 Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment"
54 on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If
55 percentage assessment is used, the rate shall be based on the Operator's cost experience.

56
57 C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are
58 applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

59
60 D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under
61 Paragraph 3A of this Section II.

62
63 4. Employee Benefits

64
65 Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement,
66 stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the
67 Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent
68 most recently recommended by the Council of Petroleum Accountants Societies.

69
70

1 5. **Material**

2
3 Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such
4 Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is
5 reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be
6 avoided.

7
8 6. **Transportation**

9
10 Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- 11
12 A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be
13 made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like
14 material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
15
16 B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint
17 Account for a distance greater than the distance to the nearest reliable supply store where like material is normally
18 available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be
19 made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the
20 Parties.
21
22 C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is
23 available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the
24 amount most recently recommended by the Council of Petroleum Accountants Societies.
25

26 7. **Services**

27
28 The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph
29 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract
30 services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead
31 rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the
32 Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.
33

34 8. **Equipment and Facilities Furnished By Operator**

- 35
36 A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate
37 with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating
38 expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to
39 exceed _____ percent (_____ %) per annum. Such rates shall not exceed average commercial
40 rates currently prevailing in the immediate area of the Joint Property.
41
42 B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the
43 immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates
44 published by the Petroleum Motor Transport Association.
45

46 9. **Damages and Losses to Joint Property**

47
48 All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or
49 losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross
50 negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as
51 soon as practicable after a report thereof has been received by Operator.
52

53 10. **Legal Expense**

54
55 Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and
56 amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to
57 protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of
58 outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be
59 covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section
60 I, Paragraph 3.
61

62 11. **Taxes**

63
64 All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof,
65 or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad
66 valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then
67 notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties
68 hereto in accordance with the tax value generated by each party's working interest.
69
70

1 12. Insurance

2
3 Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the
4 event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation
5 and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-
6 insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

7
8 13. Abandonment and Reclamation

9
10 Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory
11 authority.

12
13 14. Communications

14
15 Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and
16 microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint
17 Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

18
19 15. Other Expenditures

20
21 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which
22 is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint
23 Operations.

24
25
26 III. OVERHEAD

27
28 1. Overhead - Drilling and Producing Operations

29
30 i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge
31 drilling and producing operations on either:

- 32
33 () Fixed Rate Basis, Paragraph 1A, or
34 () Percentage Basis, Paragraph 1B

35
36 Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and
37 salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under
38 Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of
39 taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in
40 the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are
41 agreed to by the Parties as a direct charge to the Joint Account.

42
43 ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant
44 services and contract services of technical personnel directly employed on the Joint Property:

- 45
46 () shall be covered by the overhead rates, or
47 () shall not be covered by the overhead rates.

48
49 iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services
50 and contract services of technical personnel either temporarily or permanently assigned to and directly employed in
51 the operation of the Joint Property:

- 52
53 () shall be covered by the overhead rates, or
54 () shall not be covered by the overhead rates.

55
56 A. Overhead - Fixed Rate Basis

57
58 (1) Operator shall charge the Joint Account at the following rates per well per month:

59
60 Drilling Well Rate \$ _____
61 (Prorated for less than a full month)

62
63 Producing Well Rate \$ _____

64
65 (2) Application of Overhead - Fixed Rate Basis shall be as follows:

66
67 (a) Drilling Well Rate

68
69 (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date
70 the drilling rig, _____ rig, or other units used in completion of the well is released, whichever

1 is later, except that no charge shall be made during suspension of drilling or completion operations
2 for fifteen (15) or more consecutive calendar days.

3
4 (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5)
5 consecutive work days or more shall be made at the drilling well rate. Such charges shall be
6 applied for the period from date workover operations, with rig or other units used in workover,
7 commence through date of rig or other unit release, except that no charge shall be made during
8 suspension of operations for fifteen (15) or more consecutive calendar days.

9
10 (b) Producing Well Rates

11
12 (1) An active well either produced or injected into for any portion of the month shall be considered as
13 a one-well charge for the entire month.

14
15 (2) Each active completion in a multi-completed well in which production is not commingled down
16 hole shall be considered as a one-well charge providing each completion is considered a separate
17 well by the governing regulatory authority.

18
19 (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the
20 production shall be considered as a one-well charge providing the gas well is directly connected to
21 a permanent sales outlet.

22
23 (4) A one-well charge shall be made for the month in which plugging and abandonment operations
24 are completed on any well. This one-well charge shall be made whether or not the well has
25 produced except when drilling well rate applies.

26
27 (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease
28 allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

29
30 (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the
31 agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying
32 the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude
33 Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as
34 shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published
35 by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as
36 published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or
37 minus the computed adjustment.

38
39 B. Overhead - Percentage Basis

40
41 (1) Operator shall charge the Joint Account at the following rates:

42
43 (a) Development

44
45 _____ Percent (_____ %) of the cost of development of the Joint Property exclusive of costs
46 provided under Paragraph 10 of Section II and all salvage credits.

47
48 (b) Operating

49
50 _____ Percent (_____ %) of the cost of operating the Joint Property exclusive of costs provided
51 under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased
52 for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the
53 mineral interest in and to the Joint Property.

54
55 (2) Application of Overhead - Percentage Basis shall be as follows:

56
57 For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III,
58 development shall include all costs in connection with drilling, re-drilling, deepening, or any remedial
59 operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing
60 interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and
61 expenditures incurred in abandoning when the well is not completed as a producer, and original cost of
62 construction or installation of fixed assets, the expansion of fixed assets and any other project clearly
63 discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other
64 costs shall be considered as operating.

65
66 2. Overhead - Major Construction

67
68 To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of
69 fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the
70 Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

1 Account for overhead based on the following rates for any Major Construction project in excess of \$ _____ :

2
3 A. _____ % of first \$100,000 or total cost if less, plus

4
5 B. _____ % of costs in excess of \$100,000 but less than \$1,000,000, plus

6
7 C. _____ % of costs in excess of \$1,000,000.

8
9 Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single
10 project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be
11 excluded.

12
13 **3. Catastrophe Overhead**

14 To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due
15 to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are
16 necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the
17 expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account
18 for overhead based on the following rates:

19
20
21 A. _____ % of total costs through \$100,000; plus

22
23 B. _____ % of total costs in excess of \$100,000 but less than \$1,000,000; plus

24
25 C. _____ % of total costs in excess of \$1,000,000.

26
27 Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead
28 provisions of this Section III shall apply.

29
30 **4. Amendment of Rates**

31 The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement
32 between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

33
34
35
36 **IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

37
38 Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material
39 movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at
40 Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or
41 surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to
42 outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition
43 A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

44
45 **1. Purchases**

46 Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of
47 Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account
48 when adjustment has been received by the Operator.

49
50
51 **2. Transfers and Dispositions**

52 Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator,
53 unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

54
55
56 **A. New Material (Condition A)**

57
58 **(1) Tubular Goods Other than Line Pipe**

59
60 (a) Tubular goods, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill
61 published carload base prices effective as of date of movement plus transportation cost using the 80,000
62 pound carload weight basis to the railway receiving point nearest the Joint Property for which
63 published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound
64 or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio
65 and casing from Youngstown, Ohio.

66
67 (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus
68 transportation cost from that mill to the railway receiving point nearest the Joint Property as provided
69 above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000
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pound Oil Field Haulers Association interstate truck rate shall be used.

- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2 $\frac{3}{4}$ inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls $\frac{3}{4}$ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
- (b) Line pipe movements (except size 24 inch OD and larger with walls $\frac{3}{4}$ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
- (c) Line pipe 24 inch OD and over and $\frac{3}{4}$ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
- (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.

- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

1 (2) Condition D

2
3 Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose
4 shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material
5 under procedures normally used by Operator without prior approval of Non-Operators.

6
7 (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe
8 of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be
9 priced at used line pipe prices.

10
11 (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g.
12 power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe.
13 Upset tubular goods shall be priced on a non upset basis.

14
15 (3) Condition E

16
17 Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under
18 procedures normally utilized by Operator without prior approval of Non-Operators.

19
20 D. Obsolete Material

21
22 Material which is serviceable and usable for its original function but condition and/or value of such Material
23 is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by
24 the Parties. Such price should result in the Joint Account being charged with the value of the service
25 rendered by such Material.

26
27 E. Pricing Conditions

28
29 (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢)
30 per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs
31 sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year
32 following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in
33 Section III, Paragraph I.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and
34 shall be the rate in effect until the first day of April next year. Such rate shall be published each year
35 by the Council of Petroleum Accountants Societies.

36
37 (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down
38 price of new Material.

39
40 3. Premium Prices

41
42 Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other
43 unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required
44 Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it
45 to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing
46 Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within
47 ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use
48 and acceptable to Operator.

49
50 4. Warranty of Material Furnished By Operator

51
52 Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint
53 Account until adjustment has been received by Operator from the manufacturers or their agents.

54
55
56 V. INVENTORIES

57
58 The Operator shall maintain detailed records of Controllable Material.

59
60 1. Periodic Inventories, Notice and Representation

61
62 At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice
63 of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that
64 Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an
65 inventory shall bind Non-Operators to accept the inventory taken by Operator.

66
67 2. Reconciliation and Adjustment of Inventories

68
69 Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six
70 months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

1 overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

2

3 **3. Special Inventories**

4

5 Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint
6 Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of
7 interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases
8 involving a change of Operator, all Parties shall be governed by such inventory.

9

10 **4. Expense of Conducting Inventories**

11

12 A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the
13 Parties.

14

15 B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except
16 inventories required due to change of Operator shall be charged to the Joint Account.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 10,689

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
)ss.
COUNTY OF SANTA FE)

D. Paul Haden, being duly sworn upon his oath, deposes and states:

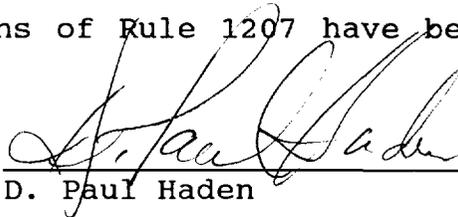
1. I am over the age of 18 and have personal knowledge of the matters stated herein.

2. I am an employee and landman for Applicant herein.

3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.

4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letters and certified return receipts are attached hereto.

5. The notice provisions of Rule 1207 have been complied with.



D. Paul Haden

SUBSCRIBED AND SWORN TO before me this 17th day of March, 1993 by D. Paul Haden.



Notary Public

My commission expires:
10-29-95

HINKLE, COX, EATON, COFFIELD & HENSLEY

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CONRAD E. COFFIELD
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ALBUQUERQUE, NEW MEXICO 87103
(505) 768-1500
FAX (505) 768-1529

February 24, 1993

*NOT LICENSED IN NEW MEXICO

TO: Persons on Exhibit A

Re: (a) Illinois Camp "17" State No. 1 Well,
W $\frac{1}{2}$ Section 17 - 18 South - 28 East,
Eddy County, New Mexico

(b) Illinois Camp "17" State No. 2 Well,
E $\frac{1}{2}$ Section 17 - 18 South - 28 East,
Eddy County, New Mexico

Enclosed to each of you are copies of Applications for compulsory pooling filed at the New Mexico Oil Conservation Division by Mewbourne Oil Company regarding the above wells. Mewbourne's records indicate that each of you owns an interest in the proposed well units. These matters have been scheduled for hearing on Thursday, March, 18, 1993 at 8:15 a.m. at the Division's offices at 310 Old Santa Fe Trail, Santa Fe, New Mexico. Failure to appear at that time will preclude you from contesting this matter at a later date.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

Attorneys for Mewbourne Oil Company

Enclosures

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

JGB5\93424.c

EXHIBIT A

Frederick L. Brown Post Office Box 257 Solvang, California 93463	No. P 135 856 731
OXY U.S.A. Inc. Box 50250 Midland, Texas 79710 Attention: Michael Gooding	No. P 135 856 732
John Andrew Hatcher Post Office Box 214 Clinton, Mississippi 39060-0214	No. P 135 856 733
Van R. Hatcher, Jr. Post Office Box 443 Brookhaven, Mississippi 39601	No. P 135 856 734
Estate of George Mitchell Hatcher c/o Van R. Hatcher, Jr. Post Office Box 443 Brookhaven, Mississippi 39601	No. P 135 856 735
Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88201 Attention: Robert Bullock	No. P 135 856 736
Phillips Petroleum Company 4001 Penbrook Odessa, Texas 79762 Attention: Troy E. Richard	No. P 135 856 737
Louis Dreyfus Gas Holdings, Inc. Louis Dreyfus Natural Gas Corporation Suite 600 1400 Quail Springs Parkway Oklahoma City, Oklahoma 73134 Attention: Rusty Waters	No. P 135 856 738
Marathon Oil Company Post Office Box 552 Midland, Texas 79702 Attention: Randal P. Wilson	No. P 135 856 739
Exxon Corporation Post Office Box 1600 Midland, Texas 79702 Attention: Joe B. Thomas	No. P 135 856 740

Michael P. Grace
Post Office Box 731
Venice, California 90291

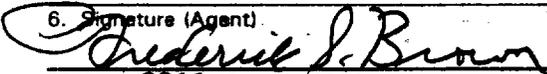
No. P 135 856 741

Bright & Company
Suite 700
2911 Turtle Creek Boulevard
Dallas, Texas 75219-6521

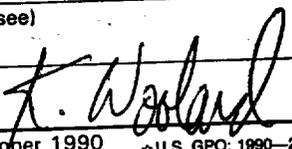
No. P 135 856 742

Corrine Grace
Post Office Box 1418
Carlsbad, New Mexico 88220

No. P 135 856 743

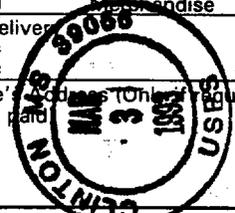
SENDER: <ul style="list-style-type: none"> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece next to the article number. 		I also wish to receive the following services (for an extra fee): <ol style="list-style-type: none"> <input type="checkbox"/> Addressee's Address <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.							
3. Article Addressed to: FREDRICK L. BROWN POST OFFICE BOX 257 SOLVANG, CA 93463		4a. Article Number P 135 856 731							
		4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<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
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<input type="checkbox"/> Certified	<input type="checkbox"/> COD								
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise								
		7. Date of Delivery							
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)							
6. Signature (Agent) 									
PS Form 3811, October 1990		☆U.S. GPO: 1990-273-861							

DOMESTIC RETURN RECEIPT

SENDER: <ul style="list-style-type: none"> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • 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 next to the article number. 		I also wish to receive the following services (for an extra fee): <ol style="list-style-type: none"> <input type="checkbox"/> Addressee's Address <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.							
3. Article Addressed to: OXY U.S.A. INC. BOX 50250 MIDLAND, TEXAS 79710 ATTENTION; MICHAEL GOODING		4a. Article Number P 135 856732							
		4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<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
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<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise								
		7. Date of Delivery 2/26/93							
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)							
6. Signature (Agent) 									
PS Form 3811, October 1990		☆U.S. GPO: 1990-273-861							

DOMESTIC RETURN RECEIPT

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3. Article Addressed to: JOHN ANDREW HATCHER POST OFFICE BOX 214 CLINTON, MISSISSIPPI 39060-0214		4a. Article Number P 135 856 733							
5. Signature (Addressee) <i>John Andrew Hatcher</i>		4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<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
<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)		7. Date of Delivery 2-27-93							
PS Form 3811, October 1990		*U.S. GPO: 1990-273-861							
		DOMESTIC RETURN RECEIPT							



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3. Article Addressed to: VAN R. HATCHER POST OFFICE BOX 443 BROOKHAVEN, MISSISSIPPI 39601		4a. Article Number P 135 856 734							
5. Signature (Addressee) <i>Van R. Hatcher</i>		4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<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
<input type="checkbox"/> Registered	<input type="checkbox"/> Insured								
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3. Article Addressed to: ESTATE OF GEORGE MITCHELL HATCHER C/O VAN R. HATCHER, JR. POST OFFICE BOX 443 BROOKHAVEN, MISSISSIPPI 7 39601		4a. Article Number P 135 856 735	
		4b. Service Type <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	
		7. Date of Delivery 2-27-93	
5. Signature (Addressee) <i>Van R. Hatcher</i>		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
PS Form 3811, October 1990		☆U.S. GPO: 1990-273-861 DOMESTIC RETURN RECEIPT	

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3. Article Addressed to: YATES PETROLEUM 105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88201		4a. Article Number P 135 856 736	
		4b. Service Type <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	
		7. Date of Delivery FEB 26 1993 YATES USPS	
5. Signature (Addressee) <i>[Signature]</i>		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
PS Form 3811, October 1990		☆U.S. GPO: 1990-273-861 DOMESTIC RETURN RECEIPT	

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- 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 next to the article number.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

PHILLIPS PETROLEUM CO.
 4001 PENBROOK
 ODESSA, TEXAS 79762
 ATTN: TROY E. RICHARD

4a. Article Number

P 135 856 737

4b. Service Type

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

7. Date of Delivery

2-26-93

jm

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

5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]

PS Form 3811, October 1990

*U.S.G.P.O. 1990-273-861

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:

LOUIS DREYFUS GAS HOLDINGS,
 LOUIS DREYFUS NATURAL GAS
 SUITE 600
 1400 QUAIL SPRINGS PARKWAY
 OKLAHOMA CITY, OKLAHOMA
 73134
 ATTN: RUSTY

4. Article Number

P 135 856 738

Type of Service:

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

Always obtain signature of addressee or agent and DATE DELIVERED.

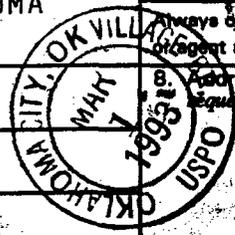
5. Signature - Address

X

6. Signature - Agent

X *REWARD RAYNER*

7. Date of Delivery

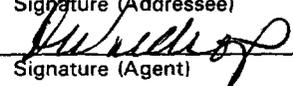


8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988

* U.S.G.P.O. 1988-212-865

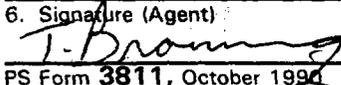
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3. Article Addressed to: MARATHON OIL COMPANY POST OFFICE BOX 552 MIDLAND, TEXAS 79702 ATTN: RANDAL P. WILSON		4a. Article Number P 135 896 739	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery FEB 26 1993	
5. Signature (Addressee) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			

PS Form 3811, October 1990

★U.S. GPO: 1990-273-861

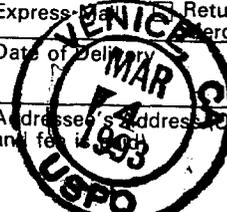
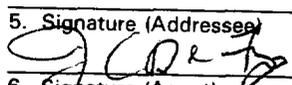
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3. Article Addressed to: EXXON CORPORATION POST OFFICE BOX 1600 MIDLAND, TEXAS 79702 ATTN: JOE B. THOMAS		4a. Article Number P 135 856 740	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 2/26/93	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) 			

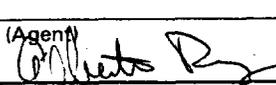
PS Form 3811, October 1990

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3. Article Addressed to: MICHAEL P. GRACE POST OFFICE BOX 731 VENICE, CALIFORNIA 90291		4a. Article Number P 135 856 741	
		4b. Service Type <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	
		7. Date of Delivery 	
5. Signature (Addressee) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
PS Form 3811, October 1990		☆U.S. GPO: 1990-273-861	

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3. Article Addressed to: BRIGHT AND COMPANY SUITE 700 2911 TURTLE CREEK BLVD. DALLAS, TEXAS 75219-6521		4a. Article Number P 135 856 742	
		4b. Service Type <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	
		7. Date of Delivery 2-26-93	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) 			
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- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

CORRINE GRACE
POST OFFICE BOX 1418
CARLSBAD, NEW MEXICO
88220

4a. Article Number

P 135 856 743

4b. Service Type

- Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

2/26/93

5. Signature (Addressee)

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

6. Signature (Agent)



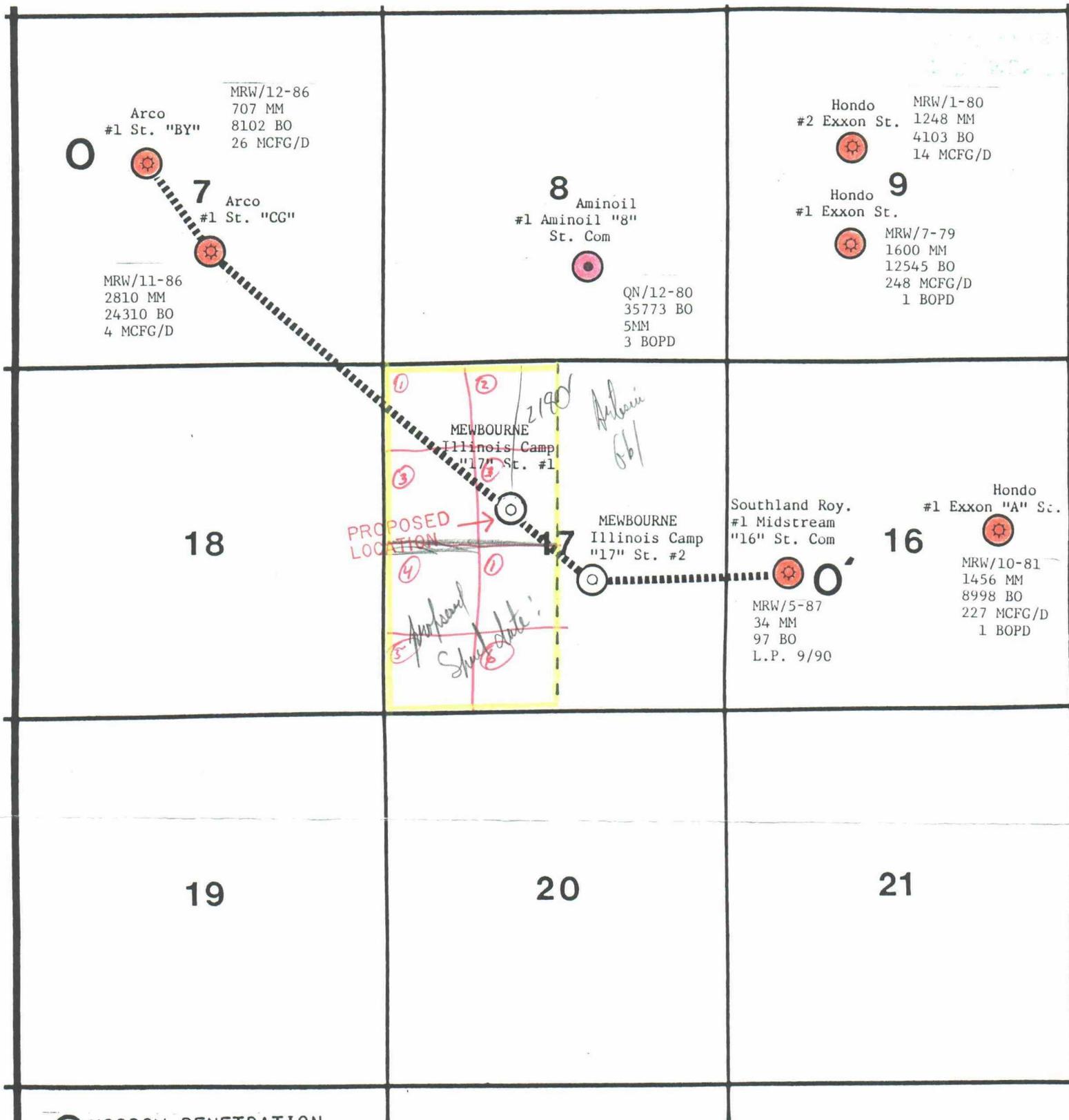
PS Form 3811, October 1990

★ U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

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○ MORROW PENETRATION

Zone/Date 1st Production
 Cumulative Gas
 Cumulative Oil
 Daily Rate

- Qn-GR-SA
- Morrow

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 7

CASE NO. 10689



MEWBOURNE OIL COMPANY

MIDLAND, TEXAS DISTRICT

ILLINOIS CAMP PROSPECT
EDDY COUNTY, NEW MEXICO

PRODUCTION MAP
CUMULATIVE PRODUCTION THRU NOVEMBER 1992
DAILY RATES AS OF NOVEMBER 1992

MARCH 1993

SCALE 1" = 2000'

D. HARMON/JH