

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915/682-3715

November 7, 1989

Rio Pecos Corporation  
110 W. Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger Elliott

SECRET EXAMINER
OIL CONSERVATION DIVISION
BOOKLET NO. <u>3B</u>
CASE NO. <u>9926</u>

RE: T18S, R27E  
Section 21: SW/4NE/4  
and SE/4NW/4  
Eddy County, New Mexico

Gentlemen:

For reference, county records indicate Rio Pecos Corporation owns a full leasehold interest under the captioned land. Accordingly, Mewbourne Oil Company hereby requests a farmout of your interest under the above land under the following terms:

- 1) Mewbourne as operator, will commence within 120 days from the date of your executed farmout agreement a test well at a location 660' FNL & 660' FEL of the captioned Section 21 and drill same to a depth sufficient to test the Morrow formation estimated to be approximately 10,000 feet subsurface, with the drilling and spacing unit comprising the N/2 of said Section 21.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights in the captioned land to 100 feet below the total depth drilled in the test well.
- 3) Rio Pecos Corporation would retain in addition to the deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the captioned land may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease under the above described land. At payout of the above described test well, Rio Pecos Corporation would have the option to convert its override to a 25% working interest. The interests set out in this paragraph are to be proportionately reduced to the interest actually owned by Rio Pecos Corporation in the proration unit attributable to the test well described above.

Page 2  
Rio Pecos Corporation  
November 7, 1989

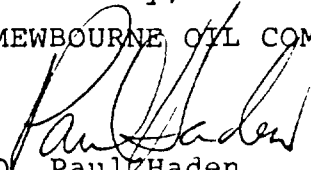
- 4) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne with copies of the leases, title opinions and any applicable gas contract associated with the captioned land.

In the event Rio Pecos Corporation desires to join Mewbourne in the drilling and completion of the test well described above, enclosed for your consideration is an AFE for the test well.

Your immediate consideration and response regarding the above proposal will be greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Landman

DPH/sm

enclosure

# RIO PECOS CORPORATION

110 WEST LOUISIANA, SUITE 210

MIDLAND, TEXAS 79701

(915) 687-0127

**-LAND-**

ROGER T. ELLIOTT

**-GEOLOGY-**

MARK D. WILSON

TODD M. WILSON

HEATHER WILSON ECHOLS

November 29, 1989

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

Attn: Mr. D. Paul Haden

RE: Farmout Request  
Township 18 South, Range 27 East  
Section 21: N/2  
Eddy County, New Mexico

Gentlemen:

Pursuant to your letter dated November 7, 1989, and our previous telephone conversations regarding same, Rio Pecos Corporation is willing to support your proposed well subject to the following terms and conditions:

1. One-half of the leasehold interest (Amoco leasehold) located in the E/2 NE/4 is subject to the Rio Pecos Working Interest Unit. If you elect to accept our terms and conditions, I will furnish you with the parties and percentages subject to our Rio Pecos W. I. Unit.
2. Your proposed location is an unorthodox drillsite which will require a hearing before the NMOCD. Rio Pecos Corporation agrees not to protest your unorthodox location and Mewbourne Oil Company and its affiliates agree not to protest the location which Rio Pecos Corporation or its assigns propose within the S/2 of Section 21, T18S, R27E, Eddy County, N. M.
3. Rio Pecos Corporation and Mewbourne Oil Company agree to cross-assign on an equal basis within five (5) days from acceptance of this letter agreement (i.e., term, net revenue interest, etc.) the following acreage located in Section 21, T18S, R27E:
  - A. Rio Pecos Corporation: SW/4 NE/4
  - B. Mewbourne Oil Company: SW/4 SW/4

4. As to the balance of Rio Pecos Corporation's and Mark D. Wilson's leasehold interest located in the N/2 of Section 21, T18S, R27E, we hereby offer the following farmout terms and conditions:
- A. Mewbourne, as operator, will commence within 120 days from the date of our executed farmout agreement a test well at a location 660' FNL & 660' FEL of the captioned Section 21 and drill same to a depth sufficient to test the Morrow formation estimated to be approximately 10,000 feet subsurface, with the drilling and spacing unit comprising the N/2 of said Section 21.
  - B. By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of our operating rights in the balance of our lands 100 feet below the total depth drilled in the test well.
  - C. Rio Pecos Corporation and Mark D. Wilson would retain in addition to the deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the captioned land may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease under the above described land. At payout of the above described test well, Rio Pecos Corporation and Mark D. Wilson would have the option to convert its override to a 30% working interest. The interests set out in this paragraph are to be proportionately reduced to the interest actually owned by Rio Pecos Corporation and Mark D. Wilson in the proration unit attributable to the test well described above.
  - D. Upon acceptance of the farmout proposal by Rio Pecos Corporation and Mark D. Wilson, we agree to furnish Mewbourne with copies of the leases, title opinions and any applicable gas contract associated with the captioned land.

This offer is not exclusive and may be withdrawn without further notice five (5) days from the date hereof, if within the said five days, this offer has not been accepted.

Very truly yours,

**RIO PECOS CORPORATION**

  
Roger T. Elliott  
Landman

RTE/sh

AGREED and ACCEPTED this \_\_\_\_\_  
day of \_\_\_\_\_, 1989.

MEWBOURNE OIL COMPANY

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

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

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915/682-3715

November 30, 1989

Rio Pecos Corporation  
110 West Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger T. Elliott

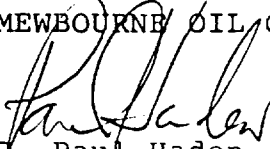
RE: T18S, R27E  
Section 21: All  
Eddy County, New Mexico

Gentlemen:

We are in receipt of your letter dated November 29, 1989 regarding the captioned land wherein you proposed certain terms and conditions for supporting our proposal of a Morrow test well to be located in the NE/4NE/4 of said Section 21. For us to consider your proposal, I would appreciate you advising us as to your leasehold interest under the captioned land and corresponding net revenue interest. Further, we would like to see a copy of the operating agreement effecting the E/2NE/4 of the captioned Section 21, if possible.

Sincerely,

MEWBOURNE OIL COMPANY

  
D. Paul Haden  
Landman

DPH/sm

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

February 27, 1990

## CERTIFIED MAIL

Rio Pecos Corporation  
110 West Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger T. Elliott

RE: T18S, R27E  
Section 21: SW/4NE/4  
and SE/4NW/4  
Eddy County, New Mexico

Gentlemen:

For reference, Mewbourne owns the Federal lease covering the NW/4NE/4, N/2NW/4 and the SW/4NW/4 of the captioned Section 21. County records indicate you own a leasehold interest under the captioned land. As proposed to the other leasehold owners, Mewbourne Oil Company desires to drill a Morrow test well in the NE/4NE/4 of the captioned Section 21, with the drilling and spacing unit comprising the N/2 of said Section 21. Accordingly, Mewbourne Oil Company hereby requests a farmout of your operating rights under the above land subject to the following terms:

- 1) Subject to Drilling Permit approval by the New Mexico Oil Conservation Division, Mewbourne as operator, will commence within 120 days from the date of your executed farmout agreement a test well at a location 660' FNL & 660' FEL of the captioned Section 21 and drill same to a depth sufficient to test the Morrow formation estimated to be approximately 9,900 feet subsurface, with the drilling and spacing unit comprising the N/2 of said Section 21.
- 2) By drilling and completing the test well as a commercial producer, Mewbourne would earn an assignment of your operating rights in the captioned land to 100 feet below the total depth drilled in the test well.
- 3) You would retain in addition to the deep rights, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the captioned land may be subject, to the extent that Mewbourne shall be assigned a 75% net revenue interest lease under the above described land. At payout of the above described test well, you would have the option to

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

- 4) Upon acceptance of the farmout proposal by your company, you agree to furnish Mewbourne with copies of the leases, title opinions and any applicable gas contract associated with the captioned land.

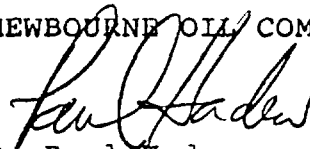
Alternatively, Mewbourne Oil Company hereby invites you to join in the drilling and completion of the above described test well. Enclosed for your approval in this connection is an AFE.

In the event you agree to join in the drilling and completion of the above described test well, you agree to enter into a joint operating agreement with Mewbourne on the AAPL Form 610-1982 Model Form Operating Agreement naming Mewbourne Oil Company as Operator.

Your immediate consideration and response regarding the above proposal will be greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Landman

DPH/sm

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

March 27, 1990

## CERTIFIED MAIL

Rio Pecos Corporation  
110 West Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger T. Elliott

RE: T18S, R27E,  
Section 21: SW/4NE/4  
and SE/4NW/4  
Eddy County, New Mexico

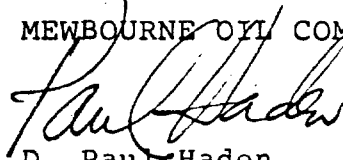
Dear Mr. Elliott:

This is in follow up of my letter to you dated February 27, 1990 regarding a farmout of your operating rights under the captioned land. As the N/2 of the captioned Section 21 may be experiencing drainage from wells immediately offsetting our proposed location, your early decision will be greatly appreciated regarding our farmout request. We feel time is of the essence in drilling the proposed test well to recover our share of the hydrocarbons underlying the proposed drilling and spacing unit.

Please call should you like to discuss this further.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Landman

DPH/sm



# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

915 / 682-3715

April 6, 1990

## CERTIFIED MAIL

Rio Pecos Corporation  
110 West Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger T. Elliott

RE: Application for Unorthodox  
Drilling Permit  
Red Lake Atoka Morrow  
Federal "S" #1 Well  
N/2 of Section 21, T18S-R27E,  
Eddy County, New Mexico

Ladies & Gentlemen:


Mewbourne Oil Company proposes to drill the Federal "S" #1 well at a location 660 feet from the east line and 660 feet from the north line of Section 21, T18S, R27E, Eddy County, New Mexico as a 9,900' Morrow test well. The pool rules for the Red Lake Atoka Morrow Pool are 1980 feet from the nearest end boundary and 660 feet from the nearest side boundary (statewide pool rules). According to the New Mexico Oil Conservation Division's rule 104 C. II (a), permission to drill the Federal "S" #1 well at the proposed location requires notice and hearing.

Mewbourne wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our lease. We are also convinced that the distance from the proposed well location to other producing wells in the area is sufficient to insure no harmful effect on other producers.

If you have no objection to the proposed location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Should you have any questions regarding the above or want to discuss this matter further, please call. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

MEWBOURNE OIL COMPANY

  
D. Paul Haden  
Landman

DPH/sm

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

915 / 682-3715

April 18, 1990

## CERTIFIED MAIL

Rio Pecos Corporation  
110 West Louisiana, Suite 210  
Midland, Texas 79701

Attention: Roger T. Elliott

RE: T18S, R27E  
Section 21: E/2NE/4,  
SW/4NE/4 and SE/4NW/4  
Eddy County, New Mexico


Gentlemen:

As referenced in previous correspondence, Mewbourne has requested Rio Pecos Corporation and Mark D. Wilson to join in the drilling and completion of Mewbourne's Federal "S" #1 well or farmout their interest regarding said test well. Mewbourne now offers Rio Pecos Corporation and Mark D. Wilson the following options regarding said test well.

- 1) Farmout to Mewbourne on the basis of delivering Mewbourne a 75% net revenue interest lease with Rio Pecos Corporation and Mark D. Wilson retaining an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all lease burdens which the captioned land may be subject, with the option to convert the retained overriding royalty interest to a 25% working interest after payout; or
- 2) Assign Mewbourne a 80% net revenue interest lease under the captioned land upon Mewbourne paying Rio Pecos Corporation and Mark D. Wilson \$250.00 per net mineral acre for their operating rights under the captioned land; or
- 3) Join in the drilling and completion of the test well to the extent of Rio Pecos Corporation's and Mark D. Wilson's percentage ownership in the N/2 of the captioned Section 21.

As time is of the essence in your response, the above options are offered until 5:00 P.M. April 23, 1990.

Sincerely,  
MEWBOURNE OIL COMPANY

  
D. Paul Haden  
Landman

DPH/sm