

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

APR 11 1994

PAH

March 25, 1994

Margaret B. Nichols
6211 W. Northwest Hwy.
Suite C253E
Dallas, Texas 75225

NICHOLS

Re: MOC's Chalk Bluff Draw Prospect
MOC's Illinois Camp "20"
State #1 Well
N/2 Section 20, T18S, R28E
Eddy County, New Mexico

Dear Mrs. Nichols:

As you are aware, Mewbourne Oil Company (Mewbourne) appeared at a New Mexico Oil Conservation Division Examiner's hearing on March 17, 1994 regarding Compulsory Pooling Case No. 10944 effecting the captioned land. As we discussed earlier, we had to name the Estate of Leonard Nichols, Deceased (the Estate) at the hearing as your husband's estate had not yet been probated in New Mexico. As a result of naming your husband's estate in the referenced compulsory pooling case, such action will allow us to drill the captioned well in a timely manner prior to your husband's estate being probated.

Regarding the above, this letter if executed by you shall evidence Mewbourne's and The Estate's agreement to do the following regarding the above referenced land, well and compulsory pooling case:

- 1) Upon receipt of evidence that The Estate has been properly probated in New Mexico, Mewbourne agrees to immediately dismiss The Estate from the Compulsory Pooling Order issued pursuant to the above referenced compulsory pooling case.
- 2) The Estate agrees to elect not to participate in the drilling and completion of the captioned well pursuant to the terms of the Compulsory Pooling Order issued regarding the referenced compulsory pooling case.
- 3) The Estate agrees to assign all of its interest to Mewbourne on the same terms provided for in that certain ASSIGNMENT OF OPERATING RIGHTS TO OIL AND GAS LEASE dated January 10, 1994

Margaret B. Nichols
March 25, 1994
Page 2

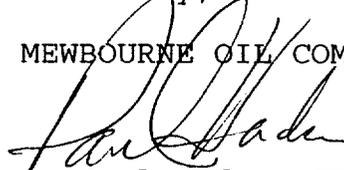
between Margaret B. Nichols, individually and as sole Devisee under the Will of Leonard Nichols, Deceased ("Assignor") and Mewbourne Oil Company ("Assignee") effecting portions of the captioned land among other lands.

If the above is agreeable to you, please indicate such acceptance by signing and returning the copy of this letter to the undersigned.

As we plan to commence drilling the captioned well in the next two (2) weeks, your earliest attention to the above and return of this agreement would be greatly appreciated.

Sincerely,

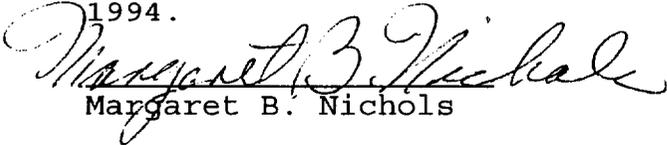
MEWBOURNE OIL COMPANY



D. Paul Haden, CPL
Landman

DPH/klc

AGREED and ACCEPTED this 7TH day of APRIL,
1994.



Margaret B. Nichols

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

April 19, 1994

Margaret B. Nichols
6211 W. Northwest Hwy.,
Suite C253E
Dallas, Texas 75225

Re: MOC's Chalk Bluff Draw Prospect
MOC's Illinois Camp "20"
State #2 Well
S/2 Section 20, T18S, R28E
Eddy County, New Mexico

Dear Mrs. Nichols:

As you are aware, Mewbourne Oil Company (Mewbourne) will be appearing at a New Mexico Oil Conservation Division Examiner's hearing on April 28, 1994 regarding Compulsory Pooling Case No. 10961 effecting the captioned lands. As we discussed earlier, we will have to name the Estate of Leonard Nichols, Deceased (The Estate), as a title curative matter at the hearing as your husband's estate had not yet been probated in New Mexico. As a result of naming your husband's estate in the referenced compulsory pooling case, such action will allow us to drill the captioned well in a timely manner prior to your husband's estate being probated.

Regarding the above, this letter if executed by you shall evidence Mewbourne's and The Estate's agreement to do the following regarding the above referenced land, well and compulsory pooling case:

- 1) Upon receipt of evidence that The Estate has been properly probated in New Mexico, Mewbourne agrees to immediately dismiss The Estate from the Compulsory Pooling Order issued pursuant to the above referenced compulsory pooling case.
- 2) The Estate agrees to elect not to participate in the drilling and completion of the captioned well pursuant to the terms of the Compulsory Pooling Order issued regarding the referenced compulsory pooling case.
- 3) The Estate agrees to assign all of its interest to Mewbourne on the same terms provided for in that certain ASSIGNMENT OF OPERATING RIGHTS TO OIL AND GAS LEASE dated January 10, 1994

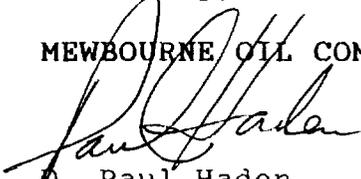
between Margaret B. Nichols, individually and as sole Devisee under the Will of Leonard Nichols, Deceased ("Assignor") and Mewbourne Oil Company ("Assignee") effecting portions of the captioned land among other lands.

If the above is agreeable to you, please indicate such acceptance by signing and returning the copy of this letter to the undersigned.

As we plan to commence drilling the captioned well at the earliest possible date, your earliest attention to the above and return of this agreement would be greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden
Landman

DPH:jis

AGREED and ACCEPTED this _____ day of _____, 1994.

Margaret B. Nichols

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 29, 1994

Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Term Assignment
T18S, R28E
Sec. 20: SW/4NE/4 and W/2SE/4
below 3000';
Section 29: NW/4NE/4 below 3000'
Eddy County, New Mexico

Dear Mrs. Nichols:

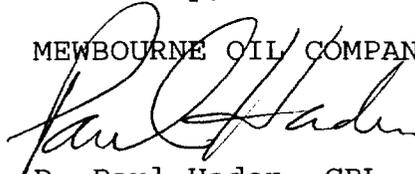
As discussed, we have not received the revised assignment executed by you to date regarding the captioned land.

As we plan to commence drilling our initial well in the N/2 of the captioned Section 20 in the next two (2) weeks, it is imperative for you to sign and return the revised assignment at the earliest possible date.

If you should have any questions or if you are not agreeable with the terms of the revised assignment, please call.

Sincerely,

MEWBOURNE OIL COMPANY



D. Paul Haden, CPL
Landman

DPH/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 4, 1994

Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Term Assignment
T18S, R28E
Sec. 20: SW/4NE/4 and W/2 SE/4,
below 3000'
Sec. 29: NW/4NE/4 below 3000'
Eddy County, New Mexico

Dear Mrs. Nichols:

In reference to our phone conversation of March 3, 1994, enclosed for your consideration and execution is a revised Assignment of Operating Rights to Oil and Gas Lease covering the captioned land.

Regarding the above, I've added your land in Section 29 described above to the assignment as we discussed. Also, I've revised paragraph eight (8) of the agreement to reflect the warranty and indemnity language you desire.

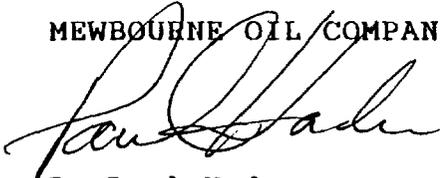
Except for the revisions referenced above, the enclosed agreement remains as originally written. At your early convenience, please execute the enclosed duplicate assignments, have them notarized, and forward one (1) of such executed agreements to me for further handling. Upon our receipt of same, I will have the agreement executed on behalf of Mewbourne Oil Company and recorded in the county records. When a recorded copy is available, I will forward you a copy for your files.

Regarding the upcoming pooling hearing on March 17, 1994, please don't be concerned with such hearing. The reason we named your husband's Estate for the hearing is because said Estate has not yet been probated in New Mexico and probably will not be by the time we are ready to drill our well. At such time as your husband's Estate is probated, we will dismiss the Estate's interest from forced pooling.

Should you have nay questions regarding the above or should you need any further help in regard to probating your husband's Estate in New Mexico, please call. Your cooperation in connection with this trade is greatly appreciated.

Sincerely,

MEWBOURNE OIL COMPANY

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

D. Paul Haden
Landman

:enci

DPH:jis

Re: Sec. 20, 7185, 1228E

Phoned Mrs. Nichols
this date and advised
her I would be in
Dallas this morning
if she needed to see me
and should she have any
questions about our proposed
assignment. She advised me
a meeting was not necessary,
that she would execute and
return the assignment today.

P.H.

2-17-94

Advised Mrs. Nichols
we were naming her husband's
estate at the probing hearing
as the Estate wasn't
probated yet. Advised her
not to worry - it was
just a formality to name
the estate to protect us.

P.H.

3-1-94

Re: Sec. 20, 7185, 1228E

Phoned Mrs. Nichols
this date and advised
her I would be in
Dallas this morning
if she needed to see me
and should she have any
questions about our proposed
Assignment. She advised me
a meeting was not necessary,
that she would execute and
return the assignment today.

P.H.

2-17-94

2-7-94

Follow up call. Mrs. Nichols
had her tooth pulled today.
She said she would sign
assignment in a few days.
She wanted to strike the
warranty provision, advised
that was ok with us.

P.H.

P 175 142 722

NO RETURN OR REFUND TO BE MADE
 POSTAGE WILL BE PAID BY ADDRESSEE
 (See Reverse)

Sent to	Margaret Nichols
Street and No.	
P.O., State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 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):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Margaret B. Nichols
 6900 Baltimore
 Dallas, TX 75205

4a. Article Number

P175 142-722

4b. Service Type

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

7. Date of Delivery

2-9-92

5. Signature (Addressee)

Margaret Nichols

6. Signature (Agent)

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

PS Form 3811, December 1991

★U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

I.C. # 20" Str. # 2

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 7, 1994

CERTIFIED MAIL - RETURN RECEIPT REQUESTED - P175 142 722

Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #2 Well
1650' FSL and 990' FEL of
Section 20, T18S, R28E
Eddy County, New Mexico

Mrs. Nichols:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of the captioned well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 10,700'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 20 will be dedicated as the proration unit for the well.

This well will be located approximately 1650' FSL & 990' FEL of Section 20-18S-28E, Eddy County, New Mexico. Our AFE dated February 4, 1994 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.

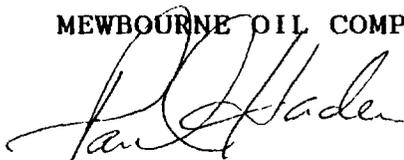
In the event you do not wish to participate, we would welcome the opportunity to acquire your interest under mutually acceptable terms.

Your earliest response to this proposal would be greatly appreciated.

Should you have any questions, please do not hesitate to call.

Sincerely,

MEWBOURNE OIL COMPANY

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

D. Paul Haden
Landman

:encl

DPH:jls

1-27-94 Follow up call
to Mrs. Nichols. She hasn't
had time to review the
proposed assignment as she
says she has a tooth ache.

P.H.

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 19, 1994

Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1
Section 20, T18S, R28E
Eddy County, New Mexico

Dear Mrs. Nichols:

As discussed, our attorney estimates that it will cost \$600.00 for a Ancillary Probate Proceeding for your husband's Estate in New Mexico. This is if the Estate has already been probated in Texas.

In the event your husband's Estate is not probated in Texas first, it will cost you approximately \$2,500.00 for a Probate Proceeding in New Mexico.

Regarding the above, you requested some names of New Mexico licensed attorneys who could handle your husband's Estate in New Mexico. In this regard, I recommend that you use Allen G. Harvey, our attorney, as he is already familiar with the title to your husband's Estate under the captioned land notwithstanding the fact that he is an excellent attorney and will get the job done quickly. He also is licensed in Texas. You can reach him at the following address and phone number:

Stubbeman, McRae, Sealy, Laughlin &
Browder, Inc.
P. O. Box 1540
Midland, Texas 79702
(915) 688-0290

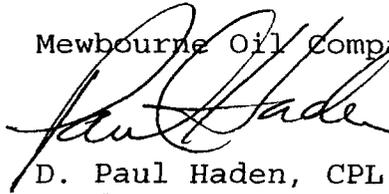
Regarding the above, it obviously will be more cost effective for you to have your husband's Estate probated in Texas first. As we plan to drill our well in the subject Section 20 at the earliest possible date, we request that you have your husband's Estate probated as soon as possible.

Margaret B. Nichols
January 19, 1994
Page 2

If I can be of further assistance regarding the above matter, please do not hesitate to call me. Your cooperation in connection with our trade is greatly appreciated.

Sincerely,

Mewbourne Oil Company

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

D. Paul Haden, CPL
Landman

DPH/klc

6211 W. NORTHWEST HWY.
Suite C253E
Dallas TX 75225

January 11, 1994

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

RE: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
Section 20, T18S, R28E
Eddy County, New Mexico

Dear Sir:

In view of the prevailing agreement by which the U. S. Government receives 12.50% royalties on all land in New Mexico, I am restating my previous farmout agreement to you with the following change:

1. You agree to pay me a royalty interest of 14.50% of 100% of the lease, free of any and all burdens and claims.

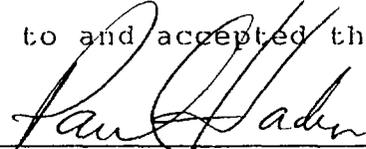
All other terms remain the same, to wit:

2. I bear no responsibility as to other interests or claims.
3. I will not warrant any title expressed or implied.
4. I will grant a three year lease, unless it is held by commercial production of either oil or gas, or both.
5. Under no circumstances will I be responsible for the operating expenses of Mewbourne, expenses of a dry hole, or title search expenses.

Sincerely,


MARGARET B. NICHOLS

AGREED to and accepted this 11TH day of January, 1994.

BY: 
MEWBOURNE OIL COMPANY

BY: _____
MARGARET B. NICHOLS

MARGARET D. NICHOLS
6211 W. Northwest Hwy.
Suite C253E
Dallas TX 75225

JAN 17 1994

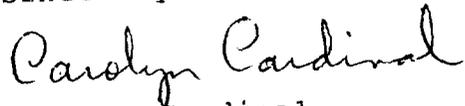
January 13, 1994

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

Dear Paul:

Enclosed please find your copy of the letter from
Mrs. Nichols in which you agree to the terms of her
farmout agreement with Mewbourne Oil Company.

Sincerely,



Carolyn Cardinal
Accountant

120 ac. Sec. 20.

Re: Margaret Nichols

Met with Mrs. Nichols
this date regarding our
proposed term assignment.

Discussed the terms of
the assignment with her,
she's to review it ~~for~~ along
with her attorney. If approved
she'll sign and return.

P.H.

1-11-94

120 ac. Sec. 20

Per Mrs. Nichols —

She will give us
a 3 yr. term assignment,
no cash, deliver us
a 73% NRI. I TOLD
HER I WOULD ~~BE~~ COME
TO DALLAS AFTER
XMAS AND DISCUSS IT.

P.H.
12-22-93

Per Mrs. Nichols —
She would give us
an assignment reduce
the cash, & retain a
14.5% ORI.

PH.

12-13-93

P 546 946 563
Call "20" State #1
RECEIPT FOR CERTIFIED MAIL
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

U.S.G.P.O. 1989-234-555
 PS Form 3800, June 1985

Sent to <i>Margaret B. Nichols</i>	
Street and No. <i>6900 Baltimore</i>	
P.O., State and ZIP Code <i>Dallas, TX 75205</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 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.
- 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:
Mrs Margaret B. Nichols
6900 Baltimore
Dallas, TX
75205

4a. Article Number
546-946-563

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

5. Signature (Addressee)
Margaret Nichols

6. Signature (Agent)

7. Date of Delivery
12-4-93

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

December 1, 1993

Mrs. Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
Section 20, T18S, R28E
Eddy County, New Mexico

Dear Mrs. Nichols:

Mewbourne Oil Company (Mewbourne) previously proposed the drilling of the captioned well on October 22, 1993 and invited you to either participate in the drilling of the well or sell or farmout your interest to Mewbourne.

It has become evident through our communications with the interest owners in the proposed proration unit that we will be unable to reach a voluntary agreement with all of the parties involved. In order to drill the well in a timely manner and to honor various commitments we have made, please be advised we intend to file an application for pooling before the New Mexico Oil Conservation Division in approximately two (2) weeks.

Mewbourne desires to avoid the necessity of a pooling hearing, therefore we will continue with our efforts to reach a voluntary agreement with all interest owners. We respectfully request that you reconsider your position and assist us in avoiding the pooling of this unit.

Should you have any questions concerning this matter, please do not hesitate to call. We would be happy to arrange a meeting between our companies to discuss this issue at your convenience in the near future.

Sincerely,

Mewbourne Oil Company

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

D. Paul Haden
Landman

PH:jls

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 19, 1993

Via Federal Express

Mrs. Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
N/2 Section 20-18S-R28E
Eddy County, New Mexico

Dear Mrs. Nichols,

Thank you for your letter of November 17, 1993 covering the captioned.

After careful review, we would be willing to accept the terms of your offer subject to the following amendments thereto:

1. As the lease is currently burdened by a 1/8th royalty or 12.50%, that leaves you with an 87.50% net revenue interest to begin with. We would request that you deliver an 81.25% net revenue interest to Mewbourne thereby retaining a 6.25% overriding royalty interest, which would equal a 3/16ths interest as stated in your letter.
2. Our offer is contingent upon approval of title.
3. Our agreement would provide for a 180 day continuous drilling option.
4. The bonus will be \$200.00 per acre.

Our Mr. Paul Haden will be in contact with you in the near future to discuss this proposal and answer any questions you may have.

Mrs. Margaret B. Nichols
November 19, 1993
Page 2

We appreciate your efforts to reach an agreement in this matter and are looking forward to finalizing this trade in the near future.

Sincerely,

Mewbourne Oil Company

A handwritten signature in black ink, appearing to read "Steve Cobb". The signature is written in a cursive, somewhat stylized font.

Steve Cobb
District Landman

SC/klc

MARGARET B. NICHOLS
6900 Baltimore Drive
Dallas, Texas 75205

November 17, 1993

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

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
Section 20, T18S, R28E
Eddy County, New Mexico

Dear Sir:

In reference to your letter of November 8, 1993, I have stated that I would propose a farmout agreement that would be consistent with what the average person would expect and that I would ask for the going rate which a royalty interest owner could expect to receive.

With respect to the acreage and title, I believe I hold between 120 and 160 acres, but will not be sure until you run the title. The title expenses will be your responsibility, not mine. I will not warranty a title expressed or implied.

I will grant a three year lease, unless it is held by commercial production of oil and gas, or both. I will not be responsible for the expenses of a dry hole or for any expenses in connection with your operation.

I am asking 3/16ths of 100% of this lease, which is what the average royalty holder gets. This 3/16ths will be given to me with no other burden or claim. Any and all claims on the production from this lease shall be your responsibility and none shall be held against the 3/16ths overriding royalty due to me.

Upon acceptance of the terms of this farmout, you will agree to pay me a lease bonus of \$250 per acre, to be paid in cash upon my signing this agreement.

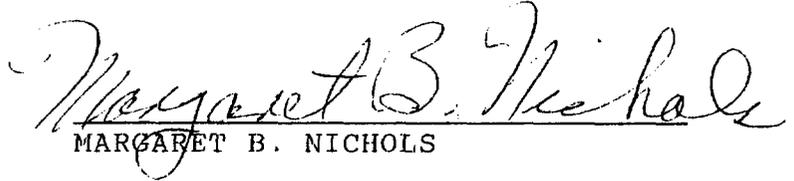
Under no conditions will I accept responsibility for drilling expenses or for the expenses of a dry hole. That risk is all yours.

The terms as described above and which are agreeable to me are as follows:

1. I bear no responsibility as to other interests or claims.
2. You agree to pay me a royalty interest of 3/16ths of 100% of this lease.
3. In consideration of my granting this lease, you agree to pay me, in cash, a lease bonus of \$250 per acre.
4. I will not warranty any title expressed or implied.

Please indicate your acceptance of the above terms by signing in the space provided and returning a duly executed copy of this letter to me. Upon receipt of said document, together with payment of the lease bonus, I will sign the agreement.

Sincerely,


MARGARET B. NICHOLS

AGREED to and accepted this _____ day of _____, 1993.

By: _____
MARGARET B. NICHOLS

By: _____
MEWBOURNE OIL COMPANY

WITNESS

WITNESS

Illinois 20

P 15 142 799



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, June 1991

Sent to <i>Margaret B. Nichols</i>	
Street and No. <i>6900 Baltimore</i>	
P.O., State and ZIP Code <i>Dallas Tx 75205</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>PH</i>	

6900 Baltimore Drive
Dallas, Texas 75205

November 17, 1993

214-361-0146

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

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
Section 20, T18S, R28E
Eddy County, New Mexico

Dear Sir:

In reference to your letter of November 8, 1993, I have stated that I would propose a farmout agreement that would be consistent with what the average person would expect and that I would ask for the going rate which a royalty interest owner could expect to receive.

With respect to the acreage and title, I believe I hold between 120 and 160 acres, but will not be sure until you run the title. The title expenses will be your responsibility, not mine. I will not warranty a title expressed or implied.

I will grant a three year lease, unless it is held by commercial production of oil and gas, or both. I will not be responsible for the expenses of a dry hole or for any expenses in connection with your operation.

I am asking 3/16ths of 100% of this lease, which is what the average royalty holder gets. This 3/16ths will be given to me with no other burden or claim. Any and all claims on the production from this lease shall be your responsibility and none shall be held against the 3/16ths overriding royalty due to me.

Upon acceptance of the terms of this farmout, you will agree to pay me a lease bonus of \$250 per acre, to be paid in cash upon my signing this agreement.

Under no conditions will I accept responsibility for drilling expenses or for the expenses of a dry hole. That risk is all yours.

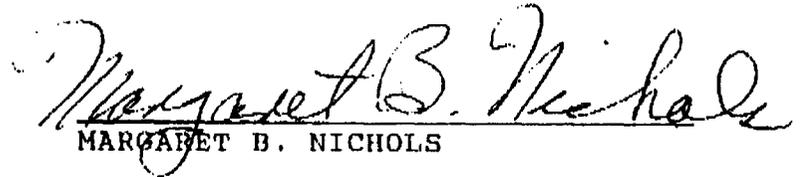
Page 2

The terms as described above and which are agreeable to me are as follows:

- 1. I bear no responsibility as to other interests or claims.
- 2. You agree to pay me a royalty interest of 3/16ths of 100% of this lease.
- 3. In consideration of my granting this lease, you agree to pay me, in cash, a lease bonus of \$250 per acre.
- 4. I will not warranty any title expressed or implied.

Please indicate your acceptance of the above terms by signing in the space provided and returning a duly executed copy of this letter to me. Upon receipt of said document, together with payment of the lease bonus, I will sign the agreement.

Sincerely,


 MARGARET B. NICHOLS

AGREED to and accepted this _____ day of _____, 1993.

By: _____
MARGARET B. NICHOLS

By: _____
MEWROURNE OIL COMPANY

WITNESS

WITNESS

Per Margaret Nichols -

She is not interested
in me meeting with her
in Dallas to discuss our
proposal. She simply is not
interested in negotiating a trade
at this time probably after
X-mas. P.H. 11-8-93

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 8, 1993

Margaret B. Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
T18S, R28E
Section 20: SW/4NE/4 and W/2SE/4
below a depth of 3000'
Eddy County, New Mexico

Dear Mrs. Nichols:

This is in follow up of our recent phone conversation regarding your interest in the captioned land and our proposed Morrow test well to be drilled to a depth of approximately 10,600'. For reference, Mewbourne Oil Company previously offered to purchase your interest in the captioned 120 acre tract of land or alternatively we offered to acquire your interest by farmout or if you desired, you could join Mewbourne in drilling Mewbourne's proposed well to the extent of your interest in the spacing unit dedicated to the well (the N/2 of the captioned Section 20).

You advised me that you were not interested in selling your interest to Mewbourne, nor were you interested in farming your interest out to Mewbourne nor were you interested in participating with Mewbourne in the drilling of the proposed well.

As we discussed, in the event you do not elect to choose any of the above offered three (3) options, your interest in the spacing unit of the proposed well would be subject to forced pooling under the rules and regulations administered by the New Mexico Oil Conservation Division (the "Division") in Santa Fe, New Mexico.

In the event your interest is forced pooled, you would not receive any monetary benefit until such time as Mewbourne recovered its total investment in the drilling and completion of the well and operation charges. Furthermore, the Division would allow us to recover an additional 200% of such well and operations costs as a risk penalty against you as to your proportionate interest in the drilling unit associated with the well. At such time as we recover the 300% of the well and operational costs associated with the proposed well, you will become a working interest owner. When

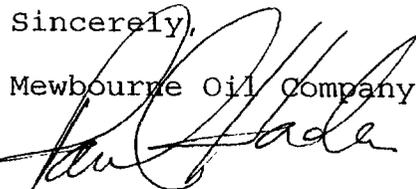
Margaret B. Nichols
November 8, 1993
Page 2

and if such event occurs, you will be obligated to pay your proportionate part of the expenses associated with such well including plugging and abandonment costs when the well is no longer economical to continue to produce. Generally speaking, all we hope to get out of a well is a 3 to 1 return on investment which corresponds with the 300% penalty assessed against you as to your proportionate interest in the well.

Regarding the above, I am requesting you to reconsider your position regarding our well proposal. In light of the fact that you have indicated that you do not wish to participate in this well, we ask that you either sell or farmout your interest to Mewbourne as previously offered.

Time is of the essence in this matter as we will be filing an application for compulsory pooling within the next thirty (30) days. As we would like to avoid the necessity of having to compulsory pool the above land, we would appreciate receiving a written commitment from you prior to December 1, 1993. As I have discussed with you previously, I would be glad to meet with you anytime to discuss our proposal.

Your kind consideration regarding this matter is greatly appreciated.

Sincerely,

Mewbourne Oil Company
D. Paul Haden, CPL
Landman

DPH/klc

Margaret Nichols —

Her husband died this summer, she's trying to ~~write~~ administer his estate. She doesn't want to make any decisions right now. I advised her of pooling. She's to talk with someone Thursday. I'm to call her Monday to set up an appointment.

P.H.

11-1-93

SENDER:

- Complete items 1 and 2 for additional services.
- Complete items 3, a, & 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 Fee will provide you the signature of the person delivered to and the date of delivery.

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

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee:

3. Article Addressed to:

*Leonard & Margaret Nichols
6900 Ballinore
Dallas, TX 75205*

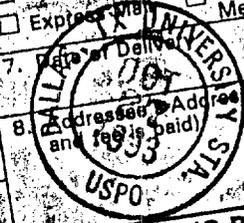
4a. Article Number

155 142856

4b. Service Type

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

7. Date of Delivery



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

5. Signature (Addressee)

[Signature]

6. Signature (Agent)

[Signature]

DOMESTIC RETURN RECEIPT

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

October 22, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Leonard and Margaret Nichols
6900 Baltimore
Dallas, Texas 75205

Re: Chalk Bluff Draw Prospect
Illinois Camp "20" State #1 Well
Section 20, T18S, R28E
Eddy County, New Mexico

Ladies and 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. The N/2 of the captioned Section 20 will be dedicated as the proration unit for the well.

This well will be located approximately 660' FNL & 1115' FWL of Section 20, T18S, R28E, Eddy County, New Mexico. Our AFE dated October 20, 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 20 for a period of 180 days to Mewbourne under the following general terms:

Leonard and Margaret Nichols
October 22, 1993
Page 2

- (A) If any well drilled, deepened, completed or recompleted 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.
- (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 New Mexico Oil Conservation Division approved proration units that include your acreage to establish oil and/or gas production under the captioned lands. 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 lease(s). Such overriding royalty interest retained by you shall be subject to proportionate reduction.
- (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 to you 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 \$250.00 per net acre delivering an 87.5% net revenue interest to Mewbourne.

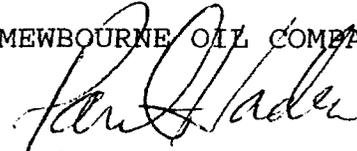
As we anticipate drilling the captioned well in the first quarter of 1994 your earliest response to this proposal would be greatly appreciated.

Leonard and Margaret Nichols
October 22, 1993
Page 3

Should you have any questions, please do not hesitate to call.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in cursive script, appearing to read "Paul Haden", written over the typed name.

Paul Haden, CPL
Landman

PH/klc

Postage	\$
Certified fee	
Special Delivery fee	
Restricted Delivery fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing Date and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

*Leonard & Margaret Nichols
6900 Baltimore
Dallas TX 75205*



Certified Mail
 Air Insurance Coverage Provided
 Do not use for International Mail
 (See Reverse)

P 155 142 857

SENDER:

- Complete Items 1 and 2 for additional services.
- Complete Items 3, 4, and 5.
- 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 Fee will provide you the signature of the person delivered to and the date of delivery.

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

- Addressee's Address
 - Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:
*Leonard & Margaret Nichols
 6900 Baltimore
 Dallas, Texas 75205*

4a. Article Number
P 155 142 857

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

5. Signature (Addressee)
[Signature]

7. Date of Delivery
[Stamp: DALLAS, TEXAS JUN 20 1991]

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

6. Signature (Agent)

PH
Jun 20

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

October 20, 1993

Certified Mail - Return Receipt Requested P 155 142 857

Leonard and Margaret Nichols
6900 Baltimore
Dallas, Texas 75205

Re: State Lease 647
Chalk Bluff Draw Prospect
T18S, R28E
Section 20: SW/4NE/4 and
W/2SE/4 below the base of
the San Andres formation
Eddy County, New Mexico

Dear Mr. & Mrs. Nichols:

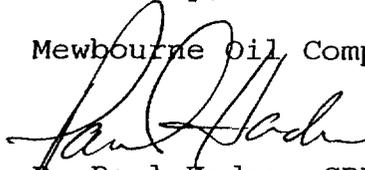
To date, we have not received a response from you regarding our offer to purchase your interest under the captioned land as referenced in our letter dated September 23, 1993 (see copy enclosed).

In the event you are not interested in selling your interest under the terms offered by Mewbourne, please advise the undersigned as to the terms that would be acceptable to you. Alternatively, Mewbourne would be interested in acquiring a farmout of your rights on mutually acceptable terms wherein you would deliver Mewbourne a 75% net revenue interest in your lease.

Regarding the above, please call the undersigned at your early convenience. Your cooperation in connection with the above land will be greatly appreciated.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

DPH/klc

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

September 23, 1993

Leonard and Margaret
B. Nichols
1700 Commerce, Suite 1005
Dallas, Texas 75201

Re: State Lease 647
Chalk Bluff Draw Prospect
T18S, R28E
Section 20: SW/4NE/4 and W/2SE/4
below the base of the San Andres
formation
Eddy County, New Mexico

Dear Mr. and Mrs. Nichols:

Mewbourne Oil Company (Mewbourne) desires to consolidate its interest in those areas in which it conducts operations.

Records available to us indicate you own 120 net acres under the captioned lands with a 87.5% net revenue interest.

Mewbourne hereby offers you \$150.00 per acre for all of your right, title and interest in the captioned lands and depths subject to the following general terms:

1. Leonard Nichols and wife, Margaret B. Nichols (Nichols) to deliver a 100% working interest and a 87.5%% net revenue interest to Mewbourne.
2. Nichols agrees to furnish to Mewbourne free of any cost whatsoever, copies of all records and files in their possession covering the captioned lands.
3. This offer is contingent upon Mewbourne's approval of title and form of Assignment.
4. The effective date of this sale will be October 1, 1993.
5. Nichols agrees to convey its interest in the captioned lands to Mewbourne free and clear of all liens, mortgages or encumbrances whatsoever.

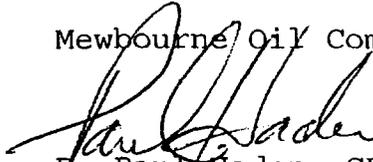
Leonard and Margaret
B. Nichols
September 23, 1993
Page 2

Should the above terms meet with your approval, please so signify by signing in the space provided and return an executed copy of this letter to the undersigned within thirty days from receipt.

Failure to respond within thirty days shall render this offer voidable at Mewbourne's sole discretion.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

DPH/kls

AGREED to and accepted this _____ day of _____, 1993.

By: _____

Leonard Nichols

Margaret B. Nichols