

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

CERTIFIED MAIL NO. 6675

May 21, 2004

Fortson Oil Company
301 Commerce Street, Suite 3301
Fort Worth, TX 76102-4133
Attn: Mr. Brett Taylor

(817) 335-5641

6-8-04. Brett Taylor (817) 946-4414 Left message!

6-16-04 Brett Taylor Left message

6-17-04 Brett called to say they would either participate or
Grant a 2 yr TA for \$250/ac @ 15%

Re: Proposed Morrow Test
Snowman "2" State COM #1
Section 2, T-20-S, R-27-E
Eddy County, New Mexico
Snow Prospect

6-18-04 Brett called left message. 95% sure they will participate will sign
final answer by mid next week. wants to see JAL

6-22-04: Brett called want info about conveyance into Ben Fortson, Trustee,
Executed copy late in the day.

6-24- Call & left message with Brett. Informed him we will be getting on
7/22 deckett.

Gentlemen:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,300' Morrow test at a legal location in the SE/4SE/4 Section 2, T-20-S, R-27-E, Eddy County, New Mexico to be called the Snowman "2" State COM #1 well. Assuming a successful completion requiring 320 acre spacing, a S/2 communitized proration unit would be established. Accordingly, Mewbourne also proposes the formation of a working interest unit consisting of the S/2 of said Section 2 to facilitate drilling the proposed well.

Based upon our most current title information Fortson Oil Company (Fortson) appears to own a 50% working interest in State of New Mexico Lease L-6958 insofar as it covers the NW/4SW/4 of said Section 2. Assuming our title information is correct, Fortson would have a 6.25% working interest in a S/2 unit.

To indicate an election to participate in the proposed well, please execute and return one of the enclosed AFE well cost estimates. Upon receipt of your election to participate, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. Should you choose not to participate, Mewbourne hereby extends an offer to purchase a two (2) year Term Assignment covering all of Fortson's 20 net acre interest in the NW/4SW/4 of said Section 2 for \$150.00 per net mineral acre based upon delivery of a 80% net revenue to Mewbourne and use of a mutually acceptable Term Assignment form.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith
Senior Landman

Attachments

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13306 Exhibit No. 2
Submitted by:
MEWBOURNE OIL COMPANY
Hearing Date: August 5, 2004

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Fortson Oil Company
301 Commerce Street, Suite 3301
Fort Worth, TX 76102-4133
Attn: Mr. Brett Taylor

2. Article Number
(Transfer from service label)

7003 1680 0006 6283 6675

PS Form 3831, August 2001

Domestic Return Receipt

102595-02-M-1540

Shourman 2 State Com #1

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

K. Croach

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

MAY 26 2004

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

FORTSON OIL COMPANY
301 COMMERCE STREET
SUITE 3301
FORT WORTH, TEXAS 76102-4133
(817) 335-5641
FAX (817) 336-4853

CERTIFIED RETURN RECEIPT

June 28, 2004

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701
Attention: Steve Smith

RE: Snowman "2" State COM #1
Eddy County, New Mexico

Dear Steve:

Pursuant to our telephone conversation and your proposal later dated May 21, 2004, Fortson Oil Company or one of it's related family or employee entities, will either

- (a) participate for our interest in your proposed Snowman "2" State COM #1 in Eddy County, New Mexico, subject to a mutually acceptable Operating Agreement, or
- (b) deliver to you a two year Term Assignment for \$150.00 per net leasehold acre delivering to Mewbourne a 77% NRI based upon 100% ownership.

In the event of a Term Assignment, the lands covered will be South one-half of Section 2, Township 20 South, Range 27 East, Eddy County, New Mexico. Mr. Fortson is not willing to sell or farmout his interest in the North one-half of said Section 2 at this time.

I look forward to receiving your proposed Operating Agreement and if you desire, I will send you an Operating Agreement immediately which is acceptable to us and approved by our attorney.

Thank you for your help in this matter and we look forward to participating with Mewbourne in this project.

Very truly yours,


Brett G. Taylor

BGTmmr

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

CERTIFIED MAIL NO. 7368

July 8, 2004

Fortson Oil Company
301 Commerce Street, Suite 3301
Fort Worth, TX 76102-4133
Attn: Mr. Brett Taylor

Re: Joint Operating Agreement
Angel Draw "2" State COM #1
S/2 Section 2, T-20-S, R-27-E
Eddy County, New Mexico
Angel Draw Prospect

Gentlemen:

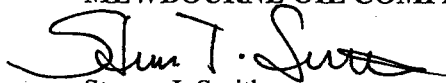
Reference is made to Mewbourne Oil Company's proposal to drill a 11,300' Morrow test at a legal location in the SE/4SE/4 of Section 2, T-20-S, R-27-E, Eddy County, New Mexico. When originally proposed, the well was to be called the Snowman "2" State COM #1 well. Please be advised that the name of the well has been changed to the Angel Draw "2" State COM #1 and the well has been staked at a location 990' FSL & 660' FEL of said Section 2.

In connection with our efforts to drill this well, enclosed for your review and execution on behalf of Fortson Oil Company or a Fortson family entity (Fortson) is the 1989 Model Form Joint Operating Agreement proposed by Mewbourne along with an extra set of signature and acknowledgement pages. At your earliest convenience, please have the JOA along with the extra set of signature and acknowledgement pages properly executed on behalf of Fortson and return the extra set of signature and acknowledgement pages to my attention. A copy of the fully executed JOA will be set to you when available.

Thank you for your cooperation. Feel free to call me if you have any questions. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY


Steven J. Smith
Senior Landman

Attachments

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Fortson Oil Company
301 Commerce St., Suite 3301
Fort Worth, TX 76102-4133
Attn: Mr. Brett Taylor

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

C. Croach

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

JUL 12 2004

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below: ☐ No

3. Service type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

7003 1680 0006 6283 7368

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

Angel Wilson

FORTSON OIL COMPANY

301 COMMERCE STREET

SUITE 3301

FORT WORTH, TEXAS 76102-4133

(817) 335-5641

FAX (817) 336-4853

July 15, 2004

Mewbourne Oil Company
500 West Texas, Ste. 1020
Midland, Texas 79701

Attn: Steve Smith

Re: Snowman #2, State Com. #1;
also referred to as Angel Draw #2,
State Com. #1, being located in S/2
Sec. 2, T-20-S, R-27-E
Eddy County, New Mexico

Dear Steve,

To further clarify our letter dated June 28, 2004, regarding the above referenced Mewbourne Oil Company proposed well, Fortson Oil Company, Ben J. Fortson, Trustee or their assigns, will participate for our interest in the drilling of the above referenced well subject to a mutually acceptable operating agreement.

We understand this well is scheduled to spud August 1, 2004, but may be delayed to September 1, 2004. Please keep us advised as to the drilling schedule, and we look forward to negotiating with you towards a mutually acceptable operating agreement.

If you have any questions please contact me anytime at 817 946 4414.

Very truly yours,

FORTSON OIL COMPANY

A handwritten signature in black ink, appearing to read "Brett G. Taylor", with a long horizontal line extending to the right.

Brett G. Taylor
Attorney-in-Fact

midland

07/22/2004 11:23 AM

To: tverne@sbcglobal.net

cc:

Subject: Angel Draw 2 DTO - from Steve Smith

Verne,

Per our conversation, attached is the Drilling Title Opinion for the Angel Draw 2 St. COM #1 well. As we discussed, please forward a copy to Brett at Fortson.

There is one requirement concerning the Fortson interest being Requirement F on page 17. Please provide curative necessary to satisfy this requirement.

Thanks!!

Steve Smith
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, TX 79701
(432)682-3715
(432)685-4170 FAX
ssmith@mewbourne.com



Angel Draw 2 DTO.pc

OFFICE
[432] 684-7933

T. VERNE DWYER
OIL & GAS INVESTMENTS
500 W. WALL, SUITE 310
MIDLAND, TEXAS 79701

FAX
[432] 684-4032

August 4, 2004

Via Facsimile

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

Attn: Mr. Steve Smith

RE: Angel Draw "2" State Com #1
Eddy County, New Mexico
Township 20 South, Range 27 East
Section 2: S/2

Dear Steve:

Enclosed herewith are the following:

- 1) Letter dated August 4, 2004, signed by Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer which states the ownership of certain operating rights under the captioned proposed well, and also states the intention of the parties to negotiate in good faith with Mewbourne to obtain a mutually acceptable operating agreement.
- 2) AFE's for the captioned well executed by BGT Investments, LLC and T. Verne Dwyer.

Very truly yours,



T. Verne Dwyer

TVD:jws
Enclosures

cc: Mr. William F. Carr with above enclosures
Fax (505) 983-6043

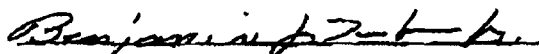
New Mexico Oil Conservation Division with above enclosures
Fax (505) 476-3462

Mewbourne Oil Company

August 4, 2004

Page Two

This letter is being signed in counterpart to show Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer all agree to and accept the terms as stated above.



Benjamin J. Fortson, Jr.

Executed August 4, 2004



T. Verne Dwyer

Executed August 4, 2004

BGT Investments, LLC

By: _____

Brett G. Taylor, President

Executed August _____, 2004

OFFICE
(432) 684-7933

T. VERNE DWYER
OIL & GAS INVESTMENTS
500 W. WALL, SUITE 310
MIDLAND, TEXAS 79701

FAX
(432) 684-4032

August 4, 2004

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

Attn: Mr. Steve Smith

RE: Angel Draw "2" State Com #1
Eddy County, New Mexico
Township 20 South, Range 27 East
Section 2: S/2

Dear Steve:

Please be advised that Benjamin J. Fortson, Jr., who owns 50% of the operating rights in the NW/4SW/4 of Section 2, Township 20 South, Range 27 East, Eddy County, New Mexico, is assigning his interest in the operating rights to the following in equal shares:

- BGT Investments, LLC
P. O. Box 9
Aledo, Texas 76008
- T. Verne Dwyer, Sole and Separate Property Under the Will
of Agnes W. Dwyer, Deceased
500 West Wall, Suite 310
Midland, Texas 79701


Attached hereto are copies of Mewbourne Oil Company's AFE for the captioned well which have been signed by BGT Investments, LLC and T. Verne Dwyer.

Both BGT Investments, LLC and T. Verne Dwyer agree to negotiate in good faith with Mewbourne to obtain a mutually acceptable operating agreement for the captioned well.

Mewbourne Oil Company
August 4, 2004
Page Two


This letter is being signed in counterpart to show Benjamin J. Fortson, Jr., BGT Investments, LLC and T. Verne Dwyer all agree to and accept the terms as stated above.

Benjamin J. Fortson, Jr.
Executed August _____, 2004



T. Verne Dwyer
Executed August 4, 2004

BGT Investments, LLC

By: 

Brett G. Taylor, President
Executed August 4th, 2004