

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

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**T. VERNE DWYER**  
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MIDLAND, TEXAS 79701

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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:

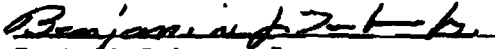
- **BGT Investments, LLC**  
P. O. Box 9  
Aledo, Texas 76008
- **T. Verne Dwyer, Sole and Separate Property Under the Will  
of Agnes W. Dwyer, Deceased**  
500 West Wall, Suite 310  
Midland, Texas 79701


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 4, 2004

  
T. Verne Dwyer  
Executed August 4, 2004


BGT Investments, LLC


By: \_\_\_\_\_  
Brett G. Taylor, President  
Executed August \_\_\_\_\_, 2004

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

**MEWBOURNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect: Angel DrawWell Name & No: Angel Draw 2 State Com #1

Field: \_\_\_\_\_

Location: 990' FSL & 660' FELSection: 2 Block: \_\_\_\_\_ Survey: \_\_\_\_\_Township 20S Range: 27ECounty: Eddy State: NMProposed Depth: 11,300'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
<b>INTANGIBLE COST 180</b>			
300	Permits and Surveys	\$3,000	\$1,000
301	Location, Roads and Site Preparation	\$26,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work (30 Days @ \$500/Day + 2 Days @ TD)	\$255,000	\$17,000
304	Fuel	\$30,000	
305	Completion / Workover Rig		\$15,000
306	Mud and Chemicals	\$30,000	\$1,000
307	Cementing	\$30,000	\$20,000
308	Logging, Wireline and Coring Services	\$35,000	\$12,000
309	Casing, Tubing & Snubbing Services	\$4,500	\$6,000
310	Mud Logging	\$17,000	
311	Testing	\$1,000	\$1,000
312	Treating		\$100,000
313	Water & Other	\$10,000	\$1,000
314	Bits (1 - 17 1/2", 1 - 12 1/4", 4 - 8 3/4")	\$50,000	
315	Inspection & Repair Services	\$3,500	\$6,500
316	Misc. Air and Pumping Services	\$5,000	\$2,000
320	Rig Mobilization & Transportation	\$26,000	\$1,000
321	Welding and Construction	\$2,500	\$2,000
322	Engineering & Contract Supervision	\$5,000	
330	Equipment Rental	\$15,000	\$1,000
334	Well / Lease Legal	\$3,000	\$1,000
335	Well / Lease Insurance	\$15,500	
350	Intangible Supplies	\$1,000	\$500
355	Damages	\$1,500	
360	Pipeline and Electrical ROW and Easements		\$3,000
367	Pipeline Interconnect		
376	Company Supervision	\$20,000	\$3,500
380	Overhead Fixed Rate	\$6,000	\$4,000
398	Well Abandonment	\$12,000	(\$12,000)
399	Contingencies 10% / 10%	\$60,700	\$18,800
<b>Total Intangibles</b>		<b>\$667,200</b>	<b>\$206,800</b>
<b>TANGIBLE COST 181</b>			
797	Conductor Casing 40" 20" (Included in location)		
797	Surface Casing 450' 13 3/8" 48# H-40 STC @ \$26.00/ft	\$11,700	
797	Intermediate Casing 3000' 9 5/8" 40# J-55 STC @ 22.33/ft	\$67,000	
797	Intermediate Casing		
797	Production Casing 11,300' 5 1/2" 17# S95/N80 LTC @ \$12.03/ft		\$136,800
798	Tubing 11,000' 2 7/8" 6.5# P-110 EUE 8rd @ 5.55/ft		\$61,100
860	Drilling Head	\$7,000	
870	Tubing Head & Upper Section		\$15,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$10,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$5,000
891	Tanks - Other		\$3,000
895	Separation Equipment		\$12,000
896	Gas Treating Equipment		
898	Metering Equipment		\$4,000
900	Line Pipe - Gas Gathering & Transportation +2000', 4" 1.88 wall, X-42 w/coating		\$10,000
901	Line Pipe - Production		\$1,000
906	Miscellaneous Fittings, Valves & Accessories		\$10,000
908	Electrical Installations		
910	Production Equipment Installation		\$16,000
920	Pipeline Construction		\$10,000
<b>Total Tangibles</b>		<b>\$85,700</b>	<b>\$292,700</b>
<b>Subtotal</b>		<b>\$752,900</b>	<b>\$499,500</b>
<b>TOTAL WELL COST</b>		<b>\$1,252,400</b>	

Date Prepared 05/20/04

Total Tangibles

Prepared by: M. Young

SUBTOTAL

Company Approval: *M. Whittier*

TOTAL WELL COST

Date Approved: 06/01/04 (REVISED)

Joint Owner Approval: \* *T. Verne Dwyer*

Joint Owner Interest: 3.125%

Joint Owner Amount: Cost to Casing Point = \$23,528.13; Completion Cost = \$15,609.38; Total Well Cost = \$39,137.51

\*T. Verne Dwyer, Sole and Separate Property Under the Will of Agnes W. Dwyer, Deceased

**NEWMOURNE OIL COMPANY**  
**AUTHORIZATION FOR EXPENDITURE**

Project: Angel Deer Well Name & No: Angel Basin 3 State Own #1  
 Field: \_\_\_\_\_ Location: 889' FSL & 889' FSL  
 Section: 3 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township: 20S Range: 27E  
 County: Edgely State: NM Proposed Depth: 11,388'

	DESCRIPTION	Cost To	Completion
		Casing Point	Cost
		AFE NO.	AFE NO.
	<b>INTANGIBLE COST 100</b>		
200	Permits and Surveys	\$0.000	\$1,000
201	Leasing, Bonds and Site Preparation	\$00.000	\$1,000
202	Provision for Temporary Casing		
203	Day Work (20 Days @ \$400/Day + 8 Days @ TOL)	\$200.000	\$17,000
204	Fuel	\$00.000	
205	Construction / Workover Rig		\$15,000
206	Mud and Chemicals	\$00.000	\$1,000
207	Concrete	\$00.000	\$00,000
208	Logging, Wireline and Coring Services	\$00.000	\$17,000
209	Electric, Towing & Spooling Services	\$4.000	\$0,000
210	Mud Logging	\$17.000	
211	Testing	\$1.000	\$1,000
212	Trucking		\$100,000
213	Water & Other	\$10.000	\$1,000
214	Rig (1 - 17 1/2" x 12 1/2" x 8 - 8 3/4")	\$00.000	
215	Inspection & Repair Services	\$2.000	\$0,000
216	Mud Off and Purification Services	\$0.000	\$2,000
217	Site Investigation & Transportation	\$00.000	\$1,000
218	Wellhead and Completion	\$0.000	\$0,000
219	Refracturing & Cement Expansion	\$0.000	
220	Equipment Rental	\$10.000	\$1,000
221	Well / Lease / Cost	\$0.000	\$1,000
222	Well / Lease / Material	\$10.000	
223	Intangible Supplies	\$1.000	\$000
224	Drumming	\$1.000	
225	Produce and Storage ROW and Easements		\$0,000
226	Planting Investment		
227	Drumming Subcontract	\$00.000	\$0,000
228	Drumming Plant Rate	\$0.000	\$0,000
229	Well Abandonment	\$10.000	\$10,000
230	Contractor 10% / 10%	\$00.700	\$00,000
	<b>Total Intangible</b>	<b>\$207.000</b>	<b>\$200,000</b>
	<b>TANGIBLE COST 101</b>		
707	Concrete Casing 40' 30" (included in location)		
707	Surface Casing 400' 15 3/4" 400' 10-40 BTC @ \$00.000	\$11,700	
707	Intermediate Casing 800' 8 5/8" 400' 10-40 BTC @ \$0.250	\$00.000	
707	Intermediate Casing		
707	Production Casing 11,000' 6 1/2" 170,000,000 (TC @ \$10.000)		\$100,000
708	Tubing 11,000' 2 7/8" 6.82 P-110 BUE End @ \$0.250		\$01,000
800	Casing Head	\$7.000	
870	Tubing Head & Upper Section		\$10,000
870	Upper Pipe		
880	Procter Pumps & Subsurface Equipment		\$10,000
884	Artificial Lift Systems		
885	Charging Unit		
888	On Road Pumps & Prime Movers		
889	Tubing - Head		\$0,000
891	Tubing - Other		\$2,000
894	Separation Equipment		\$12,000
899	Gas Treating Equipment		
900	Isolation Equipment		\$0,000
900	Line Pipe - Gas Separating & Transportation - 2000' 4" 1.55 wall, 30-42 separating		\$10,000
901	Line Pipe - Production		\$1,000
904	Accessories, Pumps, Valves & Accessories		\$10,000
909	Equipment Installation		
910	Production Equipment Installation		\$10,000
920	Produce Contribution		
	<b>Total Tangible</b>	<b>\$24,700</b>	<b>\$200,000</b>
	<b>SUBTOTAL</b>	<b>\$231,700</b>	<b>\$400,000</b>
	<b>TOTAL WELL COST</b>	<b>\$1,400,000</b>	

Date Prepared: 05/20/04 Total Tangible  
 Prepared by: M. Young SUBTOTAL  
 Company Approval: THE NEWMOURNE OIL COMPANY TOTAL WELL COST  
 Date Approved: 08/04/04  
 John Owner Approval: [Signature]  
 John Owner Interest: 3.75%  
 John Owner Address: Cost to Casing Point = \$23,520.13; Completion Cost = \$10,000.00; Total Well Cost = \$33,520.13  
 \*SGT Investments, LLC - By: Brett G. Teylan, VP, FE001.0000

Angel Deer 2 RI Job