

Case No. 13409
Summary of Communications
Pinta "29" Federal Com. #2 Well
N/2SE/4 of Section 29, T18S, R30E
Eddy County, New Mexico

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 3

MYCO Industries, Inc.	2.083350% WI
Yates Drilling Company	1.583300% WI
John A. Yates	1.041675% WI
John A. Yates, Trustee of Trust "Q" u/w/o	1.041675% WI
Peggy A. Yates, Deceased	
Sacramento Partners Limited Partnership	<u>.0500000% WI</u>
	6.2500000% WI

Rob Bullock - Landman (505) 748-4351

- 1) Proposed well with AFE enclosed via certified mail dated November 12, 2004.
- 2) Follow up phone call 1-7-05 to Shari Darr Hodges with Myco, Chuck Moran and Rob Bullock with the Yates group. They said they would get their geologist to review our proposal to get us a decision soon.
- 3) Received letter dated 1-19-05 from the Yates group with signed AFE enclosed.
- 4) Sent letter dated 1-21-05 with Operating Agreement dated 1-13-05 for execution by the Yates group.

New Tex Oil Company 1.25% WI
Mr. Hal Brunson (505) 393-6169

- 1) Proposed well with AFE enclosed via certified mail dated November 16, 2004.
- 2) Received phone call 11-29-04 from Mr. Brunson wherein he agreed to sell us an 18 month term assignment @ \$150.00 per acre providing a 75% net revenue interest as to his interest.
- 3) Received letter dated 11-29-04 with his form of term assignment enclosed for our consideration.
- 4) Sent letter dated December 10, 2004 with our form of term assignment for Mr. Brunson's consideration and execution with our check enclosed for the agreed lease bonus consideration. Advised Mr. Brunson that his form of assignment was not acceptable.
- 5) Sent letter dated 1-21-05 via certified mail with our proposed Operating Agreement dated 1-13-05 with AFE enclosed in the event Mr. Brunson decided to join in the well in lieu of granting us a term assignment as was previously agreed.
- 6) Received phone call from Mr. Brunson 1-24-05 wherein Mr. Brunson agreed to execute our term assignment provided the term assignment was for an 18 month term in lieu of a 2 year term. Advised Mr. Brunson that we were agreeable to an 18 month term, that I would revise the term assignment to provide for same.
- 7) Sent letter 1-28-05 to Mr. Brunson with our revised term assignment for this execution as agreed.

Petroleum Reserve Corporation
Timothy Murin - President

12.500% WI

- 1) Proposed well with AFE enclosed via certified mail dated November 16, 2004.
- 2) Sent letter dated 1-21-05 via certified mail with Operating Agreement dated 1-13-05 with AFE enclosed.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 21, 2005

Yates Drilling Company, et al
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attn: Mr. Robert H. Bullock

Re: Pinta "29" Federal Com. #2 Well
N/2SE/4 of Section 29
T18S, R30E
Eddy County, New Mexico


Gentlemen:

Enclosed for your further handling regarding the captioned proposed well and land is our Operating Agreement dated January 13, 2005 prepared for the Yates group's execution. Please have the Operating Agreement executed and return only the signature pages to me at your earliest convenience. Retain the Operating Agreement for your file.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

January 19, 2005

Attn: D. Paul Haden
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, TX 79701

**RE: Pinta 29 Fed Com #2 AFE
Section 29, T18S, R30E
Eddy County, New Mexico**

Gentlemen:

Please find enclosed your AFE covering the captioned well which has been signed on behalf of Yates Drilling Company, Myco Industries, Inc., Sacramento Partners Limited Partnership, John A. Yates and Trust Q although our joining the well is subject to signing a mutually acceptable Operating Agreement.

Should you have any questions please call Rob Bullock at 505-748-4351.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Barbara Nelson
Land Associate

:bn
enclosure(s)

Myco Industries, Inc. - Shari D. Hodges

Called Shari this date to see if they had any decision yet regarding their participation. She hasn't seen anything yet, the proposal is probably in the Yates office. She said for me to talk to Chuck Moran.

PH.
1-7-05

Yates group - Chuck Moran

Called Chuck this date, left message. Later he called and said Rob Bullock was handling. For Rob - they're joining, send JTA for execution. PH.

1-7-05

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:

MYCO Industries, Inc., et al
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attn: Shari Darr Hodges

COMPLETE THIS SECTION ON DELIVERY

A. Signature of Addressee
Kathy Donnell

B. Received by (Print Name) *KATHY DONNELL* Date of Delivery *10/16/99*

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

3. ☒ Registered Mail ☐ Express Mail

☐ Registered ☐ Return Receipt for Merchandise ☐ O.D.D.

☐ Insured Mail ☐ Restricted Delivery ☐ Signature Required ☐ Yes ☒ No

2. Article Number (Transit/Item Service/Postage)

7002 2410 0000 1362 5485

PS Form 3811, August 2000 *Put on 29-42* Domestic Return Receipt

102535-02-11-0-70

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 12, 2004

Via Certified Mail-Return Receipt No. 5485

MYCO Industries, Inc., et al
105 South Fourth Street
Artesia, New Mexico 88210-2118
Attn: Shari Darr Hodges

Re: Pinta "29" Federal #2 Well
1980' FSL & 2130' FEL
Section 29, T18S, R30E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Bone Spring formation, total estimated depth being 7,600' beneath the surface. The N/2SE/4 of the captioned Section 29 will be dedicated to the well for spacing unit purposes.

Title examination indicates MYCO Industries, Inc. owns a 4.1667% WI, John A. Yates owns a 2.08335% WI, Trust Q u/w/o Peggy A. Yates, Deceased owns a 2.08335% WI, Yates Drilling Company owns a 3.1666% WI and Sacramento Partners owns a 1.00% WI in the NW/4SE/4 below the base of the Queen formation. Such interests are currently only burdened by a 1/8 royalty interest.

Regarding the above, enclosed for your consideration and execution is a copy of our AFE dated November 1, 2004 (an estimated well cost) for the captioned proposed well in the event you elect to participate in the well to the extent of your leasehold interest in the referenced spacing unit. Should you elect to participate, please sign and return one (1) copy of the enclosed AFE and I will forward you our Operating Agreement for execution.

Should you have any questions regarding the above, please call or write to me at your earliest convenience. Our phone number and address is on the letterhead.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 28, 2005

New Tex Oil Company
P.O. Box 297
Hobbs, New Mexico 88241
Attn: Mr. Hal Brunson

Re: Pinta "29" Federal Com #2
N/2SE/4 of Section 29,
T18S, R30E
Eddy County, New Mexico

Dear Hal:

As discussed, enclosed for your further handling is a revised Term Assignment of Operating Rights which provides for an eighteen (18) month term in lieu of a two (2) year term.

In reference to the above, please execute both assignments and return one (1) to me whereby you will retain the duplicate executed original for your file. Upon availability, we will forward you a recorded copy for your file. Upon our receipt of the executed term assignment, we will dismiss you from the pooling hearing.

Your cooperation in connection with this project is greatly appreciated.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

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:

New Tex Oil Company
P.O. Box 297
Hobbs, New Mexico 88241
Attn: Mr. Hal Brunson

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X. Lawrence Sharp ☐ Agent ☐ Addressee

B. Received by (Print Name)

C. Date of Delivery

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

3. Service Type

- ☒ Registered Mail ☐ Express Mail
- ☐ Registered Mail ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ G.O.D.

4. Restricted delivery (Z42/43)

☐ Yes ☐ No

2. Article Number
(Transfer from series 2001)

7002 2410 0000 1362 6192

PS Form 3841, August 2001

Domestic Return Receipt

10255-02-1-15-0

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 21, 2005

Certified Mail-Return Receipt No. 6192

New Tex Oil Company
P.O. Box 297
Hobbs, New Mexico 88241
Attn: Mr. Hal Brunson

Re: Pinta "29" Federal Com. #2 Well
N/2SE/4 of Section 29
T18S, R30E
Eddy County, New Mexico

Gentlemen:

Enclosed for your further handling regarding the captioned proposed well and land is our Operating Agreement dated January 13, 2005 and our AFE dated 11-1-04.

Regarding the above, title examination indicates you own an undivided 2.5% interest in the NW/4SE/4 below the base of the Queen formation to a depth of 11,900' which land is subject to Federal Lease Serial No. LC-068402 dated July 1, 1949. Accordingly your unit working interest is 1.25% in the captioned spacing unit.

In the event you elect to participate in the above proposed well, please execute the enclosed Operating Agreement, signature page and AFE. Return the executed signature page and signed AFE to me at your earliest convenience. Retain the executed Operating Agreement for your file.

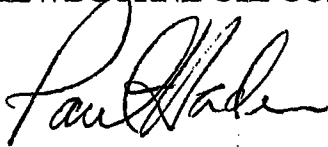
In the event you elect not to participate in the proposed well as previously offered, Mewbourne offers to purchase a two (2) year term assignment of operating rights from you covering your referenced working interest on the basis of \$150.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest, subject to proportionate reduction. In this connection, our check #10247 for \$150.00 and our Term Assignment of Operating Rights dated November 29, 2004 was sent to you December 10, 2004 for execution. To date we have not received the referenced executed term assignment. In the event you are still interested in selling Mewbourne a term assignment as was previously agreed, please return the executed term assignment by February 3, 2005. As you are aware, the compulsory pooling hearing at an Examiner's hearing in Santa Fe, New Mexico is to occur February 3, 2005 regarding the captioned proposed well. Failure to return the referenced executed term assignment by such date shall render such assignment null and void.

New Tex Oil Company
Pinta "29" Federal Com. #2 Well
January 21, 2005
Page -2-

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read "D. Paul Haden". The signature is fluid and cursive, with the first name "D." being more prominent.

D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

December 10, 2004

New Tex Oil Company
P.O. Box 297
Hobbs, New Mexico 88241
Attn: Mr. Hal Brunson

Re: MOC's Pinta "29" Federal Com. #1 Well
N/2 SE/4 of Section 29, T18S, R30E
Eddy County, New Mexico

Dear Mr. Brunson:

Please be advised, the Term Assignment dated November 29, 2004 you submitted for our consideration and execution was unacceptable. Accordingly, I've enclosed our form of term assignment in duplicate prepared for your execution and our check #10247 for \$150.00 which represents the agreed bonus consideration for your 2.5% interest in the NW/4SE/4 of the captioned Section 29. Our form of agreement is widely accepted throughout the industry and same has been accepted by the other interest owners in the captioned land to date who have elected not to participate in the captioned proposed well.

Regarding the above, please review our form of term assignment for acceptance and if same is acceptable to you, please execute same and return one (1) to me for further handling. Retain one (1) for your file. As to well information, we will send you daily drilling/completion reports and a copy of the completion report upon availability.

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

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

NEW TEX OIL COMPANY

P.O. BOX 297

505 393-6169

HOBBS, NEW MEXICO 88241

November 29, 2004

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

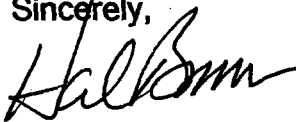
Re: Pinta "29" Federal #1
Section 29, T18S, R30E
Eddy County, NM

Dear Mr. Haden:

Enclosed please find a Term Assignment from New Tex Oil Company to Mewbourne Oil Company for acreage under the above captioned well. Please have the assignment executed and send me a recorded copy. Please send us a check for \$150.00 per net acre as per your offer.

As you requested, New Tex Oil Company's Federal ID # 85-0229-164. If you have any questions, please contact me.

Sincerely,



Hal Brunson
President

SENDER: COMPLETE THIS SECTION

- ☐ Complete parts 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 mail piece or on the front if space permits.

1. Article addressed to:

New Tex Oil Company
P.O. Box 297
Hobbs, N.M. 88241-0297
Attn: Mr. Nolan H. Brunson

2. Article Number
(Insurance Form 3611-1)

PS Form 3611, August 2001

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Dennis Dineen

☐ Agent
☐ Addressee

B. Received by (Printed Name)

Dennis Dineen

C. Date of Delivery
11/17/04

D. Delivery address different from item 1?
(If YES, enter delivery address below)

☐ Yes
☐ No

3. Service type:

- ☒ Certified Mail
- ☐ Registered
- ☐ Insured Mail
- ☐ Registered Delivery (Extra Fee)
- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ G.O.D.

7002 2410 0000 1342 5515

Domestic Return Receipt

102065024M 15-10

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 16, 2004

Via Certified Mail-Return Receipt No. 5515

New Tex Oil Company
P.O. Box 297
Hobbs, New Mexico 88241-0297
Attn: Mr. Nolan H. Brunson

Re: Pinta "29" Federal #1 Well
1980' FSL & 2130' FEL
Section 29, T18S, R30E
Eddy County, New Mexico

, 8 N/A

Dear Mr. Brunson:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Bone Spring formation, total estimated depth being 7,600' beneath the surface. The N/2SE/4 of the captioned Section 29 will be dedicated to the well for spacing unit purposes.

Title examination indicates you own an undivided 2.50% interest in the NW/4SE/4 below the Queen formation to a depth of 11,900'. Your interest is currently only burdened by a 1/8 royalty interest.

Regarding the above, enclosed for your consideration and execution is a copy of our AFE dated November 1, 2004 (an estimated well cost) for the captioned proposed well in the event you elect to participate in the well to the extent of your leasehold interest in the referenced spacing unit. Should you elect to participate, please sign and return one (1) copy of the enclosed AFE and I will forward you our Operating Agreement for execution.

In the event you elect not to participate in the captioned proposed well, Mewbourne would be interested in acquiring your interest on the basis of \$150.00 per acre for a 2 year term providing Mewbourne a 75% net revenue interest. However, this offer is subject to your acceptance within 30 days of the date of this letter.

Should you have any questions regarding the above, please call or write to me at your earliest convenience. Our phone number and address is on the letterhead.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

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 mail piece, or on the front if space permits.

1. Article/Addressed to:

Petroleum Reserve Corporation
Three Valley Square
512 Township Line Rd., Suite 100
Blue Bell, PA 19422

2. Article Number:

(Transfer items 3, 4, 5, 6, 7, 8, 9)

7002 2420 0000 1362 6178

PS Form 3811, August 2001

Domestic Return Receipt
Postage and Fees Paid

COMPLETE THIS SECTION ON DELIVERY

A. Signature
[Signature]

☐ Agent
☐ Addressee

B. Received by (Print Name)
[Signature]

C. Date of Delivery
[Signature]

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 ☐ G.O.D.

4. Restricted Delivery? (See item 3) ☐ Yes

102-50-24-1-1-0

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 21, 2005

Certified Mail-Return Receipt No. 6178

Petroleum Reserve Corporation
Three Valley Square
512 Township Line Rd., Suite 100
Blue Bell, PA 19422

Re: Pinta "29" Federal Com. #2 Well
N/2SE/4 of Section 29
T18S, R30E
Eddy County, New Mexico

Gentlemen:

Enclosed for your further handling regarding the captioned proposed well and land is our Operating Agreement dated January 13, 2005 and our AFE dated 11-1-04.

Regarding the above, title examination indicates you own an undivided 25% interest in the NW/4SE/4 below the base of the Queen formation to a depth of 11,900' which land is subject to Federal Lease Serial No. LC-068402 dated July 1, 1949. Accordingly your unit working interest is 12.5% in the captioned spacing unit.

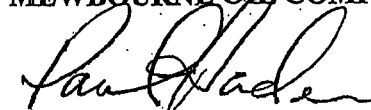
In the event you elect to participate in the above proposed well, please execute the enclosed Operating Agreement, signature page and AFE. Return the executed signature page and signed AFE to me at your earliest convenience. Retain the executed Operating Agreement for your file.

In the event you elect not to participate in the proposed well, Mewbourne offers to purchase a two (2) year term assignment of operating rights from you covering your referenced working interest on the basis of \$150.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest, subject to proportionate reduction. This offer is available for your acceptance for a period ending February 3, 2005 at 4:00 P.M. CST. As you are aware, the compulsory pooling hearing at an Examiner's hearing in Santa Fe, New Mexico is to occur February 3, 2005 regarding the captioned proposed well.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Registered 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:

Petroleum Reserve Corporation
Three Valley Square
512 Township Line Rd., Ste. 100
Blue Bell, PA 19422
Attn: Mr. Timothy M. Murin

2. Article Number:

(Transfer to a separate label)

PS Form 3811, August 2001

COMPLETE THIS SECTION ON DELIVERY

A. Signature

William Bell

☐ Agent
☐ Addressee

B. Received by (Printed Name)

William Bell

C. Date of Delivery

D. Is delivery address different from item 1?
YES, enter delivery address below

☐ YES
☐ NO

3. Service Type

- ☒ A) Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ O.D.D.
4. Registered Delivery? (Extra Fee) ☐ YES

7002 2410 0000 1362 5522

Domestic Return Receipt

(02-9-02) 1-5-10

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

November 16, 2004

Via Certified Mail-Return Receipt No. 5522

Petroleum Reserve Corporation
Three Valley Square
512 Township Line Road, Suite 100
Blue Bell, PA 19422
Attn: Mr. Timothy M. Murin

Re: Pinta "29" Federal #1 Well
1980' FSL & 2130' FEL
Section 29, T18S, R30E
Eddy County, New Mexico

Dear Mr. Murin:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Bone Spring formation, total estimated depth being 7,600' beneath the surface. The N/2SE/4 of the captioned Section 29 will be dedicated to the well for spacing unit purposes.

Title examination indicates you own an undivided ^{25.0%}~~3.75%~~ interest in the NW/4SE/4 below the Queen formation to a depth of 11,900'. Your interest is currently only burdened by a 1/8 royalty interest.

Regarding the above, enclosed for your consideration and execution is a copy of our AFE dated November 1, 2004 (an estimated well cost) for the captioned proposed well in the event you elect to participate in the well to the extent of your leasehold interest in the referenced spacing unit. Should you elect to participate, please sign and return one (1) copy of the enclosed AFE and I will forward you our Operating Agreement for execution.

In the event you elect not to participate in the captioned proposed well, Mewbourne would be interested in acquiring your interest on the basis of \$150.00 per acre for a 2 year term providing Mewbourne a 75% net revenue interest. However, this offer is subject to your acceptance within 30 days of the date of this letter.

Should you have any questions regarding the above, please call or write to me at your earliest convenience. Our phone number and address is on the letterhead.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb