

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

May 21, 2004

Kaiser-Francis Oil Company  
Attn: Mr. Wayne A. Fields  
P. O. Box 21468  
Tulsa, Oklahoma 74121-1468

RECEIVED

MAY 21 2004

Kaiser Francis Oil Co.  
Land Department

Re: Proposed Term Assignment  
SE/4 Section 4 and S/2 of Section 9,  
Township 21 South, Range 35 East,  
Lea County, New Mexico  
Osudo Prospect

Dear Wayne,

Mewbourne Oil Company (MOC) is interested acquiring the leasehold rights owned by Kaiser-Francis Oil Company (KFOC) in the above referenced 480 acres of land. To that end, MOC hereby offers to purchase a Term Assignment covering all of the leasehold rights owned by KFOC in said lands based upon the following terms and conditions:

1. Total bonus of \$200,000.00; *250/m -*
2. Primary term of 18 months with a 120 day continuous development option; *@ 77.5% HUCIF.*
3. KFOC to reserve a proportionately reducible ORRI equal to the difference by which 22.5% exceed all lease burdens;
4. Use of a mutually acceptable Term Assignment form; and
5. Closing must occur sufficiently in advance of KFOC's deadline to respond to Samson's proposal to drill in Section 9 to allow MOC to make an election to participate.

To indicate your acceptance of this proposal, please sign and return once copy of this letter to the undersigned.

Sincerely,

MEWBOURNE OIL COMPANY

*Steven J. Smith*  
Steven J. Smith  
Senior Landman

ACCEPTED AND AGREED TO  
This \_\_\_\_ day of May, 2004.

KAISER-FRANCIS OIL COMPANY

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

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