

Brooks

NEARBURG EXPLORATION COMPANY, L.L.C.

Oil and Gas Exploration
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

RECEIVED OCD

2010 APR -5 P 1:25

Case 14435

March 29, 2010

Mewbourne Oil Company
Attn: Corey Mitchell
500 West Texas, Suite 1020
Midland, Texas 79701

VIA FAX (685-4170) AND CERTIFIED
MAIL, RETURN RECEIPT REQUESTED
№ 7006 3450 0001 6910 6020

Re: FAIRCHILD 24 PROSPECT
Eddy County, New Mexico
WYATT DRAW 24L № 1 WELL
2,310' FSL & 330' FWL
Section 24, T-19-S, R-25-E, N.M.P.M.
Nearburg Lease № 1757-24
NMOCD Order № R-13223

Gentlemen:

Reference is made to your March 17, 2010 proposal, which was received by this office on March 18, 2010, with AFE and copy of NMOCD Order No. R-13223 attached thereto, to drill the captioned well at the above location to a depth of 4,600' to test the Lower Yeso formation. Please find attached hereto your subject AFE, which has been executed by Nearburg, along with Nearburg's check № 0904809 in the amount of \$77,199.38, payable to Mewbourne Oil Company, being Nearburg's share of the subject well's estimated costs.

The subject AFE has been executed and returned, along with the subject payment, to signify Nearburg's election and participation in this operation with its 10.3125% working interest pursuant to the subject Force Pooling Order.

Please find attached hereto Nearburg's Well Information Requirements, which was previously provided to you. Please continue to provide Nearburg with such requested information as to this operation.

If you have any questions, please feel free to contact the undersigned.

Very truly yours,

NEARBURG EXPLORATION COMPANY, L.L.C.



Ken Dixon
Senior Landman

cc (with copy of enclosures):

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Attn: Florene Davidson

Nearburg Producing Company
 Exploration and Production
 P.O. Box 823085
 Dallas, Texas 75382-3085
 Ph. 214-561-2113 ap@nearburg.com

| VENDOR NAME | VENDOR NO. | CHECK DATE | CHECK NUMBER | AMOUNT |
|-----------------------|------------|------------|--------------|-------------|
| Mewbourne Oil Company | 2417 | 3/19/10 | 0904809 | \$77,199.38 |

| Reference | Inv date | Invoice no. | Invoice amt | Prior pmt | Amount paid |
|------------|-----------|-------------|-------------|-----------|-------------|
| Wyatt Draw | 3/18/2010 | Afe Prepay | \$77,199.38 | | \$77,199.38 |
| 24 #1 AFE | | | | | |

Prepay drilling/completion pursuant to NMOCD Case NO 14435 & Order No R-13223 @ 10.3125% W/

Detach and retain this portion for your records.

THIS CHECK IS VOID WITHOUT A BLUE AND GREEN BACKGROUND AND AN ARTIFICIAL WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW.

Nearburg Producing Company
 Exploration and Production
 P.O. Box 823085
 Dallas, Texas 75382-3085

Texas Capital Bank
 Dallas, Texas
 88-2517/1149

CHECK NO.
0904809

| | |
|---------|-------------|
| DATE | AMOUNT |
| 3/19/10 | \$77,199.38 |

Seventy Seven Thousand One Hundred Ninety Nine Dollars and Thirty Eight Cents

Nearburg Producing Company

Mewbourne Oil Company
 500 W. Texas Suite 1020
 Midland, TX 79701

TO THE ORDER OF

[Signature]

BORDER CONTAINS MICROPRINTING

0904809 1149251781 1418000004

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

| | | | |
|--------------------------------|--|-------------------------------------|--|
| Well Name: Wyatt Draw 24L #1 | | Prospect: Wyatt Draw 24 | |
| Location: 2310' FSL & 330' FWL | | County: Eddy | |
| Section: 24 | | Blk: | |
| Survey: | | TNP: 19S RNC: 25E Prop. Dpth: 4600' | |

| INTANGIBLE COSTS 180 | CODE | TCP | CODE | CC |
|---|------|-----------|------|-----------|
| Permits and Surveys | 100 | \$2,000 | 200 | \$1,000 |
| Location: Roads, Pits & Site Preparation (Includes conductor) | 105 | \$25,000 | 205 | \$2,000 |
| Location: Excavation & Other | 106 | \$50,000 | | |
| Day Work, Footage, Turnkey Drilling 7 days D & 1.5 day C @ \$9500/day + GRT | 110 | \$70,500 | 210 | \$15,100 |
| Fuel | 114 | \$11,000 | | |
| Mud | 120 | \$15,000 | | |
| Chemicals and Additives | 121 | | 221 | |
| Cementing | 125 | \$7,500 | 225 | \$15,000 |
| Logging, Wireline & Coring Services | 130 | \$15,000 | 230 | \$17,500 |
| Casing, Tubing & Snubbing Services | 134 | \$3,500 | 234 | \$5,000 |
| Mud Logging | 137 | \$3,500 | | |
| Stimulation | | | 241 | \$100,000 |
| Stimulation Rentals & Other | | | 242 | \$15,000 |
| Water & Other | 145 | \$5,000 | | \$10,000 |
| Bits | 148 | \$7,000 | 248 | \$1,000 |
| Inspection & Repair Services | 150 | \$1,000 | 250 | |
| Misc. Air & Pumping Services | 154 | | 254 | |
| Testing | 158 | | 258 | \$2,000 |
| Completion / Workover Rig | | | 260 | \$10,000 |
| Rig Mobilization | 164 | \$28,000 | | |
| Transportation | 165 | \$2,500 | 265 | \$1,000 |
| Welding and Construction | 168 | \$1,500 | 268 | |
| Engineering & Contract Supervision | 170 | | 270 | |
| Directional Services | 175 | | | |
| Equipment Rental | 180 | \$15,000 | 280 | |
| Well / Lease Legal | 184 | \$3,000 | 284 | |
| Well / Lease Insurance | 185 | \$1,200 | 285 | |
| Intangible Supplies | 188 | \$500 | 288 | \$500 |
| Damages | 190 | \$8,000 | 290 | |
| Pipeline, Road, Electrical ROW & Easements | 192 | | 292 | |
| Pipeline Interconnect | | | 293 | |
| Company Supervision | 195 | \$10,000 | 295 | \$6,000 |
| Overhead Fixed Rate | 196 | | 296 | |
| Well Abandonment | 198 | \$10,000 | 298 | -\$10,000 |
| Contingencies 10% (TCP) 5% (CC) | 199 | \$29,600 | 299 | \$9,600 |
| TOTAL | | \$325,300 | | \$200,700 |

| TANGIBLE COSTS 181 | | | | |
|---|-----|-----------|-----|-----------|
| Casing (19.1" - 30") | 793 | | | |
| Casing (10.1" - 19.0") | 794 | | | |
| Casing (8.1" - 10.0") 850' 8 5/8" 24# J55 STC @ \$13.50/ft | 795 | \$11,500 | | |
| Casing (6.1" - 8.0") | 796 | | | |
| Casing (4.1" - 6.0") 4600' 4 1/2" 11.6# J55 LTC @ \$6.00/ft | | | 797 | \$27,600 |
| Tubing (2" - 4") 4200' 2 3/8" 4.7# J55 EUE 8rd @ \$3.25/ft | | | 798 | \$13,700 |
| Drilling Head | 860 | \$1,300 | | |
| Tubing Head & Upper Section | | | 865 | \$1,500 |
| Sucker Rods | | | 875 | \$14,000 |
| Packer Pump & Subsurface Equipment | | | 880 | \$10,000 |
| Artificial Lift Systems | | | 884 | |
| Pumping Unit | | | 885 | \$32,000 |
| Surface Pumps & Prime Movers | | | 886 | \$3,000 |
| Tanks - Steel | | | 890 | \$22,000 |
| Tanks - Others | | | 891 | \$7,500 |
| Separation Equipment | | | 895 | |
| Gas Treating Equipment | | | 896 | \$5,000 |
| Heater Treaters, Line Heaters | | | 897 | \$12,000 |
| Metering Equipment | | | 898 | \$7,500 |
| Line Pipe - Gas Gathering and Transportation | | | 900 | \$4,000 |
| Misc. Fittings, Valves, Line Pipe and Accessories | | | 906 | \$10,000 |
| Cathodic Protection | | | 908 | |
| Electrical Installations | | | 909 | \$20,000 |
| Production Equipment Installation | | | 910 | \$20,000 |
| Pipeline Construction | | | 920 | |
| TOTAL | | \$12,800 | | \$209,800 |
| SUBTOTAL | | \$338,100 | | \$410,500 |
| TOTAL WELL COST | | \$748,600 | | |

Prepared by: M. Young Date: 12/17/2009

Co. Approval: *M. Whittier* Date: 12/18/2009

Joint Owner Interest: .103125 Amount: \$77,199.38

Joint Owner: Nearburg Exploration Company, L.L.C. Joint Owner Approval: By: *Terry Gant*
Terry Gant, Midland Manager
Date: *12/18/2009*

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 185. Non-Operator may elect NOT to be covered by this Operator's Extra Expense Insurance only by signing below. The undersigned elects NOT to be covered by Operator's Extra Expense Insurance for thier well.

By: Nearburg Exploration Company, L.L.C. Name: By: Form Rev: 8/12/09

WELL INFORMATION REQUIREMENTS

Well Name: Wyatt Draw 24L № 1
Footage Location: 2,310' FSL & 330' FWL Section 24,
T-19-S, R-25-E, N.M.P.M.
County/State: Eddy County, New Mexico
Operator: Mewbourne Oil Company

Operator agrees to furnish to Nearburg Exploration Company, L.L.C. and Nearburg Producing Company the information requested herein, to reasonably observe the requests made herein by Nearburg, and to allow Nearburg the rights and privileges set forth below.

A. DRILLING AND MUDLOGGER REPORTS:

Copies of any and all daily drilling and mudlogger reports containing current depth and status, general summary, deviation surveys, mud properties, daily and cumulative costs, background gas and drilling break intervals in which a show is present with a description of show and the lithology containing the show. Daily well and mudlogger reports should be e-mailed daily by 10:30 a.m. CST and, if requested, a weekly recap mailed/faxed to the following:

NEARBURG EXPLORATION COMPANY, L.L.C.
Drilling Reports
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Sarah Jordan outsideopreports@nearburg.com
FAX: (432) 687-4130

NEARBURG EXPLORATION COMPANY, L.L.C.
Mudlogs and Electric Logs
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Johnny Reyes jreyes@nearburg.com and to
Bill Elton, belton@nearburg.com
FAX: (432) 687-5403

B. WELL DATA

The following listed data should be mailed as follows:

NEARBURG EXPLORATION COMPANY, L.L.C.
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Johnny Reyes, Bill Elton, Butch Willis or S. Jordan,
as designated below

NEARBURG PRODUCING COMPANY
P. O. Box 823085
Dallas, Texas 75382-3085
Attn: Duane Davis

- | | <u>MIDLAND</u> | <u>DALLAS</u> |
|--|------------------|-----------------|
| 1. Copy of survey plats, permit to drill, and other regulatory forms and letters filed with any governmental agencies. | Sarah Jordan (1) | 0 |
| 2. Copy of the drilling and completion procedures 48 hours prior to commencement of operation. | Butch Willis (1) | Duane Davis (1) |
| 3. Copy of daily mud logs. | Johnny Reyes (1) | Duane Davis (1) |
| 4. Copies of the final mud log. | Johnny Reyes (2) | Duane Davis (1) |
| 5. Copies of the field prints of all logs run in the well. | Johnny Reyes (1) | Duane Davis (1) |

Put LAS & PDS Print Files (including repeat section) on Interact. Notify Bill Elton @ belton@nearburg.com.

- | | | |
|---|------------------|-----------------|
| 6. Copies of the final composite prints of all logs run in well. | Johnny Reyes (1) | Duane Davis (1) |
| 7. Copy of well log customer diskette 3 1/2" LAS format or CD. | Johnny Reyes (1) | Duane Davis (1) |
| 8. One initial and final copy of any DST, coring, sample analysis, formation fluid analysis, or test reports on the well. | Bill Elton (1) | Duane Davis (1) |
| 9. Upon request, well history at completion of the well. | Sarah Jordan (1) | Duane Davis (1) |

Well Information Requirements

| | | <u>MIDLAND</u> | <u>DALLAS</u> |
|-----|---|---|---------------|
| 10. | Copy of the bit record and mud recap. | Butch Willis (1) | 0 |
| 11. | One copy of Operator's State Production Report (monthly) | Sarah Jordan (1) | 0 |
| 12. | One sample cut of all samples, if any, collected by mudlog crew | Johnny Reyes (1) | 0 |
| 13. | One (1) completed slabbed section of any whole core ("chips" from those portions removed for special analysis). | Johnny Reyes (1) | 0 |
| 15. | One (1) copy each of all title opinions, governmental OCD examiner and commission hearing orders and curative instruments covering the spacing unit for the well should be sent to: | | |
| | NEARBURG EXPLORATION COMPANY, L.L.C. 3300 N. "A", Building 2, Suite 120 Midland, Texas 79705 Attn: Terry Gant | NEARBURG PRODUCING COMPANY P. O. Box 823085 Dallas, Texas 75382-3085 Attn: Kathie Craft | |

C. NOTIFICATION:

1. Nearburg should receive 24-hour notice of the following events: spudding, wireline logging, open hole testing, coring, or plugging of the well. Notification should be by phone to one of the following persons, in the order indicated:

| <u>NAME</u> | <u>OFFICE</u> | <u>HOME</u> | <u>CELL</u> |
|-------------------------|----------------|----------------|----------------|
| Bill Elton (Geology) | (432) 818-2920 | (432) 697-9923 | (432) 528-9749 |
| Tim Speer (Engineering) | (432) 818-2930 | (432) 694-6749 | (432) 528-8036 |
| Terry Gant (Land) | (432) 818-2901 | (432) 687-4744 | (432) 528-1121 |

2. If you anticipate a major decision (plugging, casing point, etc.) that involves Nearburg over a weekend or holiday, please notify Bill Elton, Tim Speer or Terry Gant by phone (in the order listed).
3. For after-hours **EMERGENCIES**, please dial: 800-451-8235. If this number does not pick up dial: 432-688-0883. Follow instructions to leave an Emergency Message. An automatic system will activate personnel pagers company wide.
4. SLB InterACT – Request access for Bill Elton and Tim Speer.

D. ACCESS TO LOCATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C., its employees, consultants, or agents, shall have full and free access to the drilling location to include the derrick floor AND mudlogging unit at all times, without notice, and all well operation and information obtained or conducted during the drilling, completing or producing life of any well to which Nearburg is entitled to receive such well information.

E. SPECIAL REQUIREMENTS FOR ADDITIONAL WELL INFORMATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C. reserve the right to run a velocity survey, acoustic surveys, or other well bore logs or tests including the Schlumberger hi-res density and FMI for spot ELAN analysis and DST(s) to its satisfaction if not run by the operator, or in the case where operator runs same, operator shall furnish to Nearburg all such information or surveys. In addition, Nearburg may require operator to run a two-man mudlogging unit.

F. WELL PROGNOSIS

Prior to any operation, Operator shall furnish to Nearburg, a well/completion prognosis specifying in reasonable detail the procedure of work for the proposed operation. Such prognosis shall be sent to Nearburg not later than 48 hours prior to commencement of any such operation.

In the event that any of the requirements herein are unacceptable to Operator, Operator should contact Terry Gant at the numbers and/or address specified above.