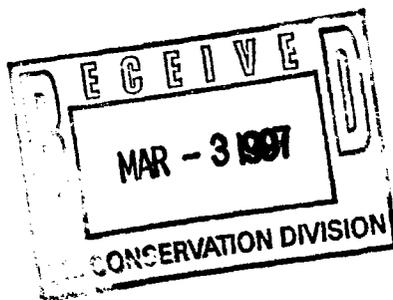


JAMES BRUCE
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(505) 982-2151 (FAX)



March 3, 1997

Hand Delivered

Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 11723; Application of Mewbourne Oil Company ("Mewbourne") for an unorthodox gas well location and a non-standard gas proration unit

Mewbourne's proposed Catclaw Draw "1" Fed. Well No. 1
660 feet FSL & 2310 feet FEL
S½ of Section 1, Township 21 South, Range 25 East
Eddy County, New Mexico

Dear Mr. Stogner:

Fasken Oil & Ranch, Ltd. ("Fasken") has requested that the above case be continued to the April 3, 1997 Examiner hearing. Mewbourne strenuously objects to a continuance, for the following reasons:

1. The S½ of irregular Section 1, comprising 297.88 acres, is subject to an Operating Agreement (the "JOA") dated April 1, 1970, among Mewbourne, Fasken, and other working interest owners. The JOA is a binding and enforceable contract, voluntarily entered into, which states in detail the procedure for making a well proposal.
2. On January 20, 1997, Mewbourne proposed the above well¹ to the working interest owners under Paragraph 12 of the JOA. Since then, Mewbourne has consistently sought to negotiate and cooperate with Fasken so that its well would be promptly drilled. In addition, Mewbourne filed its application in Case 11723, which was set for hearing on February 20, 1997.

¹As required by the JOA, the well was proposed at a specific location, set forth in the caption of this letter.

3. On February 14th, Fasken requested that Mewbourne extend until February 26th the date elections were due on Mewbourne's well proposal. Fasken also requested a meeting with Mewbourne to discuss a possible alternate well location in the S½ of Section 1. Mewbourne, in an effort to cooperate, agreed to the extension. Also, Mewbourne voluntarily continued Case 11723 to March 6th because Fasken could not meet until February 26th.

4. On the morning of February 26th, before its meeting with Mewbourne, Fasken faxed a letter to Mewbourne by which Fasken elected to participate in Mewbourne's proposed well (See letter attached as Exhibit A, at p. 2).

5. Fasken's letter also proposed an alternate location to Mewbourne's well, and stated that Fasken will oppose Mewbourne in Case 11723 "[s]hould the meeting on February 26th not produce sufficient evidence to support Mewbourne's location." The meeting did not result in any modification of Mewbourne's well proposal, and on February 26th Fasken filed its own application for an unorthodox gas well location and a non-standard gas proration unit. Fasken's hearing has been scheduled for the April 3rd Examiner hearing.

6. **Fasken's request for a continuance should be denied because (i) the JOA governs operations on the S½ of Section 1, (ii) Mewbourne proposed a well under the JOA, which it had a right to do, and (iii) Fasken has voluntarily elected to join in Mewbourne's well. The JOA does not provide for a party who has received a well proposal to make an alternate proposal, in lieu of either electing to participate in or electing to become a non-consenting party to the original well proposal. Therefore, Fasken's interest must be deemed to be aligned with Mewbourne's interest in Case 11723.**

Fasken cannot now object to Mewbourne's application simply because Mewbourne did not move the location. These are not competing compulsory pooling applications where each applicant's geology should be reviewed by the Division to decide the appropriate well location. In this case, a contract exists between the parties, and contractual consensus on a well location has been reached by virtue of Fasken's election to participate in Mewbourne's well.²

7. Approval of Mewbourne's application does not necessarily mean that Fasken's application should be denied. At this point, Fasken's application must be viewed as an application

²If Fasken had elected not to participate in Mewbourne's proposed well, it would be deemed to have relinquished its interest to Mewbourne and it would lack standing to object to Mewbourne's application.

for simultaneous dedication. Therefore, while Fasken has the right to proceed with its case, that case is premature and irrelevant to a decision in Mewbourne's application, and thus there is no need to consolidate the two applications for hearing.

8. As noted above, Mewbourne has already continued the hearing in Case 11723 once at Fasken's request. Further delay will adversely affect Mewbourne's commitments to partners in the well and to its contractors. In addition, delay adversely affects the correlative rights of the interest owners in the S½ of Section 1, since the well immediately offsetting Mewbourne's proposed well produces at a rate of approximately 3,000 MCF/day.

For the foregoing reasons, Mewbourne requests that Fasken's request for a continuance be denied. Because of witness travel arrangements, Mewbourne requests a decision on Fasken's motion as soon as possible. Thank you.

Very truly yours,



James Bruce
Attorney for Mewbourne
Oil Company

cc: Rand Carroll (hand delivered)
W.Thomas Kellahin (via fax)
William F. Carr (via fax)
Ralph Moore (via fax)

**FASKEN OIL AND RANCH, LTD.
303 West Wall, Suite 1900
Midland, Texas 79701
915/687-1777
fax 915/687-0669**

February 26, 1997

VIA FACSIMILE AND FEDERAL EXPRESS

(See attached list of Working Interest Owners)

RE: NOTICE OF ALTERNATIVE WELL
PROPOSAL AND ELECTION TO
PARTICIPATE
Mewbourne's proposed
Catclaw Draw "1" Federal Well No. 1
2310 feet FEL & 660 FSL,
Irregular Section 1, T21S, R25E, NMPM
Eddy County, New Mexico

Gentlemen:

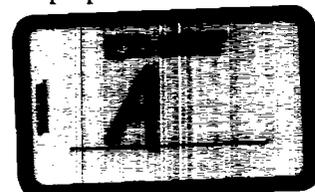
Fasken Oil and Ranch, Ltd. ("Fasken") has received Mewbourne Oil Company's ("Mewbourne") letter dated January 20, 1997 which proposed that the referenced well be drilled at an unorthodox well location and dedicated to a 297.88 acre-acre non-standard gas proration and spacing unit consisting of the southern portion of Irregular Section 1 for production from the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.

On February 14, 1997, Fasken notified Mewbourne, that Fasken would submit an alternative well proposal for locating the well at a different location in this same spacing unit. The parties have agreed to meet on February 26, 1997 to discuss these competing proposed operations.

So that you will have time to review the specifics of Fasken's alternative proposal prior to the February 26th meeting, Fasken hereby formally proposes that the subject well be located 2080 feet from the South line and 750 feet from the West line of Irregular Section 1, T21S, R25S, NMPM, Eddy County, New Mexico, to be dedicated to the same non-standard spacing unit proposed by Mewbourne and to be drilled to a total depth of 10,650' for an estimated total costs of \$776,100.00. We have enclosed our AFE for your approval.

In addition, Fasken's application to the New Mexico Oil Conservation Division for approval for an unorthodox gas well location and a non-standard proration and spacing unit to be dedicated to its proposed well will follow shortly. This matter is set for hearing on April 3, 1997.

Both Fasken's and Mewbourne's proposals are being made pursuant to that Joint Operating Agreement dated April 1, 1970 ("JOA") between Monsanto Oil Company as operator and others. Fasken Oil and Ranch, Ltd is now operator under this agreement and Matador et al are non-operators. This JOA provides that any party may propose a well and all other parties must elect to participate within thirty days and if not then they are deemed "non-consent" with the consenting parties having the obligation to commence the well within the next thirty day period, and if not, then that well proposal terminates and the



well cannot be commenced.

Currently Fasken must elect to participate in Mewbourne's proposed well on or before February 26, 1997 in order for Fasken to avoid being deemed a non-consenting interest owner pursuant to Article 12 of that JOA.

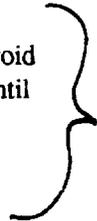
However, both the Fasken proposal and the Mewbourne proposal require the approval of the New Mexico Oil Conservation Division. In addition, Texaco has filed a notice of objection to the Mewbourne location. It is obvious to Fasken that neither Fasken nor Mewbourne will be able to obtain the necessary Division approval within the time provided by this JOA. Should the meeting on February 26th, not produce sufficient evidence to support Mewbourne's location, Fasken intends to oppose the Mewbourne location at the Commission's hearing on March 6, 1997.

Because this JOA fails to provide a procedure to resolve differing well proposals and in order to allow all the parties an opportunity to fully discuss and consider both well proposals, and to provide the Division time to decide this matter, Fasken proposes that:

(a) the parties utilize the order of preference of operations set forth in the 1989 AAPL model form operating agreement and

(b) that Fasken, as operator, will drill which ever location is finally approved by the Division within 60 days of the expiration of all administrative appeals.

Thus, in order to afford all the working interest owners a fair and reasonable opportunity to avoid being deemed "non-consenting" parties as to either the Fasken proposal or the Mewbourne proposal until this matter is resolved by the Division, Fasken is hereby electing to participate in the Mewbourne proposal to preclude Mewbourne from attempting to declare that Fasken is "non-consent" as to Mewbourne's well proposal.



Likewise, Fasken is allowing all the working interest owners the right to elect to participate in Fasken's proposal as well as Mewbourne's proposal.

Very truly yours,

Sally M. Kvasnicka
Sally M. Kvasnicka
Land Manager

SMK:me
enclosures

Elect to Participate in the drilling of Fasken's Avalon Federal Com. No. 1 Well _____

Elect to not Partipate in the drilling of Fasken's Avalon Fed. Com. No. 1 well _____

BY: _____
Company: _____
Date: _____

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

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WILLIAM F. CARR
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TELECOPIER COVER SHEET

March 3, 1997

To: William J. LeMay, Director
Oil Conservation Division Fax: (827-8177)
James Bruce, Esq.
Attorney for Mewbourne Oil Company Fax: (982-2047)
W. Thomas Kellahin, Esq.
Attorney for Fasken Oil and Ranch, Ltd. Fax: (982-2151)

Re: *Oil Conservation Division Case No. 11723:*
Application of Mewbourne Oil Company for an Unorthodox Well Location and Non-
Standard Gas Proration Unit, Eddy County, New Mexico

FROM: William F. Carr
TOTAL PAGES (including this cover sheet): 3
DOCUMENT: Letter.

OPERATOR: Martha CLIENT/MATTER #
PLEASE CALL: [] TO CONFIRM RECEIPT [] AFTER REVIEW
MESSAGE:

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LAWYERS

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March 3, 1997

VIA FACSIMILE

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Oil Conservation Division Case No. 11723:*
Application of Mewbourne Oil Company for an Unorthodox Well Location
and Non-Standard Gas Proration Unit, Eddy County, New Mexico

Dear Mr. LeMay:

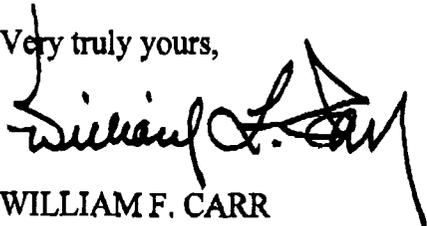
Texaco Exploration and Production Inc. ("Texaco") has received a copy of the Application of Fasken Oil and Ranch, Ltd. ("Fasken") for an alternative unorthodox well location on the non-standard spacing or proration unit which is the subject of the above-referenced application. The Fasken application will be scheduled for hearing on March 20, 1997.

Texaco, an offsetting operator, will be affected by the Fasken application as well as by the application of Mewbourne. Since granting of one of the applications will of necessity result in denial of the other, and since continuance of the Mewbourne application and consolidation of this case with the application of Fasken would result in only one hearing concerning the development of this acreage, Texaco Exploration and Production Inc., requests that the hearing in the above-referenced case currently scheduled for March 6, 1997, be continued to March 20, 1997 and that at that time the cases be consolidated for hearing.

William J. LeMay, Director
March 3, 1997
Page 2

Proceeding with the hearing on March 6, 1997 will not accelerate a final determination of the issues in this case and a continuance of the Mewbourne case will enable Texaco to be fully prepared to respond to both applications in one hearing.

Very truly yours,



WILLIAM F. CARR

cc: Mr. David Sleeper
James E. Bruce, Esq. (Via Facsimile)
W. Thomas Kellahin, Esq. (Via Facsimile)