

FASKEN OIL AND RANCH, LTD.
303 West Wall, Suite 1900
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February 26, 1997

NEW MEXICO
OIL CONSERVATION DIVISION

MOC EXHIBIT 5
CASE NO. 11723

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
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: _____

Working Interest Owners
Avalon Federal No. 2 Well
Section 1, T21S, R25E, Eddy County, New Mexico

ICA Energy, Inc.
C/O Mineral Technologies, Inc.
Box 5823
Midland, Texas 79704 fax 915/685-4079

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701
Attention: Steve Cobb

Fasken Land and Minerals, Ltd.
303 West Wall, Suite 1900
Midland, Texas 79701

Brooks Oil and Gas Interests
600 Commerce Street
192 District Court
Dallas, Texas 75202

Matador Petroleum Corporation
Suite 158, Pecan Creek
8340 Meadow Road
Dallas, Texas 75231-3751
Attention: Mona Ables fax 214/691-1415

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

Devon Energy Corporation (Nevada)
20 N. Broadway, Suite 1500
Oklahoma City, OK 73120
Attention: Ken Gray fax 405/552-4550

Union Oil Company of California
P. O. Box 4551
Houston, Texas 77210
Attention: Robin Green fax 713/287-7375

Robert L. Haynie
5655 South Yosemite #305
Englewood, CO 80111 phone 303/290-6003

Len Mayer
260 Lincoln Tower Bldg.
Denver, CO 80203