

# MEWBOURNE OIL COMPANY

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June 12, 1997

Certified Mail-Return Receipt Requested P 268 434 146

Devon Energy Corporation  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102-8260

Attn: Mr. Ken Gray

Re: Carlsbad "15" Prospect  
Carlsbad "15" Federal Com. #1 Well  
1980' FSL & 1650' FWL  
Section 15-21S-26E  
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 11,200'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 15 will be dedicated as the proration unit for the well.

This well will be located approximately 1980' FSL & 1650' FWL of Section 15-21S-26E, Eddy County, New Mexico. Our AFE dated June 10, 1997 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE or by prior written request we will forward our Joint Operating Agreement for your review and execution.

In the event you do not wish to participate, Mewbourne respectfully requests you elect one of the following options as to your interest.

- 1) Farmout all of your interest in the S/2 of Section 15 for a period of 180 days to Mewbourne under the following general terms:
  - (a) If any well drilled, deepened, completed or recompleted under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will earn an assignment of 100% of your rights and interest, free of any liens or encumbrances, in the proration unit assigned to each well to a depth of 100' below the total depth drilled for each well.

- (b) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on New Mexico Oil Conservation approved proration units that include your acreage to establish oil and/or gas production under the captioned lands or land pooled therewith. If any such option is exercised by Mewbourne, Mewbourne agrees to allow not more than 180 days to elapse between the completion of one well and the commencement of operations for any next well.
- (c) You will retain an overriding royalty interest equal to the difference, if any, between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production to which your leases may be currently subject, so that Mewbourne will be assigned a 75% net revenue interest in your leases(s). Such overriding royalty interest retained by you shall be subject to proportionate reduction.
- (d) Upon acceptance of our farmout proposal you agree to furnish at no cost to Mewbourne, title information such as copies of the leases covering the captioned lands, title opinions currently in your possession, title curative, letter agreements and any contracts currently in effect, etc.

Please advise should the above general terms be acceptable to you and our formal Farmout Agreement will be provided under separate cover.

- 2) Sell all of your right, title and interest in this Unit, subject to title approval, for \$150.00 per net acre delivering an 87.50% net revenue interest to Mewbourne.

As we anticipate drilling the captioned well in the third quarter of 1997, your earliest response to this proposal would be greatly appreciated.

Should you have any questions, please do not hesitate to call.

Sincerely yours,

MEWBOURNE OIL COMPANY



Steve Cobb  
District Landman