

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

Via Telefax and Overnight Delivery

October 9, 2001

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701

Attention: D. Paul Haden
Senior Landman

Re: Esperanza 15 State Com #1
T-21S, R-27E, N.M.P.M.
2232' FSL & 1980' FEL
Section 15: E/2
Eddy County, New Mexico
Farmout Terms

Dear Paul:

Harvey E. Yates Company (HEYCO) is in receipt of your letter dated October 2, 2001, concerning the captioned well. Your letter states that you rescind all previous offers prior to October 2, 2001. In the same letter, you make a new offer for a farmout of HEYCO's operating rights below the base of the Yates formation through the Morrow formation delivering Mewbourne Oil Company (MOC) an 80% NRI and, upon 150% payout of the initial or substitute well, HEYCO would have the option to exchange its retained ORI for a 30% WI, subject to proportionate reduction, on a well by well basis.

The above terms are not standard terms within the industry and are not acceptable to HEYCO. HEYCO is willing, as you stated in the "spirit of cooperation," to recommend to management the following: a) HEYCO to farmout its rights from the base of the Yates formation through the Morrow formation delivering an 80% NRI to MOC and, at 100% payout of the initial well, HEYCO will have the option to exchange its retained ORI for a 33.33% WI, subject to proportionate reduction, or b) HEYCO to farmout its rights from the base of the Yates formation through the Morrow formation delivering a 75% NRI to MOC and, at 100% payout of the initial well, HEYCO will have the option to exchange its retained ORI for a 30% WI, subject to proportionate reduction.

BEFORE THE OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
Case No. 12698 de novo Exhibit No. 8
Submitted by:
Harvey E. Yates Company
Hearing Date: October 12 2001

As you have been advised previously, there needs to be some correction assignments placed of record concerning Shinnery Investment Company and HEYCO is working toward a correction assignment indicating Shinnery Investment Company is an owner of a share of the operating rights in this property. Therefore, HEYCO will continue to negotiate any terms with MOC on behalf of HEYCO and Shinnery Investment Company.

Please advise of MOC's willingness to accept one of HEYCO's farmout options described above by October 11, 2001 and we will request HEYCO's management to dismiss its Application for Hearing De Novo in this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Melissa Randle". The signature is fluid and cursive, with the first name "Melissa" written in a larger, more prominent script than the last name "Randle".

Melissa Randle
Landman

/mvr

EsperanzaMewbourneFOTerms4.doc/Land:NonOp#4

HP OfficeJet G Series G85
Personal Printer/Fax/Copier/Scanner

Fax-History Report for
HEYCO
627-2427
Oct 09 2001 11:45am

Last Fax

| <u>Date</u> | <u>Time</u> | <u>Type</u> | <u>Identification</u> | <u>Duration</u> | <u>Pages</u> | <u>Result</u> |
|-------------|-------------|-------------|-----------------------|-----------------|--------------|---------------|
| Oct 9 | 11:45am | Sent | 19156854170 | 0:41 | 2 | OK |

Result:

OK - black and white fax
Okay color - color fax

From Please print and press hard Sender's FedEx Account Number 1205-0658-7 Date 10/9/01

Sender's Melissa Randle Phone (505) 623-6601

Company HARVEY YATES COMPANY

Address 500 N MAIN ST STE 1

City ROSWELL State NM ZIP 88201

Your Internal Billing Reference Esperanza 15 St. Com #1

To Recipient's Paul Haden Phone (915) 682-3715

Company Mewbourne Oil Co.

Address 500 West Texas

City Midland State TX ZIP 79701

Peel and Stick FedEx USA Airbill

See back for application instructions.

Questions? Visit our Web site at www.fedex.com

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.

0162529605

Sender's Copy

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4b Express Freight Service Packages over 150 lbs. Delivery commitment may be used in some areas. FedEx 1Day Freight Next business day. FedEx 2Day Freight Second business day. FedEx 3Day Freight Third business day.

5 Packaging FedEx Envelope/Letter* FedEx Pak* Other Pkg. (Include FedEx Tube and customer Pkg.)

6 Special Handling SUNDAY Delivery RESTRICTIONS SUNDAY Delivery RESTRICTIONS HOLD Weekday at FedEx Location RESTRICTIONS HOLD Saturday at FedEx Location RESTRICTIONS

7 Payment Bill to: Sender Recipient Third Party Credit Card Cash/Check

8 Release Signature Our liability is limited to \$100 unless you declare a higher value. See back for details. Sign to authorize delivery without obtaining signature.

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