

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

October 16, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

TO WORKING INTEREST OWNERS:
(See Distribution List)

RE: Wapiti "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico
Wapiti Prospect

Gentlemen:

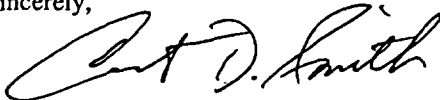
Please find the attached AFE for the drilling and completion of the captioned well as a Morrow well to be drilled to an approximate depth of 13,700'. Such well shall be drilled on a proration unit covering the E/2 of Section 31, T-18-S, R-34-E. If you elect to participate in this well, please sign the attached AFE and return to Nearburg at the letterhead address.

In the event you elect not to participate in this well, Nearburg requests a farmout of your leasehold within the E/2 of Section 31, T-18-S, R-34-E under the following terms:

- 1) Nearburg to spud a Morrow test at a location of it's choice within the E/2 of Section 31, T-18-S, R-34-E, Lea County, New Mexico, within one hundred eighty (180) days of the effective date of the Farmout Agreement.
- 2) Upon completion of such initial well as a producer, you shall assign 100% of it's leasehold rights, delivering a 75% NRI to Nearburg.
- 3) Mewbourne shall retain an overriding royalty interest equal to the difference between existing burdens and 75% with the option to convert such ORRI to a 25% working interest at payout of such well.
- 4) The Farmout Agreement shall contain a one hundred eighty (180) day continuous development provision.

Please review this AFE and if you elect to participate, Nearburg shall forward a Joint Operating Agreement to you for your review; however, in the event you elect not to participate, please take the farmout request into serious consideration. If you have any questions or comments, please call me at (915) 686-8235.

Sincerely,



Curtis D. Smith
Senior Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12791 Exhibit No. 3
Submitted by:
Nearburg Exploration Company, L.L.C.
Hearing Date: January 10, 2002

Wapiti "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico

C. W. and Jackie Trainer ✓
500 W. Texas, Suite 710
Midland, Texas 79701

Kaiser-Francis Oil Co.
6733 S. Yale
Tulsa, OK 74136

Hamon Operating Co. *New 7/6/92*
RepublicBank Tower
325 N. St. Paul, Suite 3900
Dallas, Texas 75201-3902

Kudo Petroleum LLC ✓
P. O. Box 600490
Dallas, Texas 75360-0490

Marvin C. and Wynell Gross ✓
P. O. Box 358
Roswell, New Mexico 88202-0358

Mexco Energy Corp., fka ✓
Miller Oil Co.
P. O. Box 10502
Midland, Texas 79702

Mika Petroleum LLC
P. O. Box 8154
Dallas, Texas 75205-0154

Loretta D. Lowe ✓
c/o Larry K. Lowe
2313 Broadway
Lubbock, Texas 79401

Larry K. Lowe ✓
2313 Broadway
Lubbock, Texas 79401

Brady M. Lowe ✓
c/o Larry K. Lowe
2313 Broadway
Lubbock, Texas 79401

Nearburg Producing Company

Exploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Wapiñ 31 State Com

WELL NUMBER: 1

PBTD: 13,700'

LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM

FIELD: Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 10/2/01

EST. START DATE: 3/1/02

EST. COMPLETION DATE: 5/1/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 13,700 Ft @ 0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork 50 2 9,000 \$/day	1514.125	477,000	1515.105	19,080	496,080
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	37,100	1515.115	0	37,100
Road & Location Expense	1514.120	32,595	1515.125	3,180	35,775
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1515.130	0	0
Drilling Fluids	1514.135	53,000	1515.132	0	53,000
Fuel, Power, and Water	1514.140	84,800	1515.140	0	84,800
Supplies - Bits	1514.145	56,710	1515.145	795	57,505
Supplies - Casing Equipment	1514.150	2,120	1515.150	7,420	9,540
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	0	1515.160	0	0
Cement and Cmt. Services - Surface Csg	1514.165	12,720	NA	0	12,720
Cement and Cmt. Services - Int. Csg	1514.170	21,200	NA	0	21,200
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	21,200	21,200
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	13,038	1515.180	0	13,038
Rental - Misc.	1514.185	40,439	1515.185	3,710	44,149
Testing - Drill Stem / Production	1514.185	4,770	1515.185	5,300	10,070
Open Hole Logging	1514.200	37,100	NA	0	37,100
Mudlogging Services	1514.210	21,200	NA	0	21,200
Special Services	1514.190	0	1515.190	0	0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	18,550	18,550
Reverse Equipment	NA	0	1515.219	5,300	5,300
Vireline Services	1514.205	0	1515.205	15,900	15,900
Stimulation	NA	0	1515.221	121,900	121,900
Dump / Vacuum Truck Services	1514.220	0	1515.220	5,944	5,944
Transportation	1514.225	9,540	1515.225	6,360	15,900
Cylindrical Goods - Inspection & Testing	1514.230	3,180	1515.230	5,300	8,480
Unclassified	1514.245	530	1515.245	0	530
Telephone and Radio Expense	1514.240	1,590	1515.240	638	2,228
Engineer / Geologist / Landman	1514.250	22,500	1515.250	2,500	25,000
Company Labor - Field Supervision	1514.255	27,560	1515.255	7,500	35,060
Contract Labor / Roustabout	1514.265	8,480	1515.265	11,130	19,610
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	11,306	1515.275	0	11,306
Overhead	1514.280	12,600	1515.280	3,500	16,100
BTOTAL		1,016,078		250,205	1,266,284
Contingencies (10%)		101,608		25,021	126,629
ESTIMATED TOTAL INTANGIBLES		1,117,686		275,226	1,392,913

AUTHORITY FOR EXPENDITURE

LEASE: Wapiti 31 State Com WELL NUMBER: 1 PBTD: 13,700'
LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM
FIELD: Morrow EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.
0
DATE PREPARED: 10/2/01 EST. START DATE: 3/1/02 EST. COMPLETION DATE: 5/1/02
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520.305	0	NA	0	0
Surface Csg	1,550 Ft @	24.00 \$/Ft	1520.310	37,200	NA	0	37,200
Intermediate Csg	5,200 Ft @	14.00 \$/Ft	1520.315	72,800	NA	0	72,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	13,700 Ft @	10.00 \$/Ft	NA	0	1522.325	137,000	137,000
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	13,500 Ft @	3.38 \$/Ft	NA	0	1522.340	45,630	45,630
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	19,080	19,080
* Well Head Equipment & Christmas Tree			1520.365	2,000	1522.365	12,500	14,500
Subsurface Well Equipment			NA	0	1522.370	6,148	6,148
Flow Lines			NA	0	1522.375	13,250	13,250
Saltwater Disposal Pump			NA	0	1522.380	0	0
Gas Meter			NA	0	1522.385	3,180	3,180
Lact Unit			NA	0	1522.390	0	0
Vapor Recovery Unit			NA	0	1522.395	0	0
Other Well Equipment			NA	0	1522.400	0	0
ROW and Damages			NA	0	1522.405	2,120	2,120
Surface Equipment Installation Costs			NA	0	1522.410	15,900	15,900
Elect. Installation			NA	0	1522.415	0	0
ESTIMATED TOTAL TANGIBLES				112,000		267,528	379,528
ESTIMATED TOTAL WELL COSTS				1,229,686		542,754	1,772,441

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

APPROVAL	DATE
PREPARED BY: HRW	10/02/01
VIEWED BY:	
PROVED BY:	10/26/01
PROVED BY:	10/30/01

APPROVAL: COMPANY
BY
TITLE
DATE

To: Loretta D. Lowe
 Rec: c/o Larry K. Lowe
 2313 Broadway
 Lubbock, Texas 79401

Weight: 31-1

CERTIFIED MAIL RECEIPT
 Domestic Mail Only No Insurance Coverage Provided

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also item 4 if Restricted Delivery is desired.
- Print your name and address in block letters on separate lines.
- Attach this receipt to the back of the mail piece.

1. Item 1
 2. Item 2
 3. Item 3
 4. Item 4

79401 340 0260

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 Loretta D. Lowe 10/17/01

☐ Agent
☐ Addressee
☐ Yes
☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
☐ Yes

79401 340 0260

To: Larry K. Lowe
 Rec: 2313 Broadway
 Lubbock, Texas 79401

Weight: 31-1

**U.S. Postal Service
 CERTIFIED MAIL RECEIPT**
 Domestic Mail Only No Insurance Coverage Provided

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 3. Item 3
 4. Item 4

79401 340 0260

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 Loretta D. Lowe 10/17/01

☐ Agent
☐ Addressee
☐ Yes
☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
☐ Yes

79401 340 0260

To: Brady M. Lowe
 Rec: c/o Larry K. Lowe
 2313 Broadway
 Lubbock, Texas 79401

Weight: 31-1

**U.S. Postal Service
 CERTIFIED MAIL RECEIPT**
 Domestic Mail Only No Insurance Coverage Provided

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 2. Item 2
 3. Item 3
 4. Item 4

79401 340 0260

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 Loretta D. Lowe 10/17/01

☐ Agent
☐ Addressee
☐ Yes
☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
☐ Yes

79401 340 0260

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31-1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Postmark Here

Total P Mexico Energy Corp., fka Miller Oil Co.
P. O. Box 10502

Recip Miller Oil Co.
P. O. Box 10502

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mexco Energy Corp., fka
Miller Oil Co.
P. O. Box 10502
Midland, Texas 79702

2. Article Number (Copy from service label)
7099 3400 0016 5944 9011

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *ALICE WOOD* B. Date of Delivery *10-17-99*

C. Signature *Alice Wood* ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31-1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Postmark Here

Total P Marvin C. and Wynnell Gross
P. O. Box 358
Roswell, New Mexico 88202-0358

Recip Marvin C. and Wynnell Gross
P. O. Box 358
Roswell, New Mexico 88202-0358

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marvin C. and Wynnell Gross
P. O. Box 358
Roswell, New Mexico 88202-0358

2. Article Number (Copy from service label)
7099 3400 0016 5944 9011

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *Wapiti 31-1* B. Date of Delivery *10-17-99*

C. Signature *Wapiti 31-1* ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

To: C. W. and Jackie Trainer
500 W. Texas, Suite 710
Midland, Texas 79701

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Rec: 500 W. Texas, Suite 710
Midland, Texas 79701

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31-1

SENDER: COMPLETE THIS SECTION

■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
■ Print your name and address on the reverse so that we can return the card to you.
■ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
C. W. and Jackie Trainer
P. O. Box 754
Midland, Texas 79702

2. Article Number (Copy from service label)
7099 3400 0016 5944 6737- Wapiti 31 st. Com. #1

PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
C. Signature
D. Is delivery address different from item 1? If YES, enter delivery address below:

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Total Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Rec: P. O. Box 8154
Dallas, Texas 75205-0154

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31-1

SENDER: COMPLETE THIS SECTION

■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
■ Print your name and address on the reverse so that we can return the card to you.
■ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Mika Petroleum LLC
P. O. Box 8154
Dallas, Texas 75205-0154

2. Article Number (Copy from service label)
7099 3400 0016 5944 8991 Wapiti 31-1

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
C. Signature
D. Is delivery address different from item 1? If YES, enter delivery address below:

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Total Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Rec: Kudo Petroleum LLC
P. O. Box 600490

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31-1

SENDER: COMPLETE THIS SECTION

■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
■ Print your name and address on the reverse so that we can return the card to you.
■ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Kudo Petroleum LLC
P. O. Box 600490
Dallas, Texas 75360-0490

2. Article Number (Copy from service label)
7099 3400 0016 5944 9028 Wapiti 31-1

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
C. Signature
D. Is delivery address different from item 1? If YES, enter delivery address below:

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

CERTIFIED MAIL



Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

PLAND ADDRESS TX 797 10/16/01 20:20

7099 3400 0016 5944 9059

P.O. Box 754 ← resent 10-19-01

C. W. and Jackie Trainer
500 W. Texas, Suite 710
Midland, Texas 79701

NO MAIL RECEIPT

Wapiti 31 st. com #1

7099 3400 0016 5944 6737

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31 st. com. #1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement F	

Total Postage:
Recipient's Name: C. W. and Jackie Trainer
Street, Apt. No.: P. O. Box 754
City, State, ZIP+4: Midland, Texas 79702

Postmark
He e

located -
sold their
interest to
HOG

7099 3400 0016 5944 9035

U.S. Postal Service	
CERTIFIED MAIL RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
Wapiti 31-1	
Postage \$	Postmark Here
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Tot Hamon Operating Co.	
Recd	RepublicBank Tower
Street	325 N. St. Paul, Suite 3900
City	Dallas, Texas 75201-3902
PS Form 3800, February 2000	

7099 3400 0016 5944 9042

U.S. Postal Service	
CERTIFIED MAIL RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
Wapiti 31-1	
Postage \$	Postmark Here
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
To Kaiser-Francis Oil Co.	
Recd	6733 S. Yale
Street	Tulsa, OK 74136
City	
PS Form 3800, February 2000	

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CC: Kathie
Duane

October 3, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

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

ATTN: Mr. Larry Cunningham

RE: Wapiti Prospect "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico

Gentlemen:

Please find the attached AFE for the drilling and completion of the captioned well as a Morrow well to be drilled to an approximate depth of 13,700'. Such well shall be drilled on a proration unit covering the E/2 of Section 31, T-18-S, R-34-E. If Mewbourne elects to participate in this well, please sign the attached AFE and return to Nearburg at the letterhead address.

In the event Mewbourne elects not to participate in this well, Nearburg requests a farmout of Mewbourne's leasehold covering the N/2 SE/4 of Section 31, T-18-S, R-34-E under the following terms:

- 1) Nearburg to spud a Morrow test at a location of it's choice within the E/2 of Section 31, T-18-S, R-34-E, Lea County, New Mexico, within one hundred eighty (180) days of the effective date of the Farmout Agreement.
- 2) Upon completion of such initial well as a producer, Mewbourne shall assign 100% of it's leasehold rights, delivering a 75% NRI to Nearburg.
- 3) Mewbourne shall retain an overriding royalty interest equal to the difference between existing burdens and 75% with the option to convert such ORRI to a 25% working interest at payout of such well.
- 4) The Farmout Agreement shall contain a one hundred eighty (180) day continuous development provision.

Mewbourne Oil Company
October 3, 2001
Page Two

Please review this AFE and if you elect to participate, Nearburg shall forward a Joint Operating Agreement to Mewbourne for your review; however, in the event you elect not to participate, please take the farmout request into serious consideration. If you have any questions or comments, please call me at (915) 686-8235.

Sincerely,



Curtis D. Smith
Senior Landman

CS/dw
attach.

cc: Bob Shelton

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.Print your name and address on the reverse so that we can return the card to you.Attach this card to the back of the mailpiece, or on the front if space permits.		<p>A. Received by (Please Print Clearly) _____</p> <p>B. Date of Delivery <u>10-5-01</u></p> <p>C. Signature <u>[Signature]</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below: _____</p>	
1. Article Addressed to: Mewbourne Oil Company 500 W. Texas, Suite 1020 Midland, Texas 79701		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
2. Article Number (Copy from service label) <u>7099 3400 0017 1726 6024 - Wapiti 31 St.</u>		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

PS Form 3811, July 1999 Domestic Return Receipt Com. #1 102595-00-M-0952

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31 St. Com. #1

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Total \$

Recipte

Street, /

City, St

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

PS Form 3800, February 2000 See Reverse for Instructions

Nearburg Producing Company

Exploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Wapiñ 31 State Com

WELL NUMBER: 1

PBTD: 13,700'

LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM

FIELD: Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 10/2/01

EST. START DATE: 3/1/02

EST. COMPLETION DATE: 5/1/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 13,700 Ft @ 0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork 50 2 9,000 \$/day	1514.105	477,000	1515.105	19,080	496,080
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	37,100	1515.115	0	37,100
Road & Location Expense	1514.120	32,595	1515.125	3,180	35,775
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1515.130	0	0
Drilling Fluids	1514.135	53,000	1515.132	0	53,000
Fuel, Power, and Water	1514.140	84,800	1515.140	0	84,800
Supplies - Bits	1514.145	56,710	1515.145	795	57,505
Supplies - Casing Equipment	1514.150	2,120	1515.150	7,420	9,540
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	0	1515.160	0	0
Cement and Cmt. Services - Surface Csg	1514.165	12,720	NA	0	12,720
Cement and Cmt. Services - Int. Csg	1514.170	21,200	NA	0	21,200
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	21,200	21,200
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	13,038	1515.180	0	13,038
Rental - Misc.	1514.185	40,439	1515.185	3,710	44,149
Testing - Drill Stem / Production	1514.195	4,770	1515.195	5,300	10,070
Open Hole Logging	1514.200	37,100	NA	0	37,100
Mudlogging Services	1514.210	21,200	NA	0	21,200
Special Services	1514.190	0	1515.190	0	0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	18,550	18,550
Reverse Equipment	NA	0	1515.219	5,300	5,300
Wireline Services	1514.205	0	1515.205	15,900	15,900
Stimulation	NA	0	1515.221	121,900	121,900
Pump / Vacuum Truck Services	1514.220	0	1515.220	5,944	5,944
Transportation	1514.225	9,540	1515.225	6,360	15,900
Tubular Goods - Inspection & Testing	1514.230	3,180	1515.230	5,300	8,480
Unclassified	1514.245	530	1515.245	0	530
Telephone and Radio Expense	1514.240	1,590	1515.240	636	2,226
Engineer / Geologist / Landman	1514.250	22,500	1515.250	2,500	25,000
Company Labor - Field Supervision	1514.255	27,560	1515.255	7,500	35,060
Contract Labor / Roustabout	1514.265	8,480	1515.265	11,130	19,610
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	11,306	1515.275	0	11,306
Overhead	1514.280	12,600	1515.280	3,500	16,100
SUBTOTAL		1,016,078		250,205	1,266,284
Contingencies (10%)		101,608		25,021	126,629
ESTIMATED TOTAL INTANGIBLES		1,117,686		275,226	1,392,913

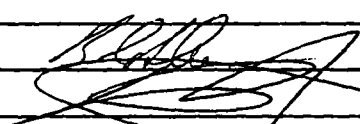

AUTHORITY FOR EXPENDITURE

LEASE: Wapiti 31 State Com WELL NUMBER: 1 PBTD: 13,700'
LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM
FIELD: Morrow EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

0
DATE PREPARED: 10/2/01 EST. START DATE: 3/1/02 EST. COMPLETION DATE: 5/1/02
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1620.305	0	NA	0	0
Surface Csg	1,550 Ft @	24.00 \$/Ft	1620.310	37,200	NA	0	37,200
Intermediate Csg	5,200 Ft @	14.00 \$/Ft	1620.315	72,800	NA	0	72,800
Protection Csg	0 Ft @	0.00 \$/Ft	1620.320	0	NA	0	0
Production Csg	13,700 Ft @	10.00 \$/Ft	NA	0	1522.325	137,000	137,000
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	13,500 Ft @	3.38 \$/Ft	NA	0	1522.340	45,630	45,630
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	19,080	19,080
* Well Head Equipment & Christmas Tree			1620.365	2,000	1522.365	12,500	14,500
Subsurface Well Equipment			NA	0	1522.370	6,148	6,148
Flow Lines			NA	0	1522.375	13,250	13,250
Saltwater Disposal Pump			NA	0	1522.380	0	0
Gas Meter			NA	0	1522.385	3,180	3,180
Lact Unit			NA	0	1522.387	0	0
Vapor Recovery Unit			NA	0	1522.390	0	0
Other Well Equipment			NA	0	1522.390	0	0
ROW and Damages			NA	0	1522.393	2,120	2,120
Surface Equipment Installation Costs			NA	0	1522.395	15,900	15,900
Elect. Installation			NA	0	1522.397	0	0
ESTIMATED TOTAL TANGIBLES				112,000		267,528	379,528
ESTIMATED TOTAL WELL COSTS				1,229,686		542,754	1,772,441

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

PC APPROVAL	DATE
PREPARED BY: HRW	10/02/01
VIEWED BY:	
APPROVED BY: 	10/2/01
APPROVED BY: 	10/3/01

I APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806
October 18, 2001

cc: Kathie
Duane

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

TO WORKING INTEREST OWNERS:
(See Distribution List)

RE: Wapiti "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico
Wapiti Prospect

Gentlemen:


Please find the attached AFE for the drilling and completion of the captioned well as a Morrow well to be drilled to an approximate depth of 13,700'. Such well shall be drilled on a proration unit covering the E/2 of Section 31, T-18-S, R-34-E. If you elect to participate in this well, please sign the attached AFE and return to Nearburg at the letterhead address.

In the event you elect not to participate in this well, Nearburg requests a farmout of your leasehold covering the E/2 of Section 31, T-18-S, R-34-E under the following terms:

- 1) Nearburg to spud a Morrow test at a location of it's choice within the E/2 of Section 31, T-18-S, R-34-E, Lea County, New Mexico, within one hundred eighty (180) days of the effective date of the Farmout Agreement.
- 2) Upon completion of such initial well as a producer, you shall assign 100% of it's leasehold rights, delivering a 75% NRI to Nearburg.
- 3) You shall retain an overriding royalty interest equal to the difference between existing burdens and 75% with the option to convert such ORRI to a 25% working interest at payout of such well.
- 4) The Farmout Agreement shall contain a one hundred eighty (180) day continuous development provision.

Please review this AFE and if you elect to participate, Nearburg shall forward a Joint Operating Agreement to you for your review, however, in the event you elect not to participate, please take the farmout request into serious consideration. If you have any questions or comments, please call me at (915) 686-8235.

Sincerely,



Curtis D. Smith
Senior Landman

**Wapiti "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico**

Mr. Brent Robertson
Matador E&P Co.
8340 Meadow Road, Suite 150
Dallas, TX 75231

T. H. McElvain Oil & Gas Limited Partnership ✓
McElvain Oil & Gas Properties, Inc., Gen. Ptnr.
P. O. Box 2148
Santa Fe, NM 87504-2148

Josephine M. Withers /
11578 Lost Tree Way
North Palm Beach, FL 33408

Ralph C. McElvain, Jr. ✓
5318 S. Cottonwood Club Circle
Salt Lake City, Utah 84117

Ruth P. McElvain /
P. O. Box 2148
Santa Fe, NM 87504

James E. McElvain /
P. O. Box 2148
Santa Fe, NM 87504

Caryl M. Bradford /
4005 Euclid Ave.
Dallas, TX 75205

McElvain Oil Co. /
14828 Bellbrook
Addison, TX 75240

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Wapiti 31 State Com WELL NUMBER: 1 PBTD: 13,700'
LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM
FIELD: Morrow EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 10/2/01 EST. START DATE: 3/1/02 EST. COMPLETION DATE: 5/1/02
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:				CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage	13,700 Ft @	0.00 \$/Ft		1514.121	0	NA	0	0
Drilling Daywork	50 2	9,000 \$/day		1514.125	477,000	1514.108	19,080	496,080
Drilling Turnkey				1514.130	0	1514.110	0	0
Rig Mobilization and Demobilization				1514.135	37,100	1514.115	0	37,100
Road & Location Expense				1514.140	32,595	1514.125	3,180	35,775
Damages				1514.125	5,000	1514.125	0	5,000
Directional Drilling - Tools and Service				1514.130	0	1514.130	0	0
Drilling Fluids				1514.135	53,000	1514.132	0	53,000
Fuel, Power, and Water				1514.140	84,800	1514.140	0	84,800
Supplies - Bits				1514.145	56,710	1514.145	795	57,505
Supplies - Casing Equipment				1514.150	2,120	1514.150	7,420	9,540
Supplies - Liner Equipment				1514.155	0	1514.155	0	0
Supplies - Miscellaneous				1514.160	0	1514.160	0	0
Drilling and Cmt. Services - Surface Csg				1514.165	12,720	NA	0	12,720
Drilling and Cmt. Services - Int. Csg				1514.170	21,200	NA	0	21,200
Drilling and Cmt. Services - Prod. Csg				NA	0	1514.172	21,200	21,200
Drilling and Cmt. Services - Other				1514.175	0	1514.175	0	0
Drilling - Drilling Tools and Equipment				1514.180	13,038	1514.180	0	13,038
Drilling - Misc.				1514.185	40,439	1514.185	3,710	44,149
Drilling - Drill Stem / Production				1514.195	4,770	1514.195	5,300	10,070
Drilling - Hole Logging				1514.200	37,100	NA	0	37,100
Drilling - Logging Services				1514.210	21,200	NA	0	21,200
Drilling - Special Services				1514.190	0	1514.190	0	0
Drilling - Plug and Abandon				1514.215	15,000	1514.210	(15,000)	0
Drilling - Logging and/or Swabbing Unit				NA	0	1514.217	18,550	18,550
Drilling - Reverse Equipment				NA	0	1514.210	5,300	5,300
Drilling - Pipeline Services				1514.205	0	1514.205	15,900	15,900
Drilling - Fracturation				NA	0	1514.221	121,900	121,900
Drilling - Trip / Vacuum Truck Services				1514.220	0	1514.220	5,944	5,944
Drilling - Transportation				1514.225	9,540	1514.225	6,360	15,900
Drilling - Material Goods - Inspection & Testing				1514.230	3,180	1514.230	5,300	8,480
Drilling - Classified				1514.245	530	1514.245	0	530
Drilling - Phone and Radio Expense				1514.240	1,590	1514.240	638	2,226
Drilling - Geologist / Landman				1514.250	22,500	1514.250	2,500	25,000
Drilling - Company Labor - Field Supervision				1514.255	27,560	1514.255	7,500	35,060
Drilling - Contract Labor / Roustabout				1514.265	8,480	1514.265	11,130	19,610
Drilling - Fracturing and Professional Service				1514.270	5,000	1514.270	0	5,000
Drilling - Fracturing				1514.275	11,306	1514.275	0	11,306
Drilling - Fracturing				1514.280	12,600	1514.280	3,500	16,100
TOTAL					1,016,078		250,205	1,266,284
Agencies (10%)					101,608		25,021	126,629
RELATED TOTAL INTANGIBLES					1,117,686		275,226	1,392,913

Nearburg Producing Company

Exploration and Production
Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Wapiti 31 State Com WELL NUMBER: 1 PBTD: 13,700'
LOCATION: 1,650' FSL & 660' FEL, Section 31, T18S, R34E, Lea County NM
FIELD: Morrow EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 10/2/01 EST. START DATE: 3/1/02 EST. COMPLETION DATE: 5/1/02
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			TO CSG PT	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	0	0	0
Surface Csg	1,550 Ft @	24.00 \$/Ft	37,200	0	37,200
Intermediate Csg	5,200 Ft @	14.00 \$/Ft	72,800	0	72,800
Protection Csg	0 Ft @	0.00 \$/Ft	0	0	0
Production Csg	13,700 Ft @	10.00 \$/Ft	0	137,000	137,000
Protection Liner	0 Ft @	0.00 \$/Ft	0	0	0
Production Liner	0 Ft @	0.00 \$/Ft	0	0	0
tubing	13,500 Ft @	3.38 \$/Ft	0	45,630	45,630
ods	0 Ft @	0.00 \$/Ft	0	0	0
rtificial Lift Equipment			0	0	0
ank Battery			0	12,720	12,720
eparators/Heater Treater/Gas Units/FWKO			0	19,080	19,080
Well Head Equipment & Christmas Tree			2,000	12,500	14,500
bsurface Well Equipment			0	6,148	6,148
ow Lines			0	13,250	13,250
iltwater Disposal Pump			0	0	0
is Meter			0	3,180	3,180
ct Unit			0	0	0
por Recovery Unit			0	0	0
ier Well Equipment			0	0	0
W and Damages			0	2,120	2,120
face Equipment Installation Costs			0	15,900	15,900
ct Installation			0	0	0
TIMATED TOTAL TANGIBLES			112,000	267,528	379,528
TIMATED TOTAL WELL COSTS			1,229,686	542,754	1,772,441

AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

APPROVAL	DATE
APPROVED BY: HRW	10/02/01
APPROVED BY:	
APPROVED BY:	10/2/01
APPROVED BY:	10/3/01

APPROVAL: COMPANY _____
BY _____
TITLE _____
DATE _____

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Total Postage
Matador Petroleum Corporation
8340 Meadow Road
Suite 150, Pecan Creek
Dallas, Texas 75231-3751

Recipient's Name
Street, Apt. No.

99 3400 0017 1726 5829

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Total Postage
T. H. McElvain Oil & Gas Limited Partnership
McElvain Oil & Gas Properties, Inc., Gen. Pmt.
P. O. Box 2148

Recipient's Name
Street, Apt. No.

99 3400 0017 1726 6321

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

Wapiti 31 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Postmark Here

Total Postage
McElvain Oil Co.
14828 Bellbrook
Addison, TX 75240

Recipient's Name
Street, Apt. No.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Matador Petroleum Corporation
8340 Meadow Road
Suite 150, Pecan Creek
Dallas, Texas 75231-3751

2. Article Number (Copy from service label)
7099 3400 0017 1726 6383

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-06

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery 10/22/01

C. Signature X Shaunta Rumbold Agent Address Yes No

D. Is delivery address different from item 1? If YES, enter delivery address below: Yes No

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Wapiti 31 St. Com. #1

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

T.H. McElvain O&G Ltd. Pmt.
McElvain O&G Properties,
P. O. Box 2148
Santa Fe, NM 87504-2148

2. Article Number (Copy from service label)
7099 3400 0017 1726 5829

PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery 10/22/01

C. Signature X Lois Redding Agent Address Yes No

D. Is delivery address different from item 1? If YES, enter delivery address below: Yes No

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Wapiti 31 St. Com. #1

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

McElvain Oil Co.
14828 Bellbrook
Addison, TX 75240

2. Article Number (Copy from service label)
7099 3400 0017 1726 6321

PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery 10-22-01

C. Signature X D.M. E. Agent Address Yes No

D. Is delivery address different from item 1? If YES, enter delivery address below: Yes No

3. Service Type
X Certified Mail Express Mail
Registered Return Receipt for Merchandise
Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Wapiti 31 St. Com. #1

SENDER: COMPLETE THIS SECTION

- 1. Complete items 1, 2, and 3. Also, if item 4 is checked, delivery is insured.
- 2. Print your name and address on the back of the card.
- 3. Attach this card to the back of the envelope.
- 4. If checked, the item is insured for the amount shown.

Insured for \$3400.00
 \$3400.00
 \$3400.00

99 3400 0017

COMPLETE THIS SECTION ON DELIVERY

Please Print Clearly) B. Date of Delivery 10/22/99
 Agent ☐
 Addressee ☐
 Is different from item 1? ☐ Yes ☐ No
 Delivery address below: ☐ Yes ☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
 (Extra Fee) ☐ Yes

Capiti 31 St. Com.

102595-00-M-09

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only No Insurance Coverage Provided)

Capiti 31 St. Com.

Total Postage Josephine M. Withers
 11578 Lost Tree Way
 North Palm Beach, FL 33408

SENDER: COMPLETE THIS SECTION

- 1. Complete items 1, 2, and 3. Also, if item 4 is checked, delivery is insured.
- 2. Print your name and address on the back of the card.
- 3. Attach this card to the back of the envelope.
- 4. If checked, the item is insured for the amount shown.

Insured for \$3400.00
 \$3400.00
 \$3400.00

99 3400 0017

COMPLETE THIS SECTION ON DELIVERY

Please Print Clearly) B. Date of Delivery
 Agent ☐
 Addressee ☐
 Is different from item 1? ☐ Yes ☐ No
 Delivery address below: ☐ Yes ☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
 (Extra Fee) ☐ Yes

Capiti 31 St. Com.

102595-00-M-09

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only No Insurance Coverage Provided)

Capiti 31 St. Com.

Total Postage Ralph C. McElvain, Jr.
 5318 S. Cottonwood Club Circle
 Dallas, TX 75205

SENDER: COMPLETE THIS SECTION

- 1. Complete items 1, 2, and 3. Also, if item 4 is checked, delivery is insured.
- 2. Print your name and address on the back of the card.
- 3. Attach this card to the back of the envelope.
- 4. If checked, the item is insured for the amount shown.

Insured for \$3400.00
 \$3400.00
 \$3400.00

99 3400 0017

COMPLETE THIS SECTION ON DELIVERY

Please Print Clearly) B. Date of Delivery
 Agent ☐
 Addressee ☐
 Is different from item 1? ☐ Yes ☐ No
 Delivery address below: ☐ Yes ☐ No

☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.
 (Extra Fee) ☐ Yes

Capiti 31 St. Com.

102595-00-M-09

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only No Insurance Coverage Provided)

Capiti 31 St. Com.

Total Postage Caryll M. Bradford
 4005 Euclid Ave
 Dallas, TX 75205

Wapiti 31 St. Cor. #1

Postage \$

Certified Fee

Return Receipt Fee (Endorsement Required)

Restricted Delivery Fee (Endorsement Required)

Postmark Here

• Total Post James E. McElvain

Recipient's P. O. Box 2148

Signature, Apt. Santa Fe, NM 87504

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

James E. McElvain
 P. O. Box 2148
 Santa Fe, NM 87504

2. Article Number (Copy from service label)

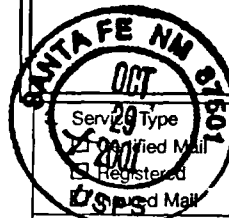
7099 3400 0017 1726 6345- Wapiti 31 St. Cor. #1

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-176

A. Received by (Please Print Clearly) B. Date of Delivery
 LOIS REDDING
 C. Signature
 X Lois Redding
 D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:



☐ Agent
☐ Address
☐ Express Mail
☒ Return Receipt for Merchandise
☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

7099 3400 0017 1726 6352

Wapiti 31 St. Cor. #1

Postage \$

Certified Fee

Return Receipt Fee (Endorsement Required)

Restricted Delivery Fee (Endorsement Required)

Postmark Here

• Total Postage & 1 Ruth P. McElvain

Recipient's Name P. O. Box 2148

Street, Apt. No., or Santa Fe, NM 87504

City, State, ZIP+4

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ruth P. McElvain
 P. O. Box 2148
 Santa Fe, NM 87504

2. Article Number (Copy from service label)

7099 3400 0017 1726 6352- Wapiti 31 St. Cor. #1

PS Form 3811, July 1999

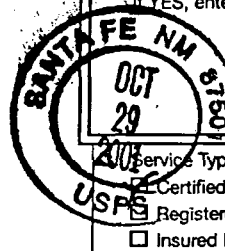
Domestic Return Receipt

102595-99-M

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
 LOIS REDDING
 C. Signature
 X Lois Redding
 D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:



Service Type
☒ Certified Mail ☐ Express Mail
☒ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

KAISER-FRANCIS OIL COMPANY

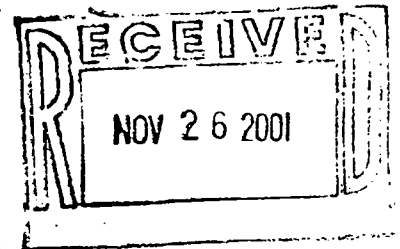
P.O. BOX 21468

TULSA, OKLAHOMA 74121-1468

6733 South Yale Ave.
(918) 494-0000

*3 Copies
Please*
*1 - Cass
1 - Tension
1 - New location*

November 16, 2001



Nearburg Exploration Company, LLC
P.O. Box 823085
Dallas, TX 75382-3085

Attn: Mr. Duke Rousch

Re: Wapiti "31" State Com. #1 Well Proposal
Sec. 31, T18S-R34E
Lea Co., NM

Dear Mr. Rousch:

Pursuant to our telephone conversation today, enclosed herewith is the Joint Operating Agreement dated January 27, 1975 covering Sections 13, 14, 23, 24, 25, 26, 35 and 36 of T18N-R33E and Sections 17, 18, 19, 20, 29, 30, 31 and 32 of T18N-R34E, Lea County, New Mexico.

If you need anything further, do not hesitate to contact us. My direct number is 918-491-4438.

Sincerely,

Debbie Stout
Land Assistant

Enc.

xc: Wayne Fields, Landman
Jim Wakefield, Engineer

D85:\ltr\wapiti.joa.wpd

*11/26/01. Debbie at Kaiser
Francis - no decision yet
wants F10 offer.*

*Wayne Bello
11/26/01 -
Still working and
Does not know the
answer - will
check to see how may
be subject to
patent order.*

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

December 21, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mika Petroleum LLC
P. O. Box 8154
Dallas, Texas 75205-0154

RE: Wapiti "31" State Com. #1 Well
1,650' FSL and 660' FEL
Section 31, T-18-S, R-34-E
Lea County, New Mexico
Wapiti Prospect

Gentlemen:

Enclosed herewith, please find an application for compulsory pooling for the captioned well filed on behalf of Nearburg Exploration Company, L.L.C. ("NEC") by the law firm of Hollard & Hart and Campbell & Carr. The hearing for this well is scheduled to be heard before a Division Examiner on January 10, 2002. Should you wish to participate in the proposed well, we ask that you please execute both copies of the AFE, which was previously provided and return one copy to the attention of the undersigned.

Should you wish not to participate, we ask that you consider granting NEC a farmout on the terms as set forth in our letter dated October 16, 2001.

If you have any questions or comments, please call me at (915) 686-8235.

Sincerely,



Duke Roush
Senior Landman

DR/dw
encl.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

|||||
Mika Petroleum LLC
P. O. Box 8154
Dallas, Texas 75205-0154

2. Article Number 7099 3400 0016 5944 7369
(Transfer from service label)

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1424

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Francis [unclear] 26 2001

C. Signature

X

☐ Agent
☐ AddresseeD. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

6962 4465 9100 0016 5944 7369 7099 3400 0016 5944 7369

Wapiti 31 St. Com. #1

Postage \$

Certified Fee

Return Receipt Fee
(Endorsement Required)Restricted Delivery Fee
(Endorsement Required)Postmark
Here

Total Postage & F

Recipient's Name

Mika Petroleum LLC

Street, Apt. No., or

P. O. Box 8154

City, State, ZIP+4

Dallas, TX 75205-0154

PS Form 3800, February 2000

See Reverse for Instructions

INTEROFFICE MEMORANDUM

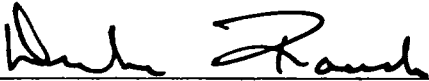
To: Bob Shelton

From: Duke Roush

Date: January 7, 2002

Re: Kudo Petroleum L.L.C.
Mika Petroleum L.L.C.
Wapiti 31 Fed. Com. #1
Lea County, New Mexico
Elk 01 Prospect

I was finally able to locate the number for the captioned company and spoke with Mr. Frank Stroube, regarding their election to participate in the Wapiti 31 Fed. Com. #1 on January 3rd and 4th, 2002. He said they were participating in two deep wells in Oklahoma and were presently cash poor. I offered to farmin their interest on a 75/25 basis. He said he would talk to his partner and call us back. I will attempt to follow up on the 8th, if I have not heard from them.



Duke Roush

DR/dw

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒OTHER ☐SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO

3300 North "A" Street, Bldg 2, Ste120, Midland, TX 79705 (915) 686-8235

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface Unit I, 1650' FSL and 660' FEL
At proposed prod. zone

5. LEASE DESIGNATION AND SERIAL NO.

NM 92780

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO

Wapiti 31 Federal Com #1

9. API WELL NO.

10. FIELD AND POOL OR WILDCAT

La Rica Morrow; West

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Section 31-18S-34E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

4 miles southwest of Buckeye, New Mexico

12. COUNTY OR PARISH

Lea

13. STATE

NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT
(Also to nearest drilg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

80'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320'

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

13,700'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3957' GR

22. APPROX. DATE WORK WILL START*

02/01/2002

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8" J55	48#	350'	300 sx cmt, circ to surface
11"	8-5/8" J55	32#	5200'	1800 sx cmt, circ to surface
7-7/8"	5-1/2" J55, N80	17# & 20#	13,700'	925 sx cmt

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

Acreage dedication 320; E/2 of Section 31

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED



TITLE Regulatory Analyst

DATE 01/03/2002

(This space for Federal or State office use)

PERMIT NO

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 77905

The undersigned accepts all applicable terms, conditions, stipulations and restrictions covering operations conducted on the leased land or portion thereof, as described below:

Lease No: NM 92780

Legal Description of Land: Unit I, 1650' FSL & 660' FEL
Section 31, T18S, R34E
Lea County, New Mexico

Formation(s) (if applicable): Morrow

Bond Coverage: \$25,000 statewide bond of Nearburg Producing Company

BLM Bond File No: NM1307

Date

1/2/2


H. R. Willis

Drilling Superintendent

**ATTACHMENT TO FORM 3160-3
WAPITI 31 FEDERAL COM #1
SECTION 31, T18S, R34E
LEA COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Red Bed

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Rustler	1650'	Wolfcamp	10,650'
B/Salt	3050'	Strawn	12,220'
Delaware	5750'	Atoka	12,510'
Bone Spring	7750'	Morrow	12,850'
T/1 st Bone Sp	9000'	TD	13,700'

3. ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

Bone Spring	Oil	9600'
Morrow	Gas	13,400'

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u> <u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
13-3/8"	0' – 350'	48#	J55	STC
8-5/8"	0' – 5,200'	32#	J55	STC
5-1/2"	5,200' – 13,700'	17# & 20#	J55,N80	LTC&BTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

We plan to drill a 17-1/2" hole to equal 350'. 13-3/8" casing will be cemented with 300 sxs Class "C" or volume necessary to bring cement back to surface.

11" hole will be drilled to 5,200' and 8-5/8" casing will be cemented with 1,800 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 13,700' and 5-1/2" production casing will be cemented with approximately 925 sxs of Class "H" cement covering productive zones.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 5,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 350' with fresh water mud for surface string. The intermediate section will be drilled with 10 ppg Brine water mud to 5,200'. Intermediate casing will be run at this depth. The production section from 5,200' to 13,700' will be 9.2 – 9.6 ppg cut Brine system with mud weight sufficient to control formation pressures.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

BHP expected to be 3,500 psi.

10. ANTICIPATED STARTING DATE:

Is planned that operations will commence on February 1, 2002 with drilling and completion operation lasting about 45 day.

SURFACE USE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
WAPITI 31 FEDERAL COM #1
SECTION 31-T18S-R34E
LEA COUNTY, NEW MEXICO

LOCATED

6 miles Southwest of Buckeye, New Mexico

OIL & GAS LEASE

NM 92780

RECORD LESSEE

Mewbourne Oil company

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

320.00 acres

GRAZING LEASE

Kenneth Smith Inc.

POOL

La Rica Morrow; West (79830)

EXHIBITS

- A. Area Road Map
- B. Drilling Rig Layout
- C. Vicinity Oil & Gas Map
- D. Topographic & Location Verification Map
- E. Well Location & Acreage Dedication Map

This well will be drilled to a depth of approximately 13,700'.

1. EXISTING ROADS

- A. Exhibit A is a portion of a section map showing the location of the proposed well as staked.
- B. Exhibit C is a plat showing existing roads in the vicinity of the proposed well site.

2. ACCESS ROADS

A. Length and Width

The access road will be built and is shown on Exhibit D.

B. Surface Material

Existing.

C. Maximum Grade

Less than five percent

D. Turnouts

None necessary.

E. Drainage Design

Existing.

F. Culverts

None necessary.

G. Gates and Cattle Guards

None needed.

3. LOCATION OF EXISTING WELLS

Existing wells in the immediate area are shown in Exhibit C.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

Necessary production facilities for this well will be located on the well pad.

5. LOCATION AND TYPE OF WATER SUPPLY

It is not contemplated that a water well will be drilled. Water necessary for drilling will be purchased and hauled to the site over existing roads shown on Exhibit D.

6. METHODS OF HANDLING WASTE DISPOSAL

- A. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- B. Water produced during tests will be disposed of in the drilling pits.
- C. Oil produced during tests will be stored in test tanks.
- D. Trash will be contained in a trash trailer and removed from well site.
- E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

7. ANCILLARY FACILITIES

None required.

8. WELL SITE LAYOUT

Exhibit B shows the relative location and dimensions of the well pad, mud pits, reserve pit, and trash pit, and the location of major rig components.

9. PLANS FOR RESTORATION OF THE SURFACE

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The well site will be cleaned of all trash and junk to leave the site in an as aesthetically pleasing condition as possible.
- B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

10. OTHER INFORMATION

A. Topography

The land surface at the well site is rolling native grass with a regional slope being to the east.

B. Soil

Topsoil at the well site is sandy soil.

C. Flora and Fauna

The location is in an area sparsely covered with mesquite and range grasses.

D. Ponds and Streams

There are no rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

There are no residences within a mile of the proposed well site.

F. Archaeological, Historical, and Cultural Sites

None observed on this area.

G. Land Use

Grazing

H. Surface Ownership

Bureau of Land Management

11. OPERATOR'S REPRESENTATIVE

H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (915) 686-8235
Home: (915) 697-2484

12. CERTIFICATION

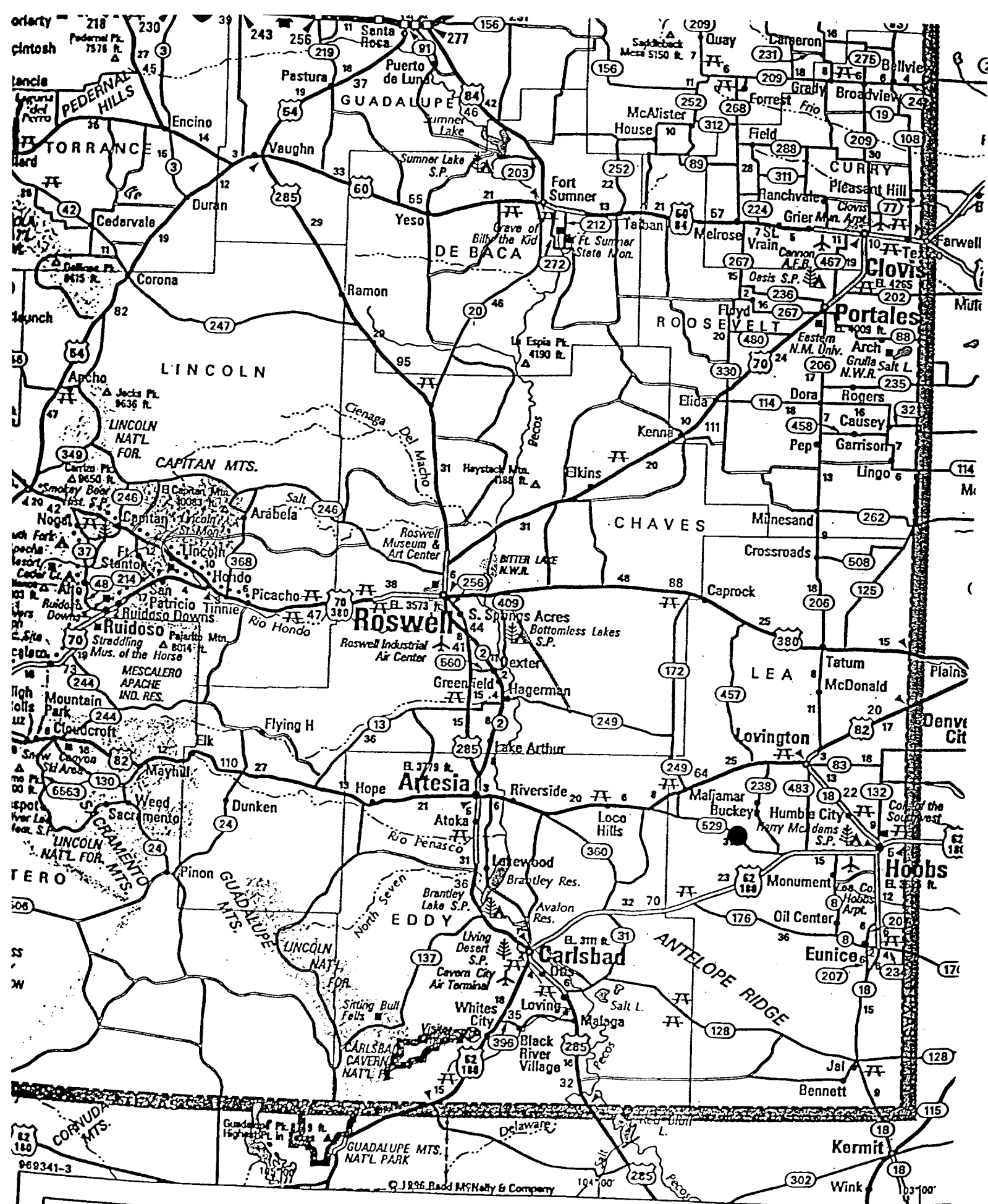
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Nearburg Producing Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Date

1/2/2

H. R. Willis

Drilling Superintendent



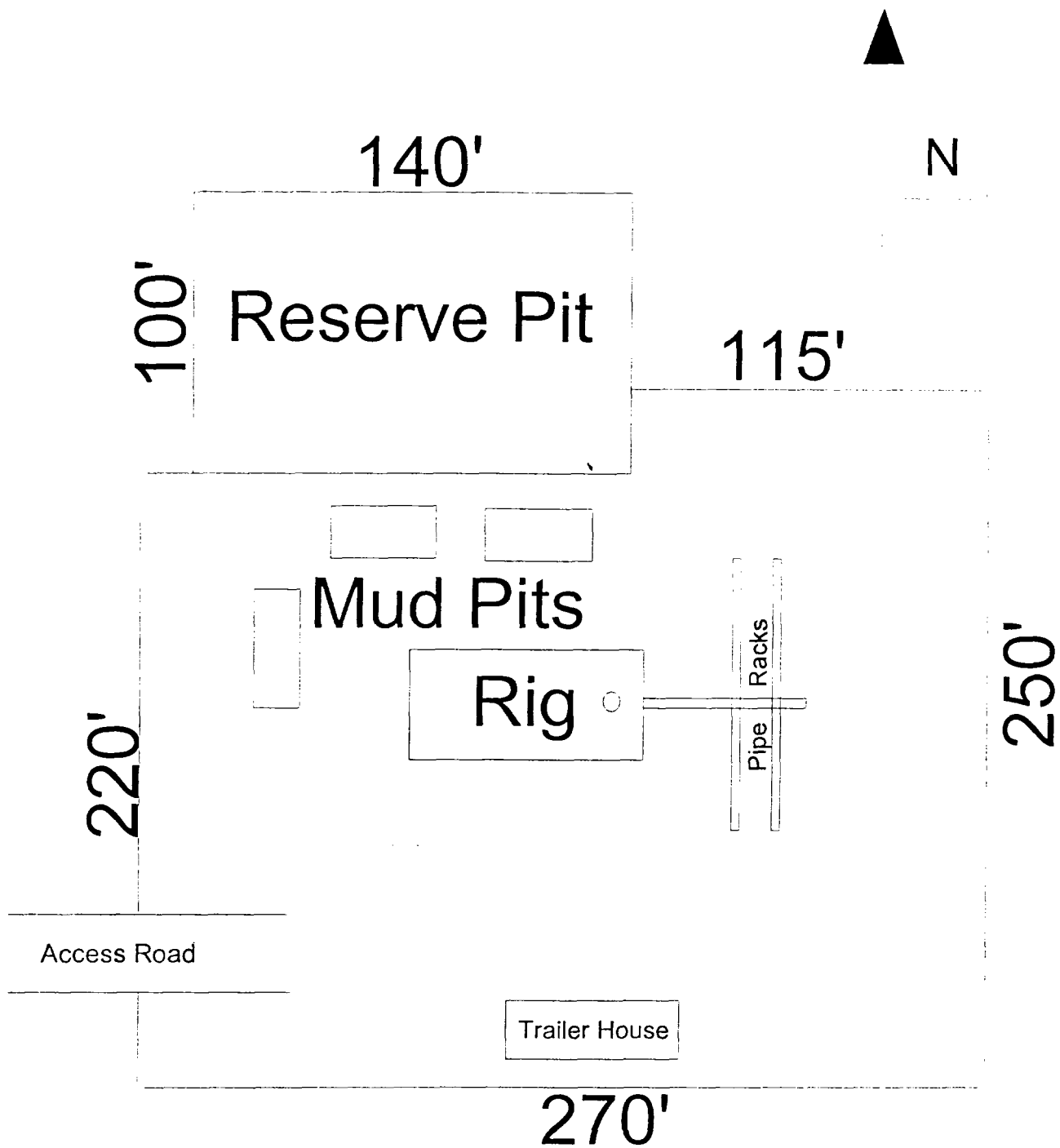
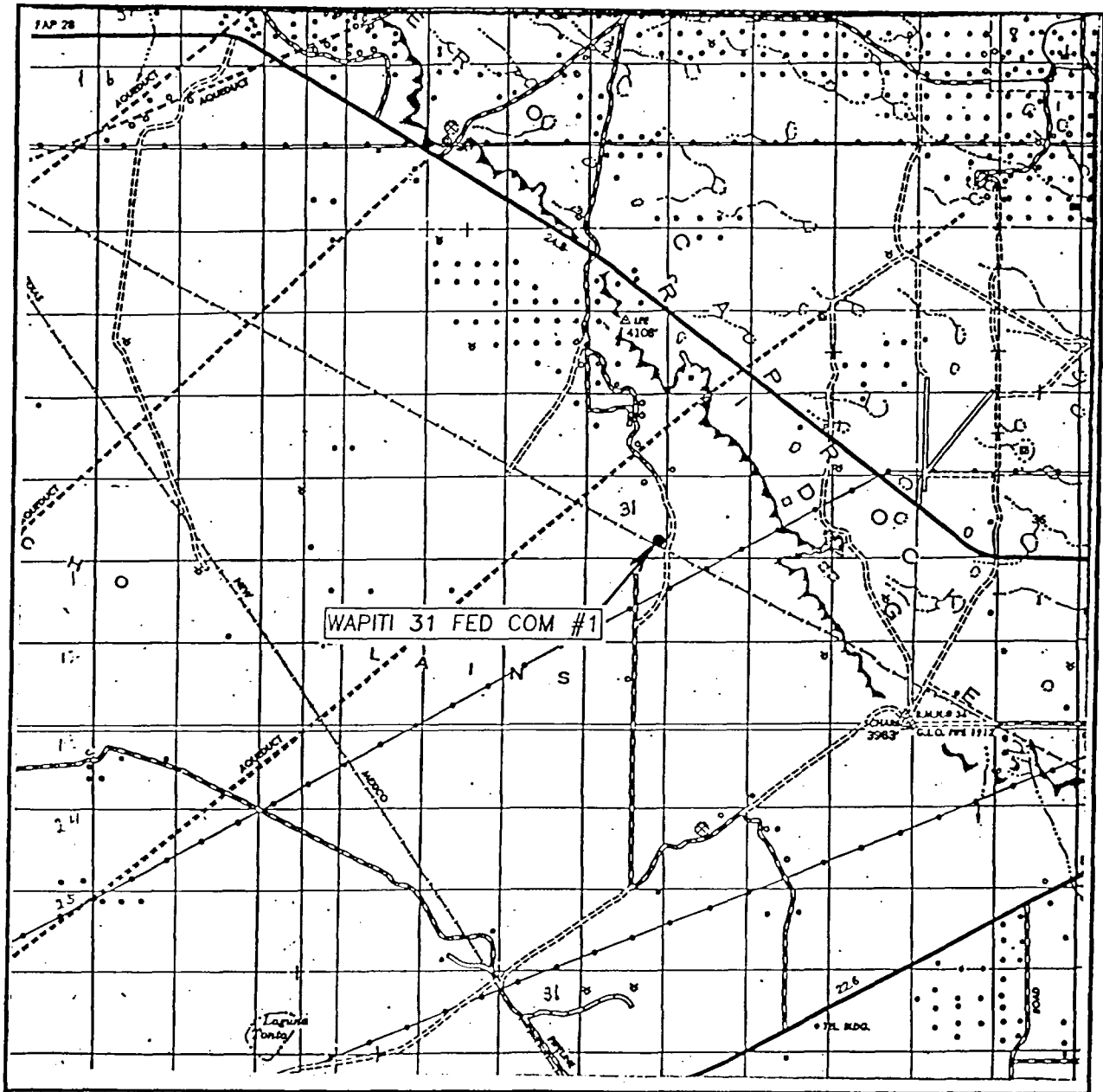


EXHIBIT B
 DRILLING RIG LAYOUT
 NEARBURG PRODUCING COMPANY
 Wapiti 31 Federal Com #1
 SCALE 1" = 50'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 31 TWP. 18-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1650' FSL & 660' FEL

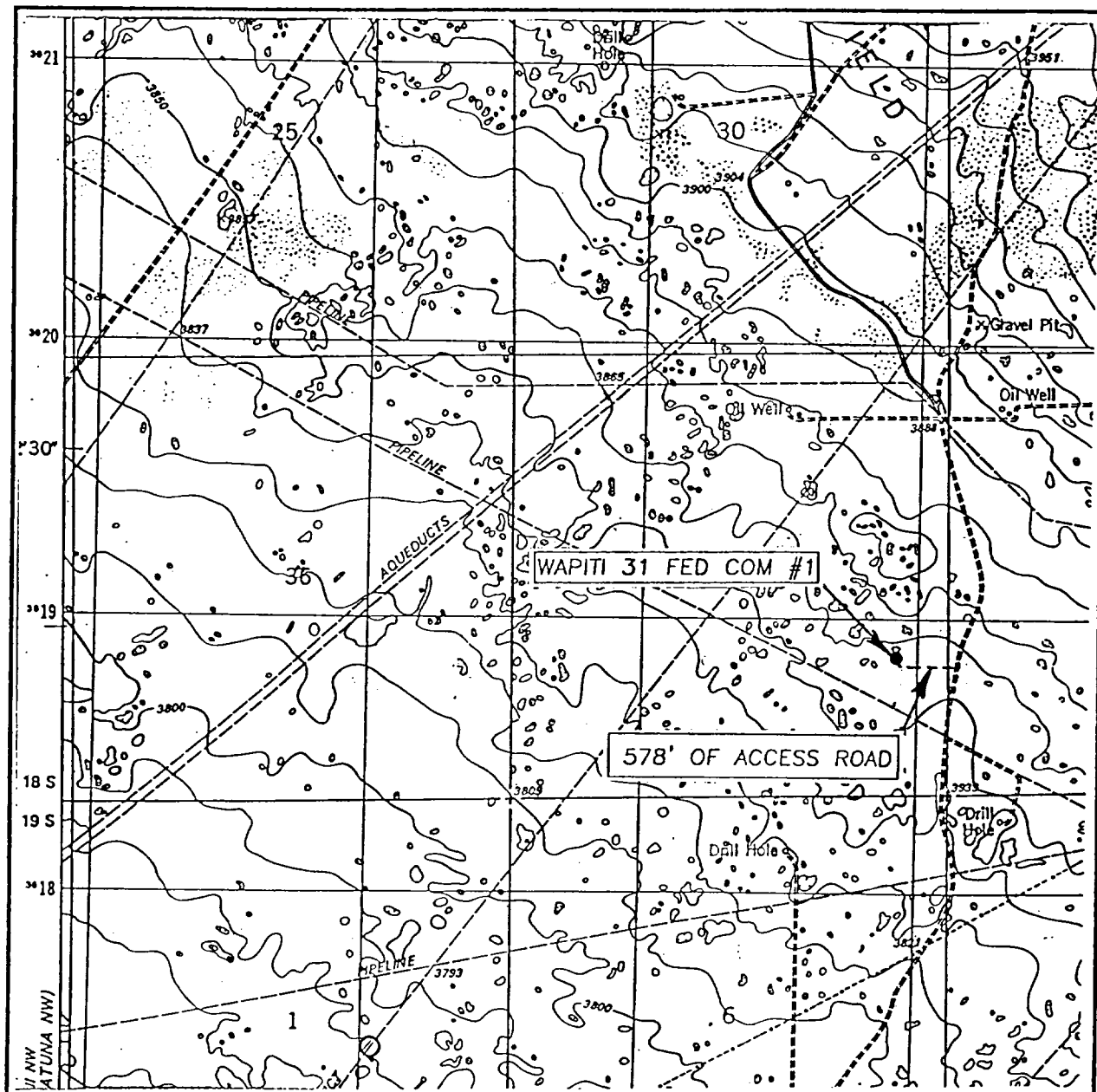
ELEVATION 3957'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE WAPITI 31 FEDERAL COM

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

IRONHOUSE WELL, N.M.

SEC. 31 TWP. 18-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1650' FSL & 660' FEL

ELEVATION 3957'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE WAPITI 31 FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP

IRONHOUSE WELL, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Energy, Minerals and Natural Resources Department

P.O. Box 1980, Hobbs, NM 88241-1980

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Free Lease - 3 Copies

P.O. Drawer DD, Artesia, NM 88211-0719

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

1000 Rio Brazos Rd., Aztec, NM 87410

☐ AMENDED REPORT

API Number	Pool Code 79830	Pool Name La Rica Morrow; West
Property Code	Property Name WAPITI 31 FEDERAL COM.	Well Number 1
OGRIID No. 015742	Operator Name NEARBURG PRODUCING CO.	Elevation 3957'

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	31	18-S	34-E		1650	SOUTH	660	EAST	LEA

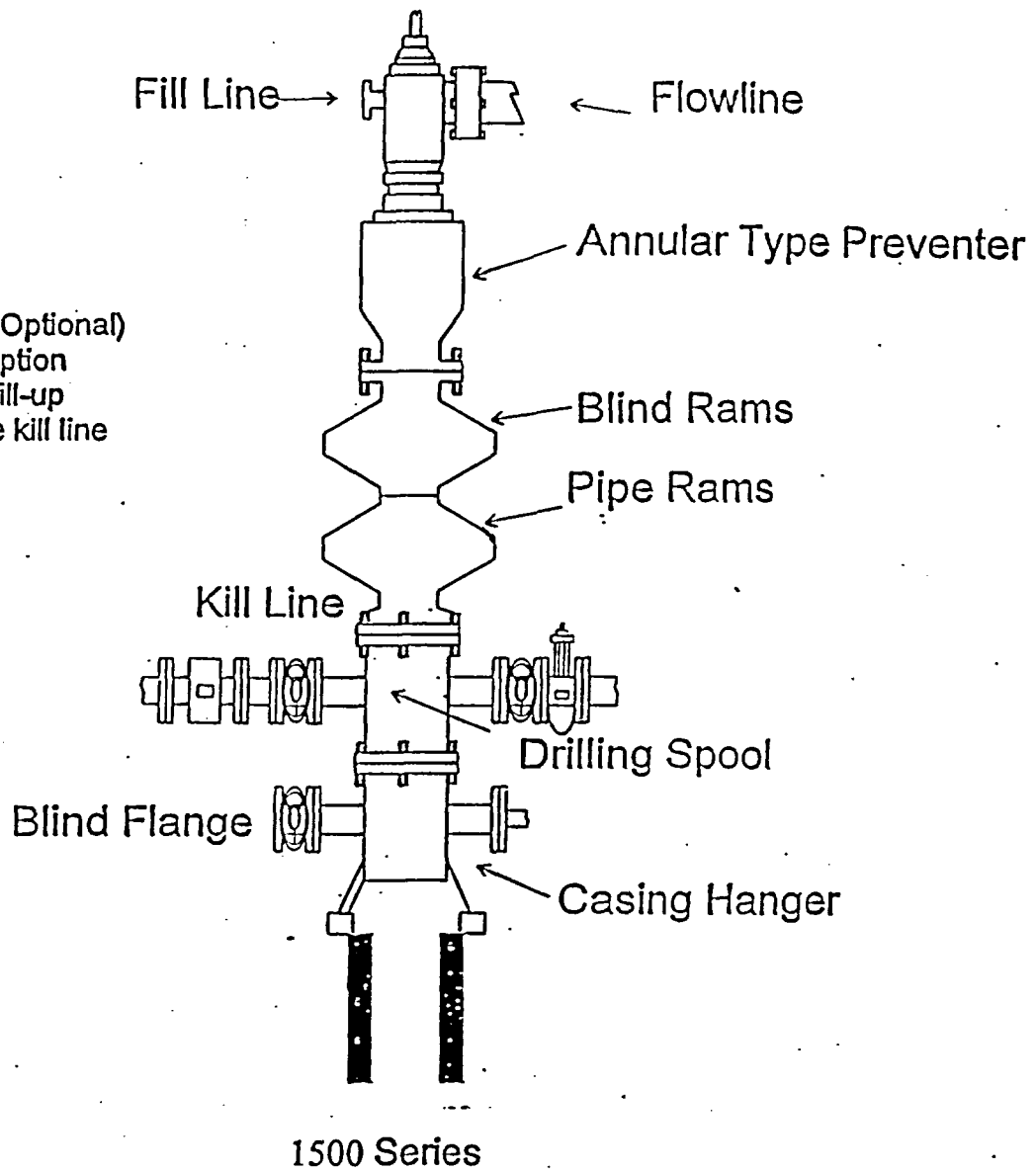
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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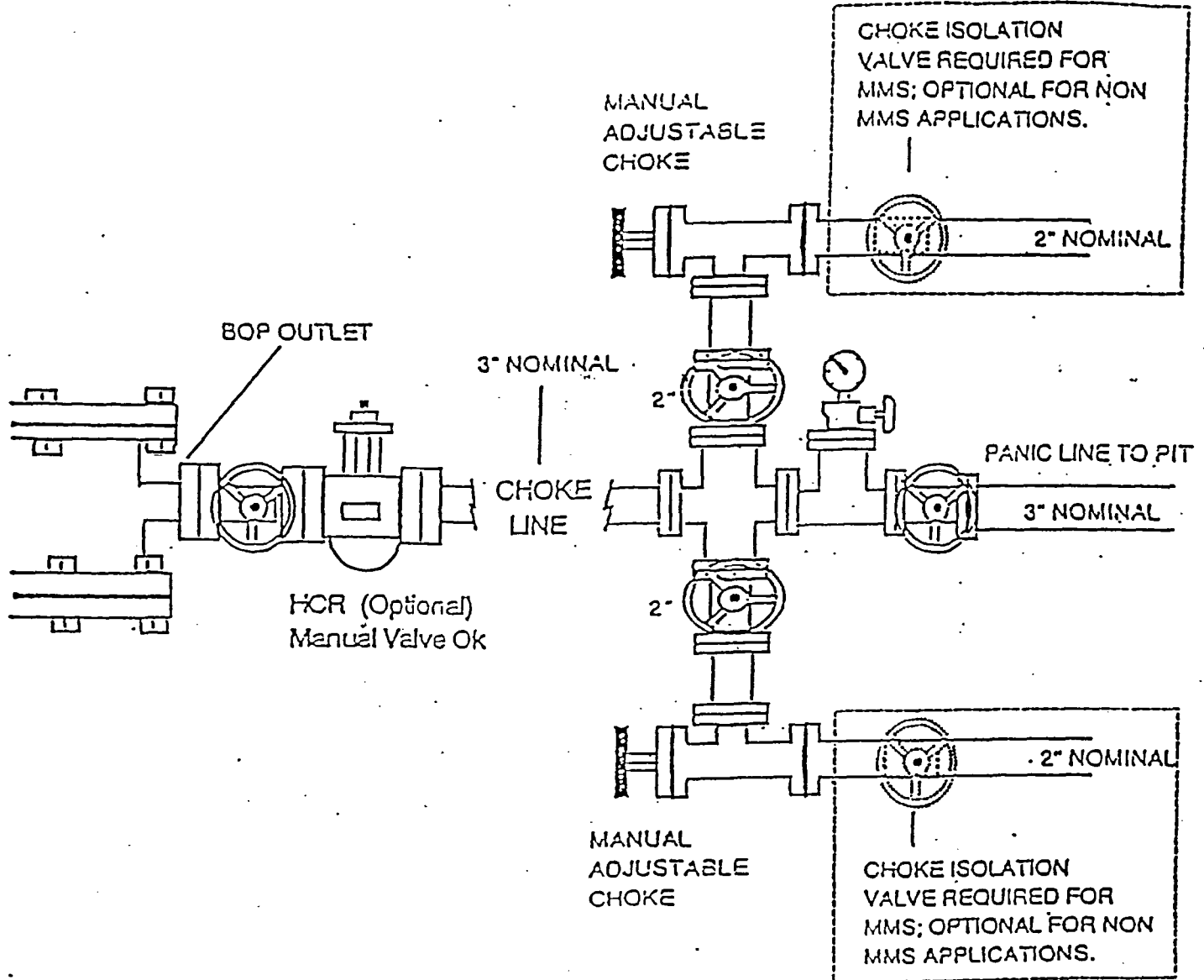
<p>LOT 1</p> <p>37.91 AC LOT 2</p> <p>37.97 AC LOT 3</p> <p>38.03 AC LOT 4</p> <p>38.09 AC</p>	<h3 style="text-align: center;">OPERATOR CERTIFICATION</h3> <p>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</p> <p style="text-align: right;"><i>Kim Stewart</i></p> <hr/> <p>Signature</p> <hr/> <p>Kim Stewart</p> <hr/> <p>Printed Name</p> <hr/> <p>Regulatory Analyst</p> <hr/> <p>Title</p> <hr/> <p>January 2, 2001</p> <hr/> <p>Date</p>
--	--

	<h3 style="text-align: center;">SURVEYOR CERTIFICATION</h3> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p style="text-align: center;">DECEMBER 18, 2001</p> <hr/> <p>Date Surveyed</p> <hr/> <p><i>Ronald J. Edson</i></p> <hr/> <p>Professional Surveyor</p> <hr/> <p>CERTIFICATE NO. 01-11-1313</p> <hr/> <p>Certificate No. RONALD J. EDSON 3239 GARY EDSON 12641</p>
--	--

BOPE SCHEMATIC



NEARBURG PRODUCING COMPANY
CHOKE MANIFOLD
5M SERVICE



**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
WAPITI 31 FEDERAL COM #1**

1. HYDROGEN SULFIDE TRAINING

- A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
 - 1. The hazards and characteristics of hydrogen sulfide (H₂S).
 - 2. The proper use and maintenance of personal protective equipment and life support systems.
 - 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
 - 4. The proper techniques for first aid and rescue procedures.
- B. In addition, supervisory personnel will be trained in the following areas:
 - 1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
 - 3. The contents and requirements of the H₂S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 2

2. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

A. Well Control Equipment:

1. Flare line with continuous pilot.
2. Choke manifold with a minimum of one remote choke.
3. Blind rams and pipe rams to accommodate all sizes with properly sized closing unit.
4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare gun with flares as needed.

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H2S Detection and Monitoring Equipment:

1. Two portable H2S monitors positioned and location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.
2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

1. Wind direction indicators as shown on well site diagram.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 3

E. Mud Program

1. The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.
2. A mud-gas separator will be utilized as needed.

F. Metallurgy

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

G. Communication

1. Cellular telephone communications in company vehicles and mud logging trailer.
2. Land line (telephone) communications at area office.

H. Well Testing

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing in an H₂S environment will be conducted during the daylight hours.

WARNING

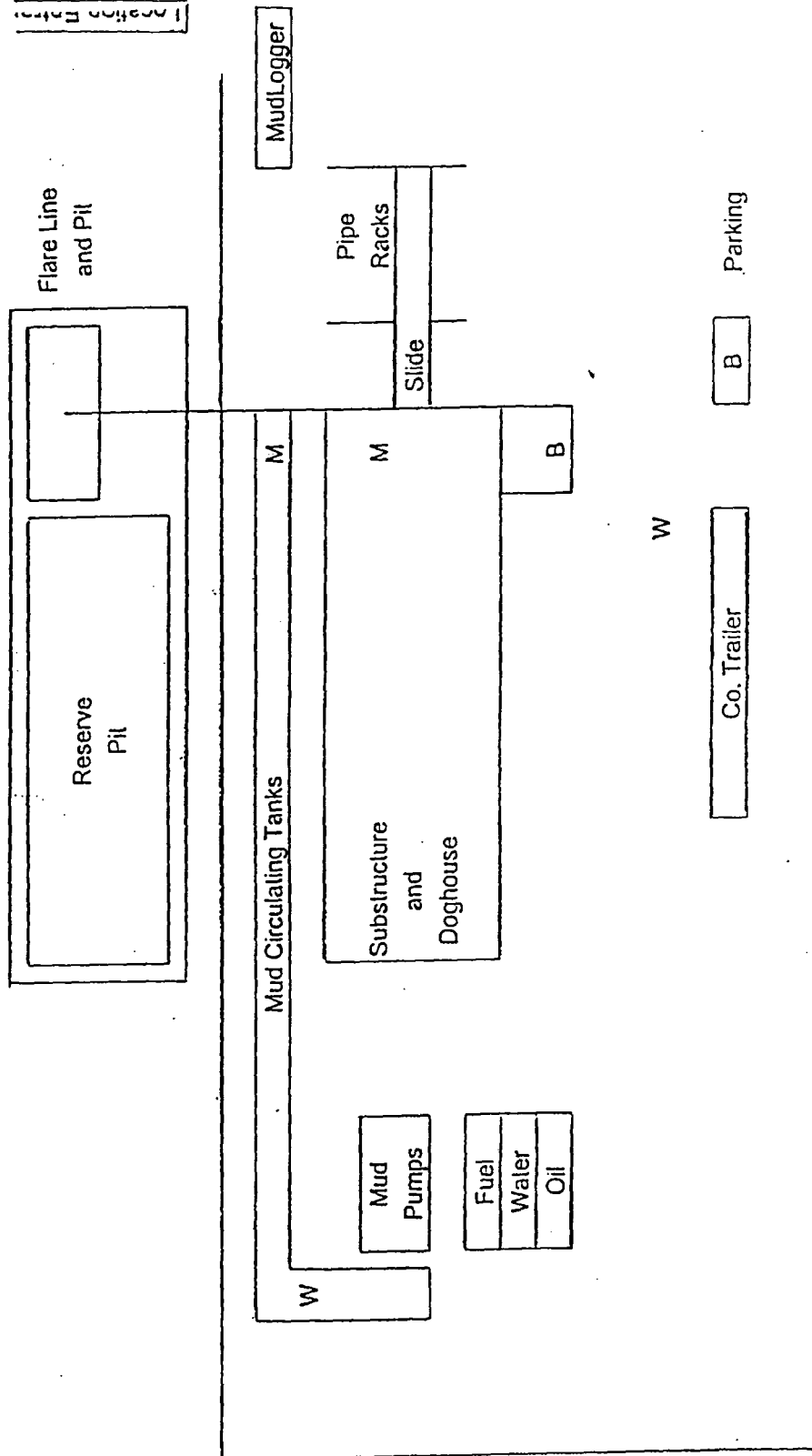
**YOU ARE ENTERING A H2S AREA
AUTHORIZED PERSONNEL ONLY**

1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH NEARBURG SUPERINTENDENT AT MAIN OFFICE

NEARBURG PRODUCING COMPANY

(915) 686-8235

NEARBURG PRODUCING COMPANY HYDROGEN SULFIDE DRILLING OPERATIONS LOCATION PLAN



M - H2S Monitors with alarms at bell nipple and shale shaker

W - Wind Direction Indicators

B - Safe Briefing areas with caution signs and protective breathing equipment.
Minimum 150' from wellhead.

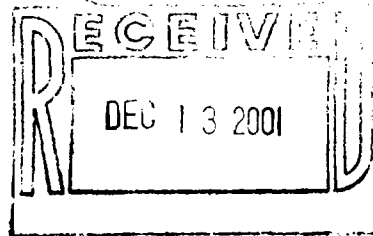
Prevailing Wind Directions: Summer - South/Southwest
Winter - North/Northwest

HOG PARTNERSHIP LP
5950 Cedar Springs Road, LB 242
Dallas, Texas 75235-6803
214-357-0333

FAX 214-357-9358

December 11, 2001

Mr. Duke Roush
Senior Landman
Nearburg Exploration Company, L.L.C.
3300 North "A" Street, Bldg. 2, Suite 120
Midland, Texas 79705



Re: Wapiti "31" State Com. #1
Section 31, T-18-S, R-34-E
Lea County, New Mexico

Dear Mr. Roush:

Please be advised that effective August 1, 2001, **Hamon Operating Company** sold and conveyed all of their right, title and interest in and to the above referenced acreage to **HOG Partnership LP**. Attached is a copy of the recorded assignment for your records.

Pursuant to your previous conversations with Will Beecherl, please find enclosed HOG's executed letter agreement regarding the drilling of the Morrow test well in the E/2 of Section 31, T-18-S, R-34-E, Lea County, New Mexico.

Thank you for your help and assistance in this matter. If you have any questions, or if we can assist you further, please do not hesitate to contact us.

Very truly yours,

Susan Hayes

Susan Hayes
214-357-0333 Ext. # 140
E-mail: shayes@beecherl.com

Enclosures

MAILING ADDRESS:
P. O. Box 35287, Dallas, Texas 75235-0287

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686 7806

December 10, 2001

HOG Partnership L.P.
5950 Cedar Spring Road, Suite 200
Dallas, Texas 75235-6803

ATTN: Will Becherl *BEECHERL*

FAX (214) 357-9358

RE: T-18-S, R-34-E
Section 31: E/2
Lea County, New Mexico
Elk 01 Prospect

Gentlemen:

Pursuant to our recent conversation, Nearburg Exploration Company, L.L.C. (NEC) would like to acquire all of HOG Partnership, L.P.'s (HOG) interest in the acreage HOG owns in the captioned proration unit on the following basis.

- 1) On or before 180 days from execution of this Letter Agreement, NEC will commence operations for the drilling of a Morrow test in the E/2 of Section 31, T-18-S, R-34-E, Lea County, New Mexico.
- 2) Upon completion of said well as a well capable of producing in paying quantities, NEC shall earn an assignment of 100% of HOG's right, title and interest in the governmental spacing unit established by the New Mexico Oil Conservation Division.
- 3) In said assignment, HOG shall reserve an ORRI equal to the difference between existing burdens and 25%. Upon payout of said well, HOG shall have the option to convert said ORRI to a 25% working interest.
- 4) As you are aware, spacing rules for the Morrow require 320 acres per well, however, Rule 104 wells may be drilled on 160 acre units. In the event the Initial Test Well is completed as productive and NEC will earn an assignment of the entire 320 acre required for a Morrow well, however, if a second Rule 104 well is drilled on the applicable 320 acres, regardless of the payout status of the Initial Test Well, HOG agrees to again farmout its interest to NEC in said Rule 104 well under the same terms as the Initial Test Well.

In the event the Initial Test Well is completed in a formation requiring less than 320 acres spacing, NEC shall have a 180 day continuous development period within which to commence operations to drill a second or subsequent test well to earn the HOG interest under identical terms as those set forth above as the Initial Test Well.

- 5) All ORRI's and WI conversions shall be subject to proportionate reduction to the HOG interest owned in the proration unit established for each well drilled hereunder.
- 6) This offer is subject to both parties entering into a mutual form of Farmout Agreement.

If the proposal as set forth above is acceptable to HOG, please signify your acceptance by executing both copies of this letter and returning one copy to the undersigned. Upon receipt, we will forward a copy of a formal agreement for your review and execution.

If we can be of further assistance, please advise.
Very truly yours,




Duke Roush
Senior Landman

DR/dw

AGREED TO AND ACCEPTED THIS 10 day of December, 2001.

HOG PARTNERSHIP, L.P.

By: 
Its: Ops Mng.

WILL C. BEECHERL
OPERATIONS MANAGER
HOG PARTNERSHIP LP

13957ASSIGNMENT, CONVEYANCE AND BILL OF SALE

For a valuable consideration paid to each of them, the receipt and sufficiency of which are hereby acknowledged, the undersigned:

HAMON OPERATING COMPANY, a Texas corporation;
NANCY B. HAMON, of Dallas, Texas; and HAMON
CHARITABLE FOUNDATION, a Texas charitable foundation;
(collectively "ASSIGNORS" and singularly an "ASSIGNOR"), the
address of all of which is 2626 Howell Street, Suite 905, Dallas, Texas
75204;

have GRANTED, SOLD, TRANSFERRED, ASSIGNED and CONVEYED, and by these presents
do GRANT, SELL, TRANSFER, ASSIGN and CONVEY unto:

HOG PARTNERSHIP LP ("ASSIGNEE"), a Texas limited
partnership of which Verdad Oil & Gas Corporation, a Texas
corporation, is general partner, whose address is 5950 Cedar Springs
Road, Suite 242, Dallas, Texas 75235;

all of their respective rights, titles and interests in and to the properties and interests which are
described on the schedule attached as Exhibit "A" hereto, together with:

- (a) all oil, condensate or natural gas wells located thereon and all leasehold, fee, mineral, royalty, overriding royalty, net profits interests and other payments out of or pursuant to production and other rights in and to oil, gas and other minerals, including contractual rights to production, and any contractual rights for the acquisition or earning of any of such interests;
- (b) all of their respective rights, privileges, benefits and powers as the owner or holder of any property or interest described in Exhibit "A" with respect to the use and occupancy of the surface of, and the subsurface depths under, the land covered by such property or interest that may be necessary, convenient or incidental to the possession and enjoyment of such property or interest; all of their respective rights in any pools or units, including all or a part of any such property or interest, including the production from any such unit;
- (c) all of the permits, servitudes, easements, rights-of-way (including, without limitation, any rights-of-way, permits and licenses described

on Exhibit "A"), orders, lease agreements, royalty agreements, assignments, gas purchase and sale contracts, oil purchase and sale agreements, surface leases, farmin and farmout agreements, bottom hole agreements, transportation and marketing agreements, acreage contribution agreements, operating agreements, unit agreements, processing agreements options, facilities or equipment leases and other contracts, agreements and rights that are owned by ASSIGNORS, in whole or in part, and are (i) in the chain of title for, appurtenant to or affecting the properties and interests described in Exhibit "A", or (ii) used or held for use in connection with the ownership or operation of such properties and interests, or with the production or treatment of hydrocarbons or the sale or disposal of water, hydrocarbons or associated substances therefrom; and

- (d) all of the equipment, machinery, fixtures and other real, personal and mixed property located on such properties and interests or used or held for use in the operation thereof (whether located on or off such properties and interests), insofar as it is owned by an ASSIGNOR or by third persons on behalf of an ASSIGNOR, in whole or in part, including, without limitation, wells, well equipment, casing, rods, tanks, boilers, buildings, tubing, pumps, motors, fixtures, machinery, inventory, rolling stock and other equipment, separators, dehydrators, compressors, treaters, pipelines, gathering systems, power lines, roads, field processing plants and other improvements.

Notwithstanding any particular reference or description contained in Exhibit "A" hereto or any interest therein described, it is intended hereby to grant, transfer, assign and convey, and there are hereby granted, transferred, assigned and conveyed, all of the rights, titles and interests of ASSIGNORS, or any of them, in and to (i) lands within the county or parish described on Exhibit "A" hereto, and (ii) oil, gas and minerals, royalty in oil, gas and minerals, overriding royalty interests in oil, gas and minerals, oil, gas and mineral leases and leasehold estates, and other interests in oil, gas and minerals, of whatsoever nature, in, to or under lands within the county or parish described on Exhibit "A" hereto.

ALL WELLS, PERSONAL PROPERTY AND EQUIPMENT HEREBY SOLD AND DELIVERED ARE SOLD AND DELIVERED WITHOUT WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THEIR MERCHANTABILITY, QUALITY, CONDITION OR FITNESS FOR ANY PARTICULAR PURPOSE OR OPERABILITY. ALL SUCH WELLS, PERSONAL PROPERTY AND EQUIPMENT ARE SOLD AND DELIVERED BY ASSIGNORS AND ACCEPTED BY ASSIGNEE, AS IS, WHERE IS, IN THE CONDITION IN WHICH THE SAME EXIST AND WITH ALL FAULTS AND DEFECTS, WHETHER APPARENT OR HIDDEN, KNOWN OR UNKNOWN.

For the consideration hereinabove recited, HAMON OPERATING COMPANY and NANCY B. HAMON warrant to ASSIGNEE that (i) no ASSIGNOR has previously assigned or conveyed the properties and interests hereby assigned and conveyed, (ii) such properties and interests are free and clear of all liens, security interests and encumbrances other than inchoate operators' liens attributable to unbilled joint account expenditures, and (iii) they will forever warrant and defend the title to such properties and interests from and against all claims and demands arising or created by, through or under any of the ASSIGNORS, but not otherwise. The assignment and conveyance herein made by HAMON CHARITABLE FOUNDATION is made without warranty of title, express or implied.

Each sale, transfer, assignment and conveyance herein made shall be effective for all purposes, including the production of oil and gas, as of August 1, 2001, at 7:00 o'clock A.M., C.D.T.

EXECUTED this 18th day of October, 2001.

Nancy B. Hamon
Nancy B. Hamon, a single woman

- (i) Individually,
- (ii) As President and on behalf of HAMON OPERATING COMPANY, and
- (iii) As President and on behalf of HAMON CHARITABLE FOUNDATION

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this 22 day of October, 2001, by NANCY B. HAMON, who acknowledged that she executed the same (i) individually, (ii) as the President and on behalf of HAMON OPERATING COMPANY, a Texas corporation, and (iii) as the President and on behalf of HAMON CHARITABLE FOUNDATION, a Texas charitable foundation.

Linda J. Dunavant
Notary Public in and for
the State of Texas

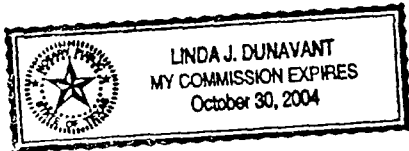


EXHIBIT A

Schedule of Properties
in the State and County or Parish Hereinafter Identified

If the term HOC or the name Hamon appears in the following text, such term or name shall mean and refer to Assignors collectively.

If the term JOA appears in the following text, such term shall identify a joint operating agreement bearing the date indicated and any amendments and supplements thereto.

LANDS AND LEASES

BOOK 1112 PAGE 478

<u>LEASE #</u>	<u>DATE</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>BOOK</u>	<u>PAGE</u>	<u>DESCRIPTION</u>
708.001	9/1/51	C. Plant	W. G. Ross	94	370	Only insofar as lease covers: Township 11 South, Range 32 East: Section 25: S/2 NW/4 (all depths) N/2 NW/4 below 100' below TD in Moore 1, 2 & 3 (10,800')
708.002	9/1/51	J. Harold Schuman, et ux	W. G. Ross	94	368	Only insofar as lease covers: Township 11 South, Range 32 East: Section 25: S/2 NW/4 (all depths) N/2 NW/4 below 100' below TD in Moore 1, 2 & 3 (10,800')

LANDS AND LEASES

BOOK 1112 PAGE 479

LEASE #DESCRIPTION

6773.001

Undivided 7/10 x 3/32 mineral interest
(Non-Producing)Township 20 South, Range 36 East;
Section 17: NE/4LEASE # DATELESSORLESSEEBOOK PAGEDESCRIPTION

6504.000 11/1/91

USA - NMLC 046164-B Amerada Hess Corporation
(Non-Producing)
HOC interest is by virtue of JOA dd 1/27/65Township 20 South, Range 36 East
Section 17: S/2

Subject to JOA dd 1/27/65 (see file #5563), as amended 5/19/66
covering the following acreage:

T20S-R36E:

Section 17: All

Section 18: All

Section 19: All (Note: HOC sold its contractual interest under Sec. 19)

Section 20: N/2, N/2SE/4

Section 29: All

Section 30: N/2 NE/4, 4300' to 11570'

Section 30: S/2 NE/4, NW/4, S/2, Surface to 11570'

JOA dd 10/10/67 superceded & replaced the 1/27/65
JOA insofar only as to Section 20.

NEW MEXICO, Lea County

LANDS AND LEASES

<u>LEASE #</u>				<u>DESCRIPTION</u>
959.000				HOC owns a 5/640 non-producing, perpetual mineral interest
				Township 13 South, Range 33 East Section 29: E/2
<u>LEASE #</u>	<u>DATE</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>BOOK/PAGE</u> <u>DESCRIPTION</u>
1439.000	11/7/45	Boon Hardin, et al	Reese Cleveland	60 334 Insofar as the lease covers the following: Township 17 South, Range 38 East Section 24: S/2NE/4 and SE/4
4760.000	12/1/48	U.S.A., Bureau of Land Management (Lease LC-066147)	Dwight Allison	Insofar as the lease covers the following: Township 20 South, Range 35 East Section 8: S/2SW/4 Section 17: S/2SE/4

NEW MEXICO, Lea County

4763.000 6/1/52 Bureau of Land
Management
No. NM04786

J. T. Bonner

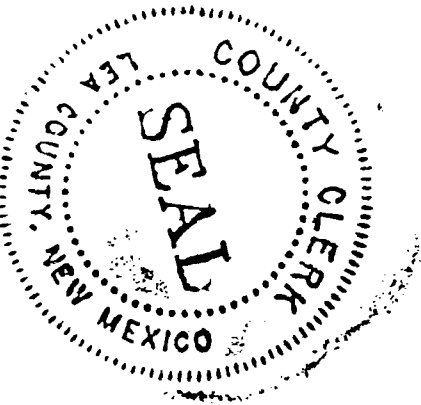
Insofar as the lease covers the following:
Township 20 South, Range 35 East
Section 8: N/2SW/4, SE/4
Section 9: SE/4

20345.000 1/2/34 State of New Mexico Tide Water Oil Company
B-2330

HOC's interest is virtue JOA dated 5-15-68 (see file #7679).

Insofar as said lease covers:
Township 16 South, Range 36 East
Section 31: NE/4NW/4, NW/4NW/4 (Lot 1),
and SE/4NW/4

Subject to term assignment to
David H. Arrington Oil & Gas,
Inc., covering Lot 1 and E/2 NW/4,
of Section 31, T-16-S, R-36-E, in
which HOC reserved a 22% override
absorbing existing royalties and
overrides.



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

NOV 13 2001

4:23 P
and recorded in Book 1112
Page 473
Melinda Hughes, Lea County Clerk
By Sandaval Deputy

BOOK 1112 PAGE 481

45631