

Re: CHALK BLUFF '35"
KEN GRAY w/DEVON -

THEY STILL ARE
UNDECIDED AS TO
WHAT THEY WANT TO
DO REGARDING OUR
WELL PROPOSAL.

P.H.

12-11-92

SEPTORL EXAMINER STOQNER
ON CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. <u>10637</u>

Per Ken Gray w/ Devow -
He hasn't heard of their
decision yet to farmout
or join. He's to check on
the status.

P.H.

12-1-92

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

915 / 682-3715

October 27, 1992

Devon Energy Corporation
1500 Mid-America Tower
20 N. Broadway
Oklahoma City, Oklahoma 73102-8260
Attn: Mr. Ken Gray

Re: FARMOUT LETTER AGREEMENT
Chalk Bluff "35" Federal #1
T17S, R27E
Section 35: NW/4SW/4, NW/4
and E/2NE/4 below the base
of the Abo formation
Eddy County, New Mexico

Gentlemen:

Records available to us indicates Devon Energy Corporation (Devon) owns 1/2 of the operating rights under the captioned land by virtue of acquiring the assets of Hondo Oil and Gas Company. Accordingly, Mewbourne Oil Company (Mewbourne) hereby proposes to drill a Morrow test under the subject Section 35 and respectfully requests a farmout of Devon's interest under the above lands on the following proposed terms:

- 1) Mewbourne, as operator, will commence within 180 days from the execution date of your farmout agreement an initial test well at a location of Mewbourne's choice in the SE/4 of the captioned Section 35 and drill same to a depth sufficient to test the Morrow formation, estimated total depth being 10,100'. The E/2 or the S/2 of the above described Section 35 will be dedicated to the well.
- 2) In the event the initial test well is completed as a dry hole, or if it is completed as a producer but such well's proration unit does not include all of Devon's acreage described above, Mewbourne would have the option, but not the obligation to conduct a continuous drilling program allowing not more than 180 days to lapse between the completion of the last well and the commencement of drilling operations for the next well until all of Devon's acreage is earned by Mewbourne under the captioned land.

Devon Energy Corporation
October 27, 1992
Page 2

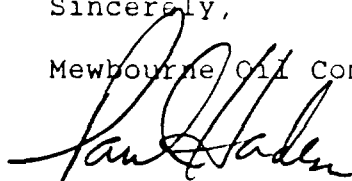
- 3) If any well drilled under the terms of this agreement results in production including Devon's acreage and operating rights Mewbourne will earn an assignment of such acreage and operating rights in the proration unit allocated to the well from the base of the Abo formation to 100 feet below the stratigraphic equivalent of the total depth drilled in each well. If such assignment(s) are earned by Mewbourne under the terms of this agreement, Devon agrees to furnish Mewbourne an assignment of such earned operating rights within thirty (30) days of Mewbourne's written request of such assignment(s).
- 4) In addition to the shallow and deep rights retained by Devon and acreage outside of each earned proration unit, Devon shall retain an overriding royalty interest equal to the difference between 25% of all oil and/or gas produced and the total of all royalty interests and other existing burdens to the extent Mewbourne will be assigned a 75% net revenue interest lease, subject to proportionate reduction.
- 5) Upon Devon's acceptance and execution of this agreement Devon agrees to furnish at no cost to Mewbourne, Devon's title information currently in their files pertaining to the subject lands including but not limited to title opinions, rental receipts, farmout or letter agreements and any gas contracts currently in effect as to the lands covered hereby.

If the above general terms and conditions are acceptable to Devon, please indicate such acceptance by executing and returning the duplicate original of this Farmout Letter Agreement to the undersigned at your earliest convenience.

In the event Devon desires to join Mewbourne in the proposed test well to the extent of Devon's interest in the spacing unit, I will forward a copy of Mewbourne's AFE for Devon's consideration.

Sincerely,

Mewbourne Oil Company



D. Paul Haden, CPL
Landman

Devon Energy Corporation
October 27, 1992
Page 3

AGREED and ACCEPTED, this _____ day of
_____, 1992.

Devon Energy Corporation

By: _____
Name typed: _____
Title: _____

PER ENICK DIFFEE w/ Hondo —

HE THINKS DEVON & HONDO WILL HAVE AN
AGREEMENT SIGNED THIS WEEK. HE STILL
THINKS HONDO WOULD GO NON-CONSENT
IN THE WELL.

F.H.

3-10-92

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive
following services (for an extra
fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Londo Oil & Gas Company
Attn: Erick Duffee
P. O. Box 1108
Roswell, New Mexico

4a. Article Number

P-124-768-811

4b. Service Type

☐ Registered ☐ Insured

☒ Certified ☐ COD

☐ Express Mail ☐ Return Receipt for
Merchandise

7. Date of Delivery

2/19/92

5. Signature (Addressee)

8. Addressee's Address (Only if requested
and fee is paid)

6. Signature (Agent)

Erick Duffee

PS Form 3811, October 1990

U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

February 17, 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Hondo Oil & Gas Company
P. O. Box 2208
Roswell, New Mexico 88202

Attention: Mr. Enick Diffee

RE: Chalk Bluff "35" Federal #1
T17S, R28E
Section 35: NW/4, E/2NE/4
and NW/4SW/4
Eddy County, New Mexico

Gentlemen:

Please be advised, Mewbourne Oil Company, as Operator proposes drilling the captioned well within 120 days at an approved location in the NW/4 of the captioned Section 35 to test the Morrow formation. The spacing unit for said well will be the N/2 of the subject Section 35 in lieu of the E/2 of said Section 35 as was previously proposed.

As Mewbourne has placed the above well on its drilling schedule, Mewbourne would appreciate Hondo electing either to farmout its interest to Mewbourne as proposed in Mewbourne's previous correspondence or joining Mewbourne to the extent of Hondo's interest in the spacing unit proposed for the above well.

As the location has changed from the one previously proposed for the above well, I will forward you another AFE for Hondo's consideration when same is available.

Should you have any questions regarding the above, please advise.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb

CC: Gary L. Winter
Ken Waits

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

January 23, 1992

Hondo Oil & Gas Company
P. O. Box 2208
Roswell, New Mexico 88202

Attention: Enick Diffie

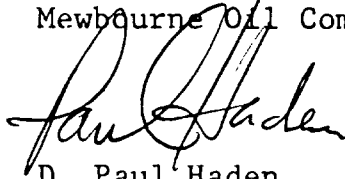
RE: Chalk Bluff "35" Federal #1
T17S, R27E
Section 35: NW/4, E/2NE/4 and
NW/4SW/4
Eddy County, New Mexico

Enick:

As discussed January 20, 1992, enclosed for Hondo's consideration is a copy of Mewbourne's AFE for the subject well.

Sincerely,

Mewbourne Oil Company

A handwritten signature in dark ink, appearing to read "D. Paul Haden", written over the typed name.

D. Paul Haden
Landman

DPH/nb
enclosure

Per Erick's Secretary -
he'll be out of town
until 1-20-92 P.H.
1-16-92

Per Erick Daffer -
They ~~can~~ would be able
to give us a decision in
60-120 days. He says there's
a JOA dated 3-17-53 as amended
which is effective as to this land
among others. Amoco is Operator.
Send him our AFE. P.H.
1-20-92

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

January 13, 1992

Hondo Oil & Gas Company
P. O. Box 2208
Roswell, New Mexico 88202

Attention: Enick Diffie

RE: Chalk Bluff "35" Federal #1
T17S, R27E
Section 35: NW/4, E/2NE/4,
and NW/4SW/4
Eddy County, New Mexico

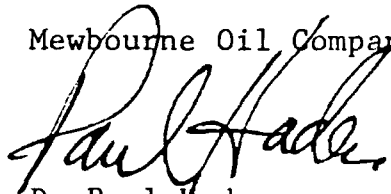
Gentlemen:

Reference is made to Mewbourne's letter of November 26, 1991 wherein Mewbourne requested a farmout of Hondo's interest under the captioned land. To date, we have not received a response from Hondo as to Mewbourne's farmout request.

Please respond at your early convenience regarding the above.

Sincerely,

Mewbourne Oil Company

A handwritten signature in dark ink, appearing to read "D. Paul Haden", is written over the typed name.

D. Paul Haden
Landman

DPH/nb

MEWBOURNE OIL COMPANY

500 W, TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

(915) 682-3715

FAX (915) 685-4170

November 26, 1991

Hondo Oil & Gas Company
P. O. Box 2208
Roswell, New Mexico 88202

Attention: Gene Wentworth

Re: T17S, R27E
Section 35: E/2NW/4
and E/2NE/4 below 2500';
W/2NW/4 below 2000';
NW/4SW/4 all depths.
Eddy County, N.M.

Gentlemen:

Records available to us indicate you own 50% of the operating rights under the land described above. In this connection, Mewbourne Oil Company hereby requests a farmout of your operating rights under the captioned land in support of a Morrow test well on the following proposed terms:

1. Mewbourne Oil Company, as operator, will commence within 120 days from the execution date of your farmout agreement a test well at a location of its choice in the SE/4 of the captioned Section 35 and drill same to a depth sufficient to adequately test the Morrow formation estimated total depth being 10,200'. The E/2 of the above Section 35 will be dedicated to the test well.
2. Upon the completion of the initial test well as a commercial producer or dry hole, Mewbourne would have the option to commence additional wells on approved proration units including your acreage in an attempt to establish oil and/or gas production below the depths described above. If such option is exercised by Mewbourne, we agree to allow not more than 120 days lapse between the completion of one well and the commencement of the next well until all of your acreage is earned by Mewbourne under a continuous development program.
3. If any well drilled under the terms of this agreement results in oil and/or gas production including your acreage, Mewbourne will earn an assignment of your operating rights in the proration unit allocated to the well from below the depths described above to 100 feet below the total depth drilled.

4. You would retain in addition to the shallow rights and 100 feet below the total depth drilled, an overriding royalty interest equal to the difference between 25% of all oil and gas that might be produced and the total of all royalty interests, overriding royalty interests and other burdens or lawful claims upon production which the premises may be subject, to the extent Mewbourne will be assigned a 75% net revenue interest lease in each proration unit earned by Mewbourne.
5. At payout of the initial well and any additional wells drilled under the terms of your farmout agreement on a well by well basis, you would have the option to convert your retained override to a 25% working interest, proportionately reduced to the actual interest you own in the proration unit of the initial test well and each additional well.
6. Upon acceptance of our farmout proposal, you agree to furnish us with title information relative to the captioned land and depths such as copies of the base leases, title opinions, gas contracts currently in effect, etc.

In the event you do not desire to farmout your acreage as proposed, Mewbourne would be interested in acquiring a term assignment of your rights under the captioned land on a cash basis.

Your cooperation in connection with the above is greatly appreciated. Please call if you should have any questions regarding the above.

Sincerely,

Mewbourne Oil Company



D. Paul Haden
Landman

DPH/nb