

MEWBOURNE OIL COMPANY

P.O. Box 7698  
Tyler, TX 75711  
(903) 561-2900  
(903) 561-1515 (fax)

September 23, 2003

COMMENTS OF MEWBOURNE OIL COMPANY  
ON CREDIT SUPPORT ADDENDUM

To: Rae McQuade, Executive Director  
North American Energy Standards Board, Inc.

From: Michael F. Shepard, General Counsel  
Mewbourne Oil Company

Mewbourne Oil Company believes that the CSA is not appropriate for use when a natural gas Producer's primary purpose for the Base Contract is to sell natural gas to a counterparty and there is little or no purchase of natural gas by the natural gas Producer from the same counterparty and we would urge NAESB to convey that caveat prominently on both the CSA and the User's Guide. Our concern stems from the realization that standard documents promulgated by NAESB carry a certain weight of authority among industry participants and there is no doubt some tendency for counterparties to incorporate all related NAESB documents into their transactions. The CSA, however, clearly is not appropriate for use in first sales of gas by producers at or near the wellhead and the obvious complexity of the CSA likely will cause producers to shun the Base Contract altogether, which would undermine NAESB's credibility and perceived relevance among those producers in some measure. Such a result would, of course, be counterproductive to NAESB's role as a developer and publisher of workable and practical standards. On page 4 of the User's Guide, under the heading, "Purpose," we would suggest that within the list of concerns expressed on the CSA development, paragraph 2. be revised to read: "The CSA is probably not needed....". Then, we would revise paragraph 4. to read: "The current credit support provision of the Base Contract (Section 10.1) should be adequate....". These revisions may be attributing concerns to the Contracts Subcommittee that its members did not have and there may be a better place to express the caveat, but that is the substance of our concern.

Turning to comments of an editorial nature, we refer to Paragraph 5. Reduction and Substitution of Posted Collateral, subparagraph (b) (in both Options A and B). We would

revise (iii) to read: “no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute for existing Posted Collateral new Eligible Collateral of equal or greater Value....”. By switching the order of the phrases ‘new Eligible Collateral’ and ‘for existing Posted Collateral’, the intended meaning becomes clear.

Respectfully submitted,

MEWBOURNE OIL COMPANY

/s/

Michael F. Shepard  
General Counsel