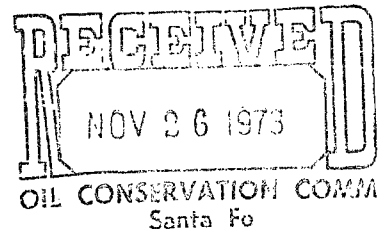


BRAINERD CORPORATION
One North LaSalle Street
Chicago, Illinois 60602
312/236-3171



November 20, 1973

NSL-631

MAILED THIS DAY IN TRIPLICATE

109 F

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Rec Dec 15

Re: Application for Administrative
Approval of Permit for Old Well
Workover — Sec. 1, T 22 S,
R 21 E, Eddy County, New Mexico

Gentlemen:

We own by mesne assignment from A. M. Boone and A. W. Brainerd all working interest in United States Federal Oil and Gas Lease No. 6005 covering all of Section 1 of Township 22 South, Range 21 East, Eddy County, New Mexico. In 1954, at a point 660 ft. from the south line and 660 ft. from the east line of said section, a well was drilled by the Continental Oil Company to a total depth of 10,596 ft. and was plugged. We herewith make application of you to obtain a permit to re-enter this hole to attempt to complete it as a producing gas well in the Morrow formation at a total depth of about 8,900 ft. When the well was drilled almost twenty years ago, the operators basically sought oil, not gas, and it is believed that they may have overlooked commercial amounts of natural gas which the logs disclose as potentially present.

Mr. A. Brainerd also owns all the working interest in United States Federal Oil and Gas Lease NM-18207, covering all of Section 12, directly to the south of Section 1, with the exception of the southwest quarter of said Section 12 which is not affected by the location of the subject well in Section 1. Enclosed is a plat showing the ownership or all leases offsetting the spacing unit for which this location is sought. There are no completed producible wells either in Sections 1 or 12 of T 22 S, R 21 E, neither are there any wells drilling or completed on Sections 6 or 7 of

Page two

T 22 S, R 22 E, the only sections contiguous to the acreage on which the subject permit is presently sought.

The enclosed plat indicates that the only third parties in ownership to any extent affected by the projected re-entry are:

1. El Paso Natural Gas Company, which owns all operating interest in Section 7 (of T 22 S, R 22 E) and all of Section 6 with the exception of 40 acres in the SW/4 of the SE/4 of said Sec. 6, which 40 acres is owned by Kerr-McGee Corporation.
2. Kerr-McGee Corporation is the owner of the aforesaid 40 acres in the SW/4 of the SE/4 of said Sec. 6.

Both El Paso Natural Gas Company and Kerr-McGee Corporation have indicated orally to the writer their interest in our making this re-entry, as they look forward to receiving valuable data from this workover which may facilitate further drilling in Secs. 6 and/or 7 of T 22 S, R 22 E. Copies of this letter are being sent herewith to these parties with the request that in order to save valuable year end time, if their attitude toward the re-entry is as just described, they kindly express their approval of this projected workover by promptly writing you a brief note to that effect.

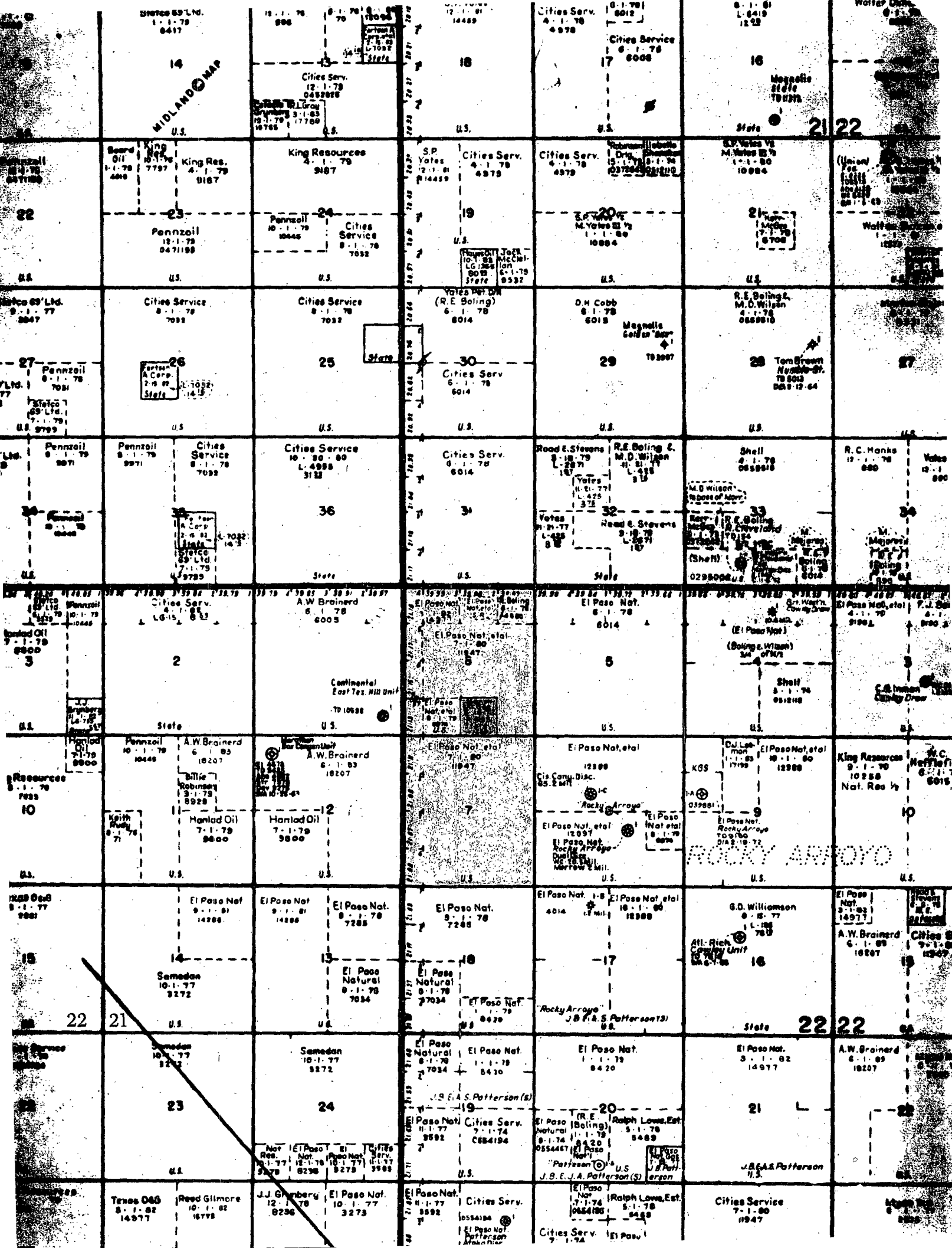
Yours sincerely,



Andrew W. Brainerd

cc: El Paso Natural Gas Company
Attn: Mr. R. D. Janssen
Regional Land Manager
1800 Wilco Building
Midland, Texas 79701

Kerr-McGee Corporation
Attn: Mr. James Ryan
McGee Tower
Kerr McGee Center
Oklahoma City, Oklahoma 73102



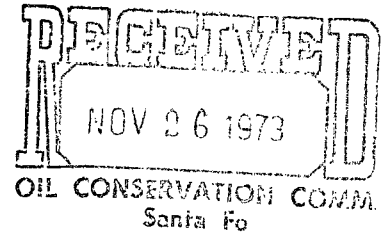
BRAINERD & BRIDGES

LAW OFFICES

1 NORTH LA SALLE STREET

CHICAGO, ILLINOIS 60602

312/236-3170



November 20, 1973

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative
Approval of Permit for Old Well
Workover on Unorthodox Location
on Sec. 1, T 22 S, R 22 E,
Eddy County, New Mexico

Gentlemen:

You will recall my letter to you of September 19, 1973 in which I detailed certain possibilities in connection with possible Permit Applications on contiguous land which I wished to avoid as same would have caused economic loss.

Since writing my September 19 letter to you I have had multiple discussions with El Paso Natural Gas Company and they have not only evidenced no interest in drilling in the W/2 of Sec. 6, but have welcomed the idea of our re-entry of this Continental Oil Company #1 Unit in Sec. 1 of T 22 S, R 21 E, Eddy County, New Mexico.

I have also since learned that Kerr-McGee Corporation is the owner of oil/gas leases covering 40 acres in the SW/4 of the SE/4 of Sec. 6 (22/22). In contacting that company I ascertained that they are similarly appreciative of our proposal to re-enter the Continental #1 well.

I accordingly ask you to hereafter disregard the contents of both the letter you are reading and my letter to you of September 19, 1973. Under separate cover today Brainerd Corporation (a New Mexico corporation) is sending you a formal request* that you approve its re-entry of the Continental #1 well, with copies of that letter going to the only third parties (El Paso Natural Gas Company and Kerr-McGee Corporation) who own leases in the area immediately contiguous to the Continental #1 well (Sec. 1).

*attached

BRAINERD & BRIDGES

New Mexico Oil Conservation Commission
Page two

Thank you kindly for your tolerance in this matter.

Yours sincerely,

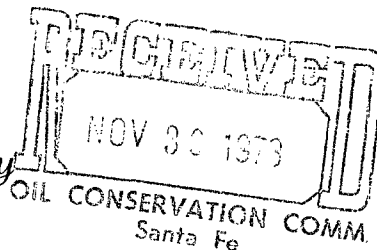
A handwritten signature in cursive script, appearing to read "Andrew W. Brainerd".

Andrew W . Brainerd

El Paso Natural Gas Company

El Paso, Texas 79978

November 28, 1973



ADDRESS REPLY TO:
1800 WILCO BUILDING
MIDLAND, TEXAS 79701

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Re: Application by Brainerd
Corporation for Administrative
Approval of Permit for Old
Well Workover
Section 1-22S-21-E
Eddy County, New Mexico

El Paso Natural Gas Company wishes to support the subject application by Brainerd Corporation expressed in their letter to you dated November 20, 1973.

It is our belief that such re-entry could facilitate further drilling in Sections 6 and 7-22S-22E. In addition, it could give us valuable data which, when compared with information we already have in the area, could help us to fully develop the gas reserves there.

Yours very truly,

A handwritten signature in dark ink, appearing to read "R. D. Janssen".

R. D. Janssen
Regional Land Manager

RDJ:br

cc: Brainerd Corporation
One North LaSalle Street
Chicago, Illinois 60602

Kerr-McGee Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73102
Attention: Mr. James Ryan



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73102

RECEIVED
DEC 10 1973
OIL CONSERVATION COM.
December 5, 1973

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Subject: Application by Brainerd
Corporation for Administrative
Approval of Permit for Old
Well Workover
Section 1-22S-21-E
Eddy County, New Mexico

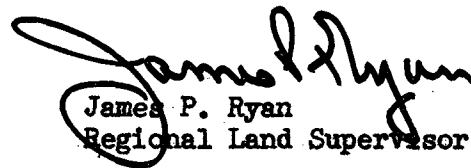
Gentlemen:

This writing will evidence Kerr-McGee's willingness to support the subject mentioned application by Brainerd Corporation.

Such drilling should provide information which may encourage additional drilling in the immediate area of their proposed deepening operation which of course could prove beneficial to surrounding leasehold owners.

Very truly yours,

KERR-McGEE CORPORATION


James P. Ryan
Regional Land Supervisor

JPR:ka

cc: Brainerd Corporation
One North LaSalle Street
Chicago, Illinois 60602

El Paso Natural Gas Company
El Paso, Texas 79978

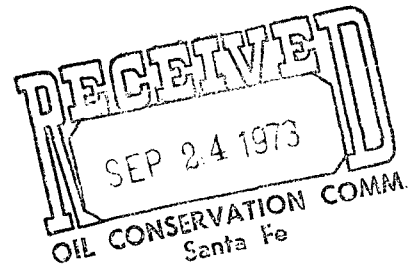
BRAINERD & BRIDGES

LAW OFFICES

1 NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602

312/236-3170

September 20, 1973



New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative
Approval of Permit for Old Well
Workover on Unorthodox Location
Mailed you September 19, 1973

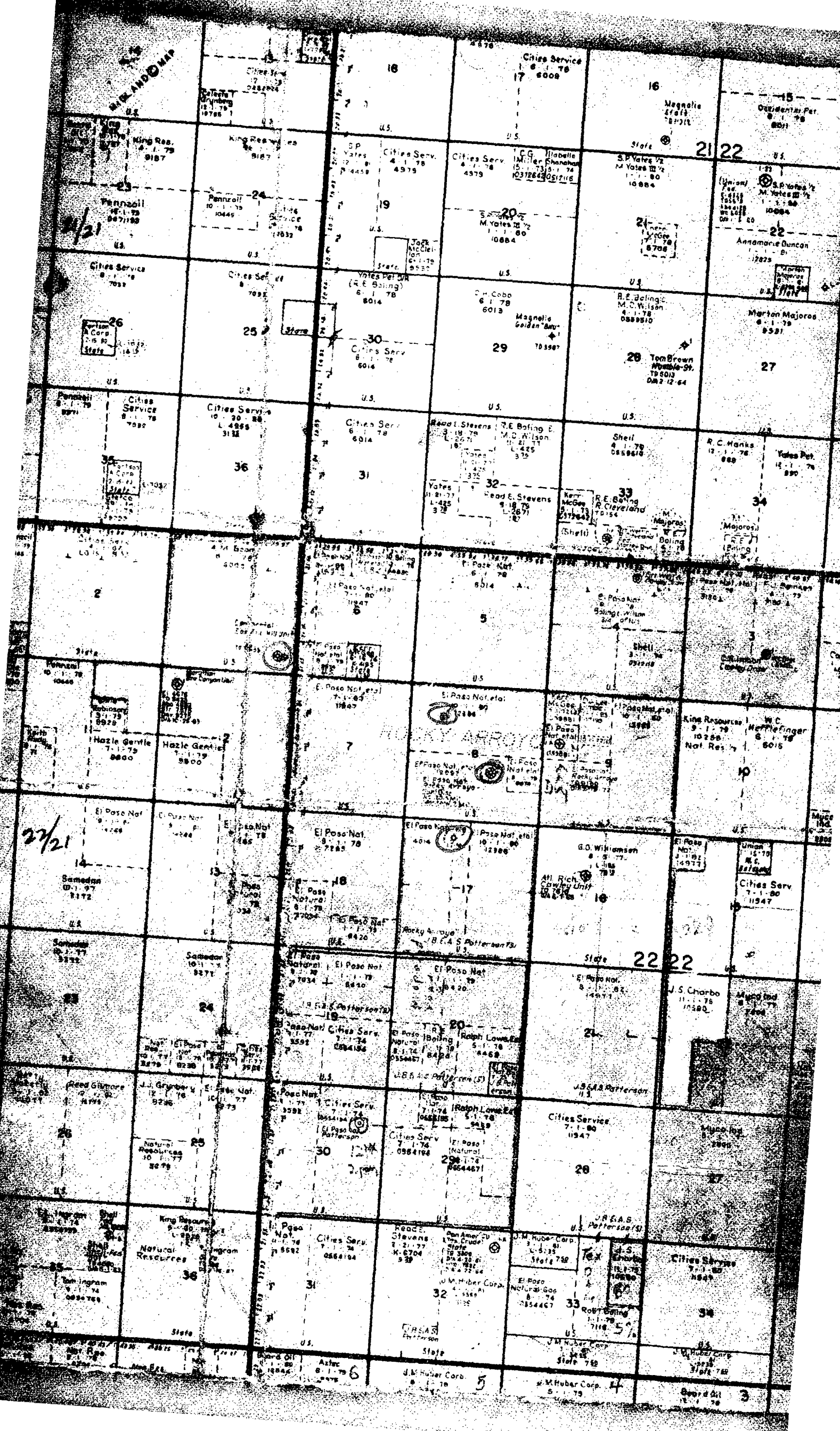
Gentlemen:

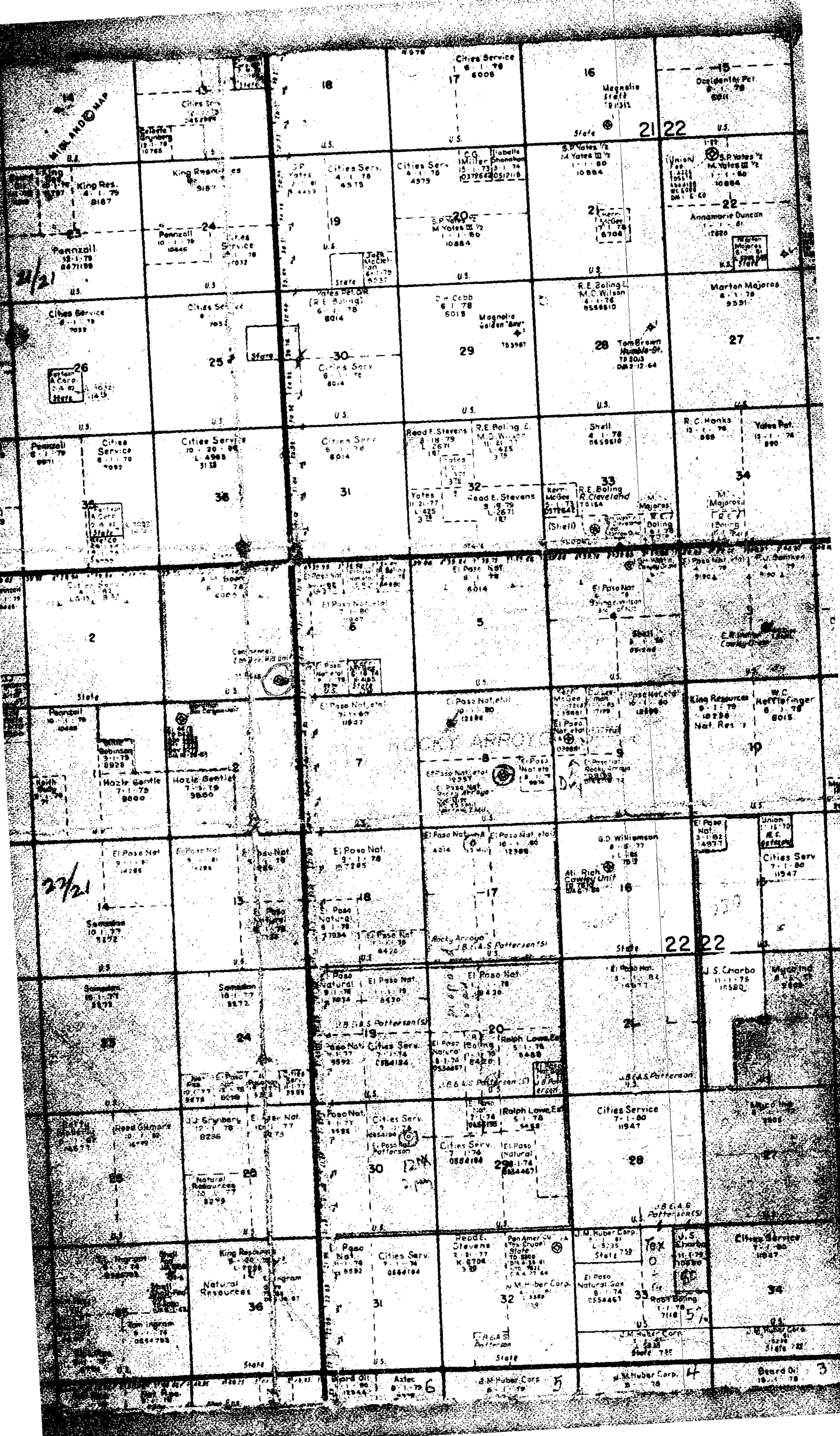
We inadvertently forgot to enclose in our triplicate Applications mailed you yesterday, one copy for each Application of the ownership map of the area. Three of such are enclosed, and we request that you append each to its respective Application.

Thank you.

Yours sincerely,

Andrew W. Brainerd





BRAINERD & BRIDGES

LAW OFFICES

1 NORTH LA SALLE STREET

CHICAGO, ILLINOIS 60602

312/236-3170

September 20, 1973

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative
Approval of Permit for Old Well
Workover on Unorthodox Location
Mailed you September 19, 1973

C
Gentlemen:

O We inadvertently forgot to enclose in our triplicate Applications mailed you
yesterday, one copy for each Application of the ownership map of the area.
Three of such are enclosed, and we request that you append each to its
respective Application.

P
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Y
Yours sincerely,

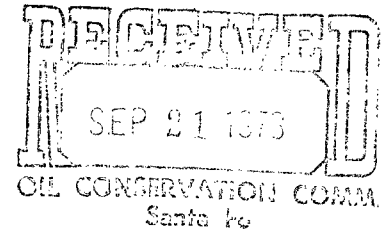
Andrew W. Brainerd
Andrew W. Brainerd

BRAINERD & BRIDGES

LAW OFFICES

1 NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602
312/236-3170

September 19, 1973



MAILED THIS DAY IN TRIPLICATE

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Administrative
Approval of Permit for Old Well
Workover on Unorthodox Location

Gentlemen:

I own by assignment from A. M. Boone, all working interest in United States Federal Oil and Gas Lease No. 6005 covering all of Section 1 of Township 22 South, Range 21 East, Eddy County, New Mexico. In 1954, at a point 660 ft. from the south line and 660 ft. from the east line of said section, a well was drilled by the Continental Oil Company to a total depth of 10,596 ft. and was plugged. I wish to obtain a permit to re-enter this hole to attempt to complete it as a producing gas well in the Morrow formation at a total depth of about 8,900 ft. When the well was drilled almost twenty years ago, the operators basically sought oil, not gas, and it is believed that they may have overlooked commercial amounts of natural gas which the logs disclose to be potentially present.

I also own all the working interest in United States Federal Oil and Gas Lease NM-18207, covering all of Section 12, directly to the south of Section 1, with the exception of the southwest quarter of said Section 12 which is not affected by the location of the well in Section 1. I am enclosing a plat showing the ownership of all leases offsetting the spacing unit for which this location is sought. There are no completed producible wells either in Sections 1 or 12 of T 22 S, R 21 E, neither are there any wells completed on Sections 6 or 7 of T 22 S, R 22 E, the only sections contiguous to the acreage on which the subject permit is presently sought.

I am aware that it is proper procedure in requesting Administrative Approval for a Permit of this character, to serve notice on all affected contiguous lease owners. In the present case, the only party affected by the proposed re-entry is the El Paso Natural Gas Company's Rocky Arroyo Unit (7-1/2 sections) in

BRAINERD & BRIDGES

New Mexico Oil Conservation Commission

Page two


the northwest quarter of T 22 S, R 22 E. You will note from the attached copy of my August 22 letter to Mr. R. D. Janssen, Regional Land Manager of El Paso Natural Gas Company, that I am in the process of negotiating with El Paso for their support to make the re-entry of the Continental well possible. Inasmuch as these negotiations are pending at the present time it would be embarrassing for me to advise El Paso that I am in any event seeking authority for a Permit to re-enter, as they would under such circumstances be less willing to make any contribution to what may prove to be a very expensive re-entry operation.

I would therefore like to make the request, if this is lawfully possible under your procedures, that you presently hold this application in your "pending" files awaiting further action. In this way, should El Paso Natural Gas Company apply for a permit in the southwest quarter of Sec. 6, or in the northwest quarter of Sec. 7, both in T 22 S, R 22 E, you would know of my pending application for your approval to re-enter, and would presumably not without a hearing, grant a permit for such a location which you might otherwise not grant had you the knowledge that we intended to make application for re-entry in the unorthodox location in Sec. 1 of T 22 S, R 21 E. Whereas I have absolutely no reason to expect El Paso to make application for a permit in either Secs. 6 or 7 of 22/22, they being very much aware of our negotiations pending with respect to our proposed re-entry of the Continental well, I nonetheless wish to preserve my legal position and avoid the possibility that such a permit be granted, an act which would probably invalidate whatever opportunity I might otherwise have for your authorization to re-enter the Continental well, and suffering an economic loss thereby of approximately \$150,000. Under such circumstances I am certain you will understand my need to safeguard as best I can, my legal position.

My concern about such potential application for permit stems from the further fact that El Paso was fortunate last month in achieving an excellent well in the northwest quarter of Sec. 8 (of 22/22), and it might seem to them a natural progression to contemplate their next well in the western half of either Secs. 6 or 7, they already having an excellent well in the east half of Sec. 8.

My negotiations with El Paso should clearly terminate within the next sixty days, at which time I will either provide you with a waiver from El Paso or send them a notice of the pendency of the present Application. I greatly appreciate your reviewing my letter, and hope you will advise me whether this procedure is agreeable with your Commission.

Yours sincerely,


Andrew W. Brainerd

August 22, 1973

**Mr. R. D. Janssen
Regional Land Manager
El Paso Natural Gas Company
1800 Wilco Building
Midland, Texas 79701**

Dear Mr. Janssen:

Thank you for your letter of August 10; also for your note and the Schlumberger log analysis. Their analysis squares with discussions we have had with a Texas "log expert" on this subject, and your group's conclusions agree with those of both of our geologists who, each working independently of the other, concluded that we "probably have a well here", as I first said to you by phone in broaching this subject initially to El Paso.

I am appreciative of the fine reception I have had at El Paso to date, and want to assure you now that it is my firm intention to cooperate with your group in every way open to me, specifically including the committing to you by contract, renegotiable as to price every two years, of whatever gas I may be fortunate to produce in townships 22/22 and/or 22/21.

On further thought here it tends now to appear to us that a general "unitizing" or "combining" of our acreages along the lines we have been discussing may not, either for you or for ourselves, be quite as attractive a long-range basis for our working harmoniously together as an alternative plan which I would like to explore here. We of course appreciate your wish to see the results of the well in the NW 1/4 of Section 8 before arriving at any decision, and in the meantime I am embarrassed by the diametrically changed position of Mr. MacBride (Hanson Oil-Hazle Gentle) in not making available to us the SW 1/4 of Section 12 — as he enthusiastically told me he would. It is also somewhat embarrassing to me to have therefore had to ask you to contribute to our unit, in addition to what I had previously suggested, the West half of Section 13 (of 22/21) in order to compensate for the loss of a drill site in Section 12. In suggesting an alternative plan I am moved by these considerations as well as by the recognition of one aspect of the relative locations of these properties which seems to

Mr. R. D. Janssen
Page two

me to present a thorny problem to a "unit" which otherwise does not plague independent ownership, as it now exists. As you indicated earlier by phone, where two units lie contiguously "it is not customary" for one unit to contribute to the drilling costs of the other. Yet if we (El Paso and I) formed a unit, we would be faced immediately with requesting a contribution from your Rocky Arroyo Unit toward the re-entry costs for the Continental well. We have, incidentally, not proceeded with bids or any other arrangements to re-enter the Continental #1 because the presently estimated daily production flow clearly may not be sufficient to constitute an economic well in the light of the known and serious potential costs to re-enter and complete this hole. We want to consider this further, and to consider these costs with you in this letter.

To further briefly describe the "conflict of interest" problem posed by my originally suggested combining of our acreages, however, note that if we (our jointly-owned unit) did successfully re-enter and complete the Continental as an economic well, we might wish to proceed at once to drill wells both to the South and North of it, in the east halves of sections 1, 12 and 13. In each of these cases our unit should, I believe you would objectively agree, be entitled to support payments from the immediately contiguous acreage, namely the Rocky Arroyo unit. Yet El Paso would be in a difficult position to make these available. There are, in fact, a total of six drilling locations in our proposed "unit" (including the re-entry site) where El Paso's other properties would receive a direct offset from our own unit's drilling; one where El Paso would receive a triple direct offset; and only one where any of my own other acreage would benefit from a single direct offset. This disproportion, fortuitous and of course wholly unplanned as it is, seems to us on further extended reflection to greatly emphasize the "conflict of interest" element, perhaps even to a point where we might find it very difficult to agree on an equitable disposition of each situation.

I am therefore inclined to wonder, and to ask here whether we might not find a simpler and a more harmonious long-range resolution of these problems if each of us were to keep his own acreage, and come to arm's length agreement promptly with respect to specific drillings. I would hope that these might commence at the very latest by the end of this year, with all gas produced to be committed by contract to El Paso. Under these arrangements,

1. If we, entirely at our own expense, were to drill a Morrow test in the SE corner of Sec. 16 of 22/22 directly offsetting the NE corner of your Sec. 21, would you be willing (A) if we drilled a dry hole, to assign to us (i) your 40 acres in the W 1/2 of Sec. 15, retaining a 1/8th of 8/8ths overriding royalty interest, and (ii) a 7% undivided interest in Sec. 21; or (B) if we completed a producing well in Sec. 16 you would farmout the E 1/2 of Sec. 21 to us for 90 days following completion of the Sec. 16 well, on the

Mr. R. D. Janssen
Page three

basis of a retained 1/8th overriding royalty interest until payout with option to convert to a 1/4 working interest thereafter. This would leave you with the west half of Sec. 21 as offset acreage (if we got a well in the east half) free of any claim for other support or contribution, and with all relevant production under advance contract to El Paso. At this juncture I think we have arrived at an agreement with G. D. Williamson as to the activity in Section 16, which is essentially the proposal made here to you and which he now finds acceptable.

2. If within the next 90 days we were to re-enter the Continental Well in Section #1 of 22/21, might I look to the El Paso Rocky Arroyo Unit for \$3.00 per foot, or roughly \$27,000, in bottom hole money to offset the known and unknown yet potential costs that we will incur in this risky operation? I would again be willing in advance to contractually commit the gas to El Paso, to be priced at the highest interstate price paid at source domestically.
3. If the Continental well in Sec. 1 of 22/21 were to be completed as an economically profitable well, what contribution or support payment might the El Paso Unit wish to make toward the then immediate drilling of a Morrow test in the NE quarter of Section 1 or the NE 1/4 of Section 12? Perhaps you would prefer to defer an answer to this question to a later date.
4. Would El Paso be interested in acting as the operator of any one or more of these properties, in conceiving or helping us plan drilling locations, in supervising and directing the drilling, and finally in operating the wells, assuming production?
5. If your answer to #4 be Yes, or Maybe, would the price charged by El Paso for the designated functions be consistent (competitive) with prices charged by other skilled persons in the area for comparable services at this time?

You see from this proposal what funds we might be willing to expend in the next few months — roughly between \$300,000 and \$500,000. We want to make these expenditures on a very carefully considered basis which will have a long range probability of success. I know you share these objectives, and we look forward with interest to your early response.

Yours sincerely,

Andrew W. Brainerd