AREA MAP
T-19-S, R-26-E
Eddy County, New Mexico

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Section 8: $N\frac{1}{2}$ T-19-S, R-26-E Eddy County, New Mexico

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	BEFORE EXAMINER STOGNER
	OIL CONSERVATION DIVISION
	CHAMA EXHIBIT NO. 1
1	CASE NO. 1977
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Sec. 8, 19S, 26E

Eddy County, New Mexico

WORKING INTEREST

•	Net Acres	Gross Acres	<u>W.I.</u>
NE1/4 NW1/4 Sec. 8, 19S, 26E			
Chama Petroleum Company D. Letizio Yates Petroleum Corporation Martin Yates, III & Lillie M. Yates Ralph Nix & Francis Nix Essie G. Nix Jonell Jones Gilmore Stanley L. Jones & Betty Jones Carol Sue Sanford Garrett Barbara Ann Quail Malone	15.000 10.000 5.000 2.250 2.250 2.250 1.125 1.125 .500 .500 40.000	40.00	37.5000% 25.0000% 12.5000% 5.6250% 5.6250% 5.6250% 2.8125% 2.8125% 1.2500% 1.2500%
N1/2 NW1/4 Sec. 19S, 26E			
Chama Petroleum Company D. Letizio Yates Petroleum Corporation Martin Yates, III & Lillie M. Yates Ralph Nix & Frances Nix Essie G. Nix Jonell Jones Gilmore Stanley L. Jones & Betty Jones Carol Sue Sanford Garrett Barbara Ann Quail Malone	40.000 10.000 5.000 6.000 6.000 3.000 3.000 .500 .500	80.00	50.0000% 12.5000% 6.2500% 7.5000% 7.5000% 3.7500% 3.7500% 6250% 6250%
NW1/4 Sec. 8, 19S, 26E			
Chama Petroleum Company D. Letizio Yates Petroleum Company Martin Yates, III & Lillie M. Yates Ralph Nix & Francis Nix Essie G. Nix Jonell Jones Gilmore Stanley L. Jones & Betty Jones Carol Sue Sanford Garrett Barbara Ann Quail Malone	60.000 10.000 5.000 5.000 20.750 20.750 10.375 10.375 1.000 1.000	160.00	37.500000% 6.250000% 3.125000% 12.968750% 12.968750% 6.484375% 6.484375% 6.625000% 100.000000%

EXHIBIT "A"

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

CHAMA EXHIBIT NO. Z

CASE NO. 7977

Sec. 8, 19S, 26E Eddy County, New Mexico

WORKING INTEREST

	Net Acres	Gross Acres	W. I.
N 1/2 Sec. 8, 19S, 26E		٠.	
Chama Petroleum Company D. Letizio Yates Petroleum Corporation Martin Yates III & Lillie M. Yates Ralph Nix & Francis Nix Essie G. Nix Jonell Jones Gilmore Stanley L. Jones & Betty Jones Carol Sue Sanford Garrett Barbara Ann Quail Malone John Gates & Jean Gates Jack McCaw and Mary Ann McCaw Robert S. McCaw and wife William J. McCaw and wife Ralph Nix, Jr. and wife	181.660 10.000 5.000 26.420 26.420 13.208 13.208 3.000 3.338 1.669 1.669 2.500 2.500	320.00	56.7687500% 3.1250000% 1.5625000% 8.2562500% 8.2562500% 4.1275000% 4.1275000% 9375000% 9375000% 1.0431250% .5215625% .5215625% .7812500%
	320.012	320.00	100.0037500%

AUTHORITY FOR EXPENDITURE

Lease: Crusader Rabbit Re-entry Well No.: 1	Est Estimated	imated Spud Dat Completion Dat	te: Nov. 7.1984 te: Nov. 7.1984
Location: 660 FNL, 1980 FWL, Sec. 8 T-19	1-5, R-25-E, E	daycs, W.M.	
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	TO		
	CASING	COMPLETION	TOTAL WELL
INTANGIBLE COSTS:	FOINI	COMPLETION	WELL
Drilling: Footage '@ /ft.	s —	\$	s —
Daywork 7 Days 18/2500/24Hr/day	13,750	3,750	17,590
Other Rev. Eq., BC., Took, O. \$1350 /244 day	9,450	-	9,450
Mud & Chemicals	2,000		2,000
Brine & Water	5,000	1,000	3,000
Cement: Surface			
Intermediate			
Oil String TOC 5800'	i	10,500	10,500
Plug			
Location: Road Pad & Cleanup + Pits	5,000	1,000	(,000
Survey Re-survey Damages	500		5.00
Services: Logging	250	2,000	750 7,000
Testing Hpt.		1,000	1,000
Coring & Analysis			
Completion Unit, Swabbing 14 days		16,800	. 16,500
Perforating 5 zones		4,500	4,5,55
Treating, Acidizing, Fracturing		Z0,000 ¹	\$0'002
Supervision	3,∞0	6,00	9,000
Other Drift, Test, S.B., Ruft coof, Run Casing Hauling: Equipment	1500	7,000	7,000 3,000
Rental: Tubing to Drill with Test Tank	1,500 3,500	1,500 300	3,000
Equipment: Test Tanks, etc. Pkn.Pcb	500	3,700	3,700
BOP, Light Plant, Anchor, Bits	3,300	450	3,750
Supplies: 4 Ftod. Equip. Inst.	1,000	8,000	9 000
Insurance:	200	200	1,600
Expense Reports & Overhead Sub-Total	650	1,200	1,850
Contingencies 15%	47,200	89,000	136,200
ESTIMATED TOTAL INTANGIBLES	7,080 \$ 54,280	13,350 \$ 102,350	\$ 156,630
Casing:	7 34, 400	V 102130	7 7 9 9 9 9
Conductor:'of@/ft.	\$ —	\$ -	\$ -
Surface:of		_	_
Intermediate:'of@/ft			
Production: 5600 of 45 6.511.68 3.75 /ft		32,250	32,250
Tubing: 8600 of 234" 47 @ 2.72 /ft. Rods: ? of @ /ft.		23,392	23,392
Wellheads & Miscellaneous Fittings		Undetermined	Undetermined
Pumping Unit, Motor & Subsurface Equipt.	2,500	11,500 Undetermend	Undetermined
Tank Pattonic Tanks		5,500	5,500
Treator or Separator		Undetermined	Undetermed
Fittings		3.000	3,000
Flowlines		2,000	5,000
Other			
ESTIMATED TOTAL TANGIBLES (EQUIPMENT)	\$ 2,500	\$ 77.642	\$ 80,142
ESTIMATED TOTAL WELL COSTS	\$ 56,780	\$ 179,992	\$ 236,772
LEASEHOLD COST			s —
ESTIMATED TOTAL			\$ 236,772
·	4	AMINER STOG	11
APPROVAL:			
COMPANY:	Н	ERVATION DIVISI	
BY:	CHAMA E	XHIBIT NO. 3	
TITLE:	CASE NO797		
DATE:			

Exploration and Production 5447 Glen Lakes Drive Dallas, Texas 75231 214 739-1778 P.O. Box 31405

August 18, 1982

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
CHAMA EXHIBIT NO. 4

CASE NO. 1917

Miss Dominick Letizio c/o Fred Letizio 14210 Mortenview Dr. Taylor, Michigan 48180

Dear Miss Letizio:

My name is Mark Nearburg and I work full time for Chama Petroleum Company as an oil and gas landman. I would like to talk with you about leasing your mineral interest in Eddy County, New Mexico which is described as Lots 729 and 740, Fairchild Farm Lands, Section 8, Township 19 South, Range 26 East.

I have tried to phone you, but as your number is unpublished, I am writing this letter. I would appreciate it if you would call me collect at (214) 739-1778 between 8:30 A.M. and 5:30 P.M., or (214) 340-4092 after 5:30 P.M.

I am assuming you still own the minerals under this land. The last recorded instrument in Eddy County was a Warranty Deed dated September 13, 1913 from 0. M. Fairchild and Bertha Fairchild, his wife, to Dominico Letizio. I look forward to hearing from you at your earliest convenience.

Thank You,

Mark K. Nearburg

MKN/kc

August 3, 1983

Dominick Letizio c/o Mr. Fred Letizio 14210 Mortenview Drive Taylor, Michigan 48180

RE: Oil and Gas Lease, Section 8, T-19-S, R-26-E, Eddy County, New Mexico

Dear Mr. or Mrs. Letizio:

I contacted you on August 18, 1982, by letter concerning your interest in Fairchild Farm Lands, Lots 729 and 740, Section 8, T-19-S, R-26-E, Eddy County, New Mexico. I have been unsuccessful in my efforts to locate a telephone number for you, therefore, I am writing this letter.

Your land was force pooled by the state of New Mexico in 1978 for the drilling of a well that included your land. The well drilled in 1978 was a dry hole. Chama Petroleum plans to re-enter this well which will include your land in the proration unit. We would like to avoid another force pooling order from the state of New Mexico, therefore, I would appreciate a response from you regarding a lease on your full interest in tracts 729 and 740.

We are offering to pay you \$75/acre for a five (5) year, 3/16 royalty, paid-up lease, being a total consideration to you of \$790.00.

Please reply to me at P. O. Box 31405, Dallas, TX 75231 at your earliest convenience.

Thank you.

Mark K. Nearburg

Landman

October 3, 1983

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

ATTN: Mr. Bill McCaw

RE: N/2 of Section 8-19S-26E Four Mile Draw Prospect Eddy County, New Mexico

Dear Bill:

This letter is being written to Ralph Nix and wife Frances, Essie G. Nix, yourself and Ralph Nix, Jr., in your care. This letter is also being sent to Stanley L. Jones, Jonell J. Gilmore, Barbara Quail Malone and Carol S. Garrett. I am offering the same terms to Martin Yates III, Yates Petroleum Corporation and Jack McCaw.

Charles E. Nearburg (Nearburg) previously offered a 1/5 royalty, no bonus, 18 month lease term for the mineral interests of the above referenced parties in the N/2 of Section 8. We committed to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983. You rejected this offer and we made a verbal counter offer, which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the 6 month lease term, Chama Petroleum Company has the right, but not the obligation, to drill offset proration units at intervals of 160 days from the completion of one well to spudding of the next well. If these offset proration units are not developed, such proration units will be re-assigned as is appropriate. Nearburg re-affirms his commitment to re-enter the Crusader Rabbit before December 31, 1983 to test various formations which were not tested at the time the well was drilled.

Mr. Bill McCaw October 3, 1983 Page 2

Bill, we feel that we are making a substantial commitment to develop this area and in all fairness we do not feel it is reasonable to be limited to the producing formation when we are facing such large expenditures to produce the hydro-carbons we may find. There is only one re-entry possibility in the N/2 of Section 8 and every other proration unit will have to be drilled from scratch. Additionally, this re-entry will not be cheap, and there is a possibility that we could find something new in this area. We feel that being limited to the producing formation is just too severe given the questionable economics of which you are so well aware.

These terms are very reasonable given the history of the area and the potential water disposal problems.

The compulsory pooling hearing, scheduled for October 12, which is a necessity regardless of the outcome of our negotiations, has been continued until October 26 in order to allow time to resolve our differences regarding this area. Should you not wish to lease on these terms, we welcome your participation. I would appreciate your earliest response.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

cc: Stanley L. Jones
Jonell J. Gilmore

Barbara Quail Malone

Carol S. Garrett

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

September 27, 1983

Mr. Bill McCaw Ralph Nix Company P.O. Box 617 Artesia, New Mexico 88210

Re: Section 8-19S-26E, N.M.P.M. Eddy County, New Mexico Four Mile Draw Prospect

Dear Bill:

In my letter dated September 20, 1983, I omitted an interest that Mr. Nix has in the NE¼NE¼ of the captioned section. Mr. Nix has 5.00 net acres in this tract and I would appreciate your considering our offer to lease his interest in that tract for the same terms as are in my letter of September 20th, which were 1/5 royalty, 18 months, no bonus lease. Subject to completion of a producing well, Chama would earn all rights to a depth of 100' below total depth drilled.

Thank you for your consideration.

Yours truly,

Mark K. Nearburg

Landman

REGISTERED MAIL

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

Attn: Mr. Bill MCCaw

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Bill:

In furtherance of my letter dated September 20, 1983, Charles E. Nearburg is willing to offer you a lease for either the terms specified in the letter of September 20, 1983, or for the following terms which have been agreed to by other fee mineral interest owners in this prospect;

3 year term
3/16 royalty
\$75.00 per net mineral acre

Thank you again for your earliest consideration of our offers.

Yours truly,

Mark K. Nearburg

Landman

September 20, 1983

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

Attn: Mr. Bill McCaw

RE: Sections 8 & 9-195-26E, NMPM Eddy County, New Mexico Four Mile Draw Prospect

Dear Bill:

Pursuant to our various conversations, enclosed please find an offer from Charles E. Nearburg (Nearburg) to lease the interests of Mr. Ralph Nix and Mrs. Essie G. Nix and Mrs. Loneta S. Curtis (Nix et al) in the captioned area.

Nearburg's offer is as follows:

N/2 & SE/4 SE/4 Sec. 8-19S-26E, NMPM, Eddy Co., N.M. (Mineral interest on attached schedule)

- 1. Nix et al agree to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- 2. Nix et al shall lease to Nearburg the N/2 of Section 8, subject to the following limitations and commitments.
 - a) Nearburg will commit to re-enter the Crusader Rabbit located 1980' FWL and 660' FNL of Section 8 before December 31, 1983.
 - b) Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations.
 - c) Subject to completion of a producing well, Nearburg will earn all rights in Section 8 to a depth of 100' below depth drilled.

Mr. Bill McCaw September 20, 1983 Page 2

Section 9-19S-26E, NMPM, Eddy County, New Mexico (Mineral interest on attached map)

- Nix et al agree to grant to Nearburg an 18 month,
 1/5 royalty, no bonus lease
- 2. Said lease will be limited in depth to 100' below total depth drilled and to the producing proration unit.
- 3. Regarding any land not in a producing proration unit at the expiration of this lease, Nearburg shall have the right to continuous development with no cessation of more than 180 days on lands in said lease.

In previous leases between Mr. Nix and Charles E. Nearburg, we have agreed to 1/4 royalty, however, that was a gas prospect wherein the operation of the well would not be as costly as we expect to encounter on this prospect. Due to the expected high operating costs, we have offered terms that we feel are necessary to justify this type of drilling.

I would appreciate your earliest possible consideration of this offer, as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

Enclosures

October 3, 1983

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

ATTN: Mr. Bill McCaw

RE: N/2 of Section 8-195-26E Four Mile Draw Prospect Eddy County, New Mexico

Dear Bill:

This letter is being written to Ralph Nix and wife Frances, Essie G. Nix, yourself and Ralph Nix, Jr., in your care. This letter is also being sent to Stanley L. Jones, Jonell J. Gilmore, Barbara Quail Malone and Carol S. Garrett. I am offering the same terms to Martin Yates III, Yates Petroleum Corporation and Jack McCaw.

Charles E. Nearburg (Nearburg) previously offered a 1/5 royalty, no bonus, 18 month lease term for the mineral interests of the above referenced parties in the N/2 of Section 8. We committed to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983. You rejected this offer and we made a verbal counter offer, which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the 6 month lease term. Chama Petroleum Company has the right, but not the obligation, to drill offset proration units at intervals of 160 days from the completion of one well to spudding of the next well. If these offset proration units are not developed, such proration units will be re-assigned as is appropriate. Nearburg re-affirms his commitment to re-enter the Crusader Rabbit before December 31, 1983 to test various formations which were not tested at the time the well was drilled.

Mr. Bill McCaw October 3, 1983 Page 2

Bill, we feel that we are making a substantial commitment to develop this area and in all fairness we do not feel it is reasonable to be limited to the producing formation when we are facing such large expenditures to produce the hydro-carbons we may find. There is only one re-entry possibility in the N/2 of Section 8 and every other proration unit will have to be drilled from scratch. Additionally, this re-entry will not be cheap, and there is a possibility that we could find something new in this area. We feel that being limited to the producing formation is just too severe given the questionable economics of which you are so well aware.

These terms are very reasonable given the history of the area and the potential water disposal problems.

The compulsory pooling hearing, scheduled for October 12, which is a necessity regardless of the outcome of our negotiations, has been continued until October 26 in order to allow time to resolve our differences regarding this area. Should you not wish to lease on these terms, we welcome your participation. I would appreciate your earliest response.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

cc: Stanley L. Jones
Jonell J. Gilmore
Barbara Quail Malone
Carol S. Garrett

Exploration and Production P.O. Box 31405 5447 Gien Lakes Drive Dallas, Texas 75231 214-739-1778

September 27, 1983

Mr. Keith F. Quail P. O. Box 2366 Prescott, Arizona 86302

RE: Section 8-19S-26E, NMPM
(Mineral interest on attached schedule)
Eddy County, New Mexico
Four Mile Draw Prospect

Dear Mr. Quail:

Enclosed please find a copy of my original letter dated September 20, 1983. All other parties have received their copies.

I apologize for you not receiving your copy at the same time as the others.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

Enclosure

REGISTERED MAIL

Mr. Keith F. Quail P. O. Box 2366 Prescott, Arizona 86302

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Mr. Quail:

In furtherance of my letter dated September 20, 1983, Charles E. Nearburg is willing to offer you a lease for either the terms specified in the letter of September 20, 1983, or for the following terms which have been agreed to by other fee mineral interest owners in this prospect;

3 year term
3/16 royalty
\$75.00 per net mineral acre

Thank you again for your earliest consideration of our offers.

Yours truly,

Mark K. Nearburg

Landman

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dalias, Texas 75231 214-739-1778

September 20, 1983

Mr. Keith F. Quail P. O. Box 2366 Prescott, Arizona 86302

RE: Section 8-19S-26E, NMPM
(Mineral interest on attached schedule)
Eddy County, New Mexico
Four Mile Draw Prospect

Dear Mr. Quail:

Pursuant to our telephone conversation of this date enclosed please find an offer from Charles E. Nearburg (Nearburg) to lease the intersts of Carol S. Garrett and Barbara Q. Malone (Quail et al) in the captioned area.

Nearburg's offer is as follows:

- 1. Quail et al agrée to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- 2. Quail et al shall lease to Nearburg the N/2 of Section 8, subject to the following limitations and commitments.
 - a) Nearburg will commit to re-enter the Crusader Rabbit located 1980 ' FWL and 660' FWL of Section 8 before December 31, 1983.
 - b) Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations.
 - c) Subject to completion of a producing well, Nearburg will earn all rights in Section 8 to a depth of 100' below depth drilled.

Mr. Keith F. Quail September 20, 1983 Page 2

Due to the expected high operating costs, we have offered terms that we feel are necessary to justify this type of drilling.

I would appreciate your earliest possible consideration of this offer, as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

Enclosures

October 3, 1983

Yates Petroleum Corporation 207 South Fourth Street Artesia, New Mexico 88210

ATTN: Mr. Randy Patterson

RE: Tract #742 in the N/2 of Section 8-19S-26E, NMPM

Eddy County, New Mexico

Dear Mr. Patterson:

The intent of this letter is to clarify the offer from Charles E. Nearburg as stated in a letter dated September 28, 1983, wherein he offered to accept a 1/5 royalty, no bonus, 18 month term lease or Yates' participation with this tract in our prospect.

Nearburg made a verbal counter offer, on September 30, 1983 which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the six month term, Chama Petroleum Company has the right, but not the obligation, to drill offset proration units in intervals of 160 days from the completion of one well to spudding the next well. I realize that this offset right to drill does not affect Yates, however, I want to make the same offer to Yates as we have made to Ralph Nix, et al. Additionally, Chama will commit to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983. The purpose of this re-entry is to test various formations which were not tested at the time the well was drilled, and which we feel have productive potential.

I have written this same offer to Jack McCaw and Bill McCaw for the interests they represent. I stated in my letter to Bill that we are not willing to accept a limitation

Mr. Randy Patterson October 3, 1983 Page 2

to the producing formation, rather we need the rights from the surface to 100' below depth drilled, which any prudent operator would require.

As I mentioned to you over the phone today, we have postponed the compulsory pooling hearing, which is a necessity regardless of the outcome of our negotiations with Yates and Nix, until the October 26th hearing date. We have done this to provide you a reasonable amount of time to communicate with the involved parties at Yates Petroleum to reach a decision, and we want to avoid creating any ill will.

These terms are very reasonable given the history of the area and the potential water disposal problems. Should you not wish to lease on these terms, we welcome your participation. I would appreciate your earliest response.

Yours truly,

Mark K. Nearburg

Landman

September 28, 1983

Yates Petroleum Corporation 207 South 4th Street Artesia, New Mexico 88210

ATTN: Mr. Randy Patterson

RE: Tract 742 in the N/2 of Section 8-195-26E, NMPM

Eddy County, New Mexico

Dear Mr. Patterson:

Charles E. Nearburg (Nearburg) offers the following terms for a lease from Yates Petroleum Corporation (Yates) on the above captioned land in which Yates owns the minerals (5 net acres).

Although you are welcome to participate with the above 5 acres in the re-entry of the well described below, we would appreciate your consideration of the lease terms. Nearburg's offer is as follows:

Yates agrees to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.

Yates shall lease to Nearburg the captioned tract subject to the following limitations and commitments

Nearburg will commit to re-enter the Crusader Rabbit located 1980' FWL and 660' FNL of Sec. 8 before December 31, 1983.

Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations. Mr. Randy Patterson September 28, 1983 Page 2

> Subject to completion of a producing well Nearburg will earn all rights to a depth of 100' below Total Depth Drilled.

Due to the expected high operating costs we have offered terms that we feel are necessary to justify this type of drilling. I would appreciate your earliest possible consideration of this offer as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Mark K. Nearburg

Landman

October 3, 1983

Mr. Jack McCaw P. O. Box 127 Artesia, New Mexico 88210

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Mr. McCaw:

This letter applies equally to yourself, Mr. Gates, Mr. Robert S. McCaw and Mr. Martin Yates III. The purpose is to define, after various conversations, where we stand with our offer for your land in the N/2 of Section 8-19S-26E, Eddy County.

The following offer is identical to the one we are making to Yates Petroleum Corporation, Ralph Nix, Essie G. Nix, Ralph Nix, Jr., Jonell Jones Gilmore, Stanley L. Jones, Barbara Quail Malone, Carol S. Garrett, and Bill McCaw.

Charles E. Nearbug (Nearburg) previously offered a 1/5 royalty, no bonus, 18 month lease term for your mineral interests in the N/2 of Section 8. We committed to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983.

You rejected this offer and we made a verbal counter offer, which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled, and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the six month term, Chama Petroleum has the right, but not the obligation, to drill offset proration units at intervals of 160 days each from the completion of one well to spudding of the next well. If these offset proration units are not developed they will be reassigned to you, as is appropriate. Nearburg agrees to re-enter the Crusader Rabbit before December 31, 1983, to test various formations which were not tested at the time the well was drilled.

Mr. Jack McCaw October 3, 1983 Page 2

We have continued the compulsory pooling hearing on the N/2 of Section 8, which will be required regardless of your decision, until October 26, 1983.

These terms are very reasonable given the history of the area and the potential water disposal problems. Should you not wish to lease on these terms we would enjoy your participation. I would appreciate the earliest possible response concerning your interest and those you represent.

Yours truly,

Mark K. Nearburg

Landman

REGISTERED MAIL

Mr. Jack McCaw P. O. Box 127 Artesia, New Mexico 88210

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Mr. McCaw:

In furtherance of my letter dated September 20, 1983, Charles E. Nearburg is willing to offer you a lease for either the terms specified in the letter of September 20, 1983, or for the following terms which have been agreed to by other fee mineral interest owners in this prospect;

3 year term
3/16 royalty
\$75.00 per net mineral acre

Thank you again for your earliest consideration of our offers.

Yours truly,

Mark K. Nearburg

Landman

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

September 27, 1983

Mr. Jack McCaw P.O. Box 127 Artesia, New Mexico 88210

Re: Tract No. 724, N¹/₂ Sec. 8-19S-26E, N.M.P.M. Eddy County, New Mexico Four Mile Draw Prospect

Dear Mr. McCaw:

Enclosed please find an offer to lease the captioned tract on which records indicate that Mr. Gates and his wife, and yourself and Mrs. McCaw own 1/2 of the minerals each. Our offer to lease this land is identical to the offer proposed to Mr. Martin Yates, III, said offer being a 18 month term, 1/5 royalty, no bonus lease earning 100' below total depth drilled subject to completion of a producing well.

If Mr. Gates prefers, we would be willing to accept terms similar to those given to other land owners in the area, said offer being \$75.00 per acre for a 3 year, 3/16 lease.

Thank you for your consideration of this offer.

Yours truly,

Mark K. Nearburg

Landman

September 20, 1983

Mr. Jack McCaw P. O. Box 127 Artesia, New Mexico 88210

RE: Sections 8 & 9-19S-26E, NMPM Eddy County, New Mexico Four Mile Draw Prospect

Dear Mr. McCaw:

Enclosed please find an offer from Charles E. Nearburg (Nearburg) to lease the interests of Mr. Martin Yates III (Yates) in the captioned area.

Nearburg's offer is as follows:

N/2 & SE/4 SE/4 Sec. 8-19S-26E, NMPM, Eddy Co., N.M. (Mineral interest on attached schedule)

- 1. Yates agrees to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- Yates shall lease to Nearburg the N/2 of Section
 subject to the following limitations and commitments.
 - a) Nearburg will commit to re-enter the Crusader Rabbit located 1980' FWL and 660' FNL of Section 8 before December 31, 1983.
 - b) Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations.
 - c) Subject to completion of a producing well, Nearburg will earn all rights in Section 8 to a depth of 100' below depth drilled.

Mr. Jack McCaw September 20, 1983 Page 2

Section 9-195-26E, NMPM, Eddy County, New Mexico (Mineral interest on attached map)

- 1. Yates agrees to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- 2. Said lease will be limited in depth to 100' below total depth drilled and to the producing proration unit.
- 3. Regarding any land not in a producing proration unit at the expiration of this lease, Nearburg shall have the right to continuous development with no cessation of more than 180 days on lands in said lease.

Due to the expected high operating costs, we have offered terms that we feel are necessary to justify this type of drilling. I would appreciate your earliest possible consideration of this offer, as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

Enclosures

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

October 3, 1983

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

ATTN: Mr. Bill McCaw

RE: N/2 of Section 8-195-26E Four Mile Draw Prospect Eddy County, New Mexico

Dear Bill:

This letter is being written to Ralph Nix and wife Frances, Essie G. Nix, yourself and Ralph Nix, Jr., in your care. This letter is also being sent to Stanley L. Jones, Jonell J. Gilmore, Barbara Quail Malone and Carol S. Garrett. I am offering the same terms to Martin Yates III, Yates Petroleum Corporation and Jack McCaw.

Charles E. Nearburg (Nearburg) previously offered a 1/5 royalty, no bonus, 18 month lease term for the mineral interests of the above referenced parties in the N/2 of Section 8. We committed to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983. You rejected this offer and we made a verbal counter offer, which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the 6 month lease term, Chama Petroleum Company has the right, but not the obligation, to drill offset proration units at intervals of 160 days from the completion of one well to spudding of the next well. If these offset proration units are not developed, such proration units will be re-assigned as is appropriate. Nearburg re-affirms his commitment to re-enter the Crusader Rabbit before December 31, 1983 to test various formations which were not tested at the time the well was drilled.

Mr. Bill McCaw October 3, 1983 Page 2

Bill, we feel that we are making a substantial commitment to develop this area and in all fairness we do not feel it is reasonable to be limited to the producing formation when we are facing such large expenditures to produce the hydro-carbons we may find. There is only one re-entry possibility in the N/2 of Section 8 and every other proration unit will have to be drilled from scratch. Additionally, this re-entry will not be cheap, and there is a possibility that we could find something new in this area. We feel that being limited to the producing formation is just too severe given the questionable economics of which you are so well aware.

These terms are very reasonable given the history of the area and the potential water disposal problems.

The compulsory pooling hearing, scheduled for October 12, which is a necessity regardless of the outcome of our negotiations, has been continued until October 26 in order to allow time to resolve our differences regarding this area. Should you not wish to lease on these terms, we welcome your participation. I would appreciate your earliest response.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

cc: Stanley L. Jones
Jonell J. Gilmore
Barbara Quail Malone
Carol S. Garrett

REGISTERED MAIL

Mr. Stanley L. Jones P. O. Box 994 Roswell, New Mexico 88201

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Mr. Jones:

In furtherance of my letter dated September 20, 1983, Charles E. Nearburg is willing to offer you a lease for either the terms specified in the letter of September 20, 1983, or for the following terms which have been agreed to by other fee mineral interest owners in this prospect;

3 year term
3/16 royalty
\$75.00 per net mineral acre

Thank you again for your earliest consideration of our offers.

Yours truly,

Mark K. Nearburg

Landman

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

September 20, 1983

Mr. Stanley L. Jones P. O. Box 994 Roswell, New Mexico 88201

RE: Sections 8 & 9-19S-26E, NMPM / Eddy County, New Mexico Four Mile Draw Prospect

Dear Mr. Jones:

Pursuant to our conversation of this date, enclosed please find an offer from Charles E. Nearburg (Nearburg) to lease your interest (Jones) in the captioned area.

Nearburg's offer is as follows:

N/2 & SE/4 SE/4 Sec. 8-19S-26E, NMPM, Eddy Co., N.M. (Mineral interest on attached schedule)

- Jones agrees to grant to Nearburg an 18 month,
 1/5 royalty, no bonus lease.
- Jones shall lease to Nearburg the N/2 of Section
 subject to the following limitations and commitments.
 - a) Nearburg will commit to re-enter the Crusader Rabbit located 1980' FWL and 660' FNL of Section 8 before December 31, 1983
 - b) Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations.
 - c) Subject to completion of a producing well, Nearburg will earn all rights in Section 8 to a depth of 100' below depth drilled.

Mr. Stanley L. Jones September 20, 1983 Page 2

Section 9-19S-26E, NMPM, Eddy County, New Mexico (Mineral interest on attached map)

- Jones agrees to grant to Nearburg an 18 month,
 1/5 royalty, no bonus lease.
- Said lease will be limited in depth to 100' below total depth drilled and to the producing proration unit.
- 3. Regarding any land not in a producing proration unit at the expiration of this lease, Nearburg shall have the right to continuous development with no cessation of more than 180 days on lands in said lease.

Due to the expected high operating costs, we have offered terms that we feel are necessary to justify this type of drilling. I would appreciate your earliest possible consideration of this offer, as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Milal W. Mearleys

Landman

MKN/b

Enclosures

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

October 3, 1983

Ralph Nix Company P. O. Box 617 Artesia, New Mexico 88210

ATTN: Mr. Bill McCaw

RE: N/2 of Section 8-195-26E Four Mile Draw Prospect Eddy County, New Mexico

Dear Bill:

This letter is being written to Ralph Nix and wife Frances, Essie G. Nix, yourself and Ralph Nix, Jr., in your care. This letter is also being sent to Stanley L. Jones, Jonell J. Gilmore, Barbara Quail Malone and Carol S. Garrett. I am offering the same terms to Martin Yates III, Yates Petroleum Corporation and Jack McCaw.

Charles E. Nearburg (Nearburg) previously offered a 1/5 royalty, no bonus, 18 month lease term for the mineral interests of the above referenced parties in the N/2 of Section 8. We committed to re-enter the Crusader Rabbit dry hole located in the NE/4 NW/4 of Section 8 before December 31, 1983. You rejected this offer and we made a verbal counter offer, which we are now putting in writing, of a 1/4 royalty lease, 6 month term, earning 100' below total depth drilled and limited to the producing proration unit established by the New Mexico Oil Conservation Commission. At the end of the 6 month lease term, Chama Petroleum Company has the right, but not the obligation, to drill offset proration units at intervals of 160 days from the completion of one well to spudding of the next well. If these offset proration units are not developed, such proration units will be re-assigned as is appropriate. Nearburg re-affirms his commitment to re-enter the Crusader Rabbit before December 31, 1983 to test various formations which were not tested at the time the well was drilled.

Mr. Bill McCaw October 3, 1983 Page 2

Bill, we feel that we are making a substantial commitment to develop this area and in all fairness we do not feel it is reasonable to be limited to the producing formation when we are facing such large expenditures to produce the hydro-carbons we may find. There is only one re-entry possibility in the N/2 of Section 8 and every other proration unit will have to be drilled from scratch. Additionally, this re-entry will not be cheap, and there is a possibility that we could find something new in this area. We feel that being limited to the producing formation is just too severe given the questionable economics of which you are so well aware.

These terms are very reasonable given the history of the area and the potential water disposal problems.

The compulsory pooling hearing, scheduled for October 12, which is a necessity regardless of the outcome of our negotiations, has been continued until October 26 in order to allow time to resolve our differences regarding this area. Should you not wish to lease on these terms, we welcome your participation. I would appreciate your earliest response.

Yours truly.

Mark K. Nearburg

Landman

MKN/b

cc: Stanley L. Jones
Jonell J. Gilmore
Barbara Quail Malone

Carol S. Garrett

REGISTERED MAIL

September 28, 1983

Mrs. Jonell Jones Gilmore 201 W. Richardson Artesia, New Mexico 88210

RE: Four Mile Draw Prospect Eddy County, New Mexico

Dear Mrs. Gilmore:

In furtherance of my letter dated September 20, 1983, Charles E. Nearburg is willing to offer you a lease for either the terms specified in the letter of September 20, 1983, or for the following terms which have been agreed to by other fee mineral interest owners in this prospect;

3 year term
3/16 royalty
\$75.00 per net mineral acre

Thank you again for your earliest consideration of our offers.

Yours truly,

Mark K. Nearburg

Landman

Exploration and Production P.O. Box 31405 5447 Glen Lakes Drive Dallas, Texas 75231 214-739-1778

September 20, 1983

Mrs. Jonell Jones Gilmore 201 W. Richardson Artesia, New Mexico 88210

RE: Sections 8 & 9-19S-26E, NMPM Eddy County, New Mexico Four Mile Draw Prospect

Dear Mrs. Gilmore:

Enclosed please find an offer from Charles E. Nearburg (Nearburg) to lease your interest (Gilmore) in the captioned area.

Nearburg's offer is as follows:

N/2 & SE/4 SE/4 Sec. 8-19S-26E, NMPM, Eddy Co., N.M. (Mineral interest on attached schedule)

- 1. Gilmore agrees to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- Gilmore shall lease to Nearburg the N/2 of Section
 subject to the following limitations and commitments.
 - a) Nearburg will commit to re-enter the Crusader Rabbit located 1980' FWL and 660' FNL of Section 8 before December 31, 1983.
 - b) Nearburg will attempt to complete said re-entry in the Cisco-Canyon formation. If the Cisco-Canyon does not produce, Nearburg shall, at his discretion, attempt completion in other formations.
 - c) Subject to completion of a producing well, Nearburg will earn all rights in Section 8 to a depth of 100' below depth drilled.

Mrs. Jonell Jones Gilmore September 20, 1983 Page 2

Section 9-195-26E, NMPM, Eddy County, New Mexico (Mineral interest on attached map)

- 1. Gilmore agrees to grant to Nearburg an 18 month, 1/5 royalty, no bonus lease.
- 2. Said lease will be limited in depth to 100' below total depth drilled and to the producing proration unit.
- 3. Regarding any land not in a producing proration unit at the expiration of this lease, Nearburg shall have the right to continuous development with no cessation of more than 180 days on lands in said lease.

Due to the expected high operating costs, we have offered terms that we feel are necessary to justify this type of drilling. I would appreciate your earliest possible consideration of this offer, as we would like to re-enter the Crusader Rabbit in October.

Yours truly,

Mark K. Nearburg

Landman

MKN/b

Enclosures