



600 C & K PETROLEUM BUILDING  
POST OFFICE DRAWER 3546  
MIDLAND, TEXAS 79702  
(915) 683-3311

October 22, 1982

The Interest Owners  
(Addressee List Attached)

RE: Shipp 27 "B" #1 well  
S/2 SW/4 Section 27,  
T-16-S, R-37-E,  
Lea County, New Mexico

Gentlemen and Mesdames:

By letter dated September 10, 1982 we advised you that C&K proposed the drilling of the subject well to a depth of 11,800' to test the Strawn formation and forwarded to you our AFE covering said well.

Certain mineral owners of record objected to the proposed proration unit; therefore we have now redefined the 80 acre proration unit as being the S/2 SW/4 Section 27; T-16-S, R-37-E. We have made Application to Pool said unit and hereto attach copy of the application which is set for hearing on November 10, 1982 before the Oil Conservation Division in Santa Fe, New Mexico.

As a result of our September 10, 1982 letter, Mr. Clifford Cone, Mr. Douglas L. Cone, Petroleum Corporation of Texas, and Heritage Resources have executed our AFE for the drilling of this well. The interests owned by these parties does not change as a result of redefining the proration unit. The interests owned by Texaco, Inc., Roy G. Barton, Jr., E. L. Latham, Jr., and Yates Petroleum do change as a result of redefining the unit. The interest of Ann Morris Marshall increases as a result of title examination.

We herewith submit for your review and approval the following:

1. AFE.
2. Insurance letters for blowout insurance.
3. One complete copy of proposed Operating Agreement together with extra signature page. Upon your approval of the Operating Agreement, please return the signature page only to the undersigned.
4. Copy of Drilling Opinion covering S/2 SW/4 Section 27, dated September 23, 1982 by Rudolph A. Woerndle of Lynch, Chappell, Allday and Alsup firm.

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It would be greatly appreciated if you could immediately execute the AFE and the insurance letter showing your preference as to whether you wish to be covered by C&K's insurance. Thereafter, please indicate your approval of the Operating Agreement by returning an executed signature page.

Please let us know if you need or require additional information.

Very truly yours,



Ms. Danie Lebow  
Senior Landman

DL:jw

enclosures

EXHIBIT "A"

Attached to and made a part of Operating Agreement dated October 19, 1982, between C&K Petroleum, Inc., "Operator" and the signatory parties hereto as "Non-operators".

I. Contract Area: S/2 SW/4 Section 27, T-16-S, R-37-E,  
containing 80 acres, more or less

II. Depth Restrictions: From the surface down to 100 feet below the  
deepest depth drilled in initial test well.

III. Interests and Addresses of the Parties:

<u>Party</u>	<u>Working Interest Percent</u>	<u>After Payout #1</u>	<u>After Payout #2</u>
Texaco, Inc. Box 3109 Midland, Texas 79701	22.968750	22.968750	22.968750
Ann Morris 2865 Mac Vicar Topeka, Kansas 66611	.781250	.781250	.781250
Yates Petroleum Corporation 207 South Fourth Street Artesia, New Mexico 88210	6.666667	6.666667	6.666667
Roy G. Barton, Jr. P.O. Box 978 Hobbs, New Mexico 88240 1/2 of 1/2 of 12.760416%	3.190104	3.190104	3.190104
Norma J. Barton P.O. Box 729 Hobbs, New Mexico 88240 1/2 of 1/2 of 12.760416%	3.190104	3.190104	3.190104
E. L. Latham, Jr. P.O. Box 1392 Hobbs, New Mexico 88240 1/2 of 12.760416%	6.380208	6.380208	6.380208
Heritage Resources, Inc. Box 777 Davis, Oklahoma 73030	1.562500	1.562500	1.562500
Petroleum Corporation of Texas Box 911 Breckenridge, Texas 76024	2.083334	2.083334	2.083334
Clifford Cone P.O. Box 6010 Lubbock, Texas 79413	.208333	.208333	.208333
Douglas Cone P.O. Box 6217 Lubbock, Texas 79413	.208333	.208333	.208333
Kenneth G. Cone P.O. Box 5246 Austin, Texas 78763	.208333	.208333	.208333

	<u>Working Interest Percent</u>	<u>After Payout #1</u>	<u>After Payout #2</u>
<u>C&amp;K Investors:</u>			
* M. T. Charlton 5701 Woodway Suite 236 Houston, Texas 77057 .015625 of 51.06771%	.797933	* .597707	.597707
* R. H. Fulton Box 1526 Lubbock, Texas 79400 .03125 of 51.06771%	1.595866	*1.195414	1.195414
* C. G. Grefenstette, Trustee The Hillman Trusts 2000 Grant Building Pittsburgh, PA 15219 1/2 of 1/2 of .257203 of 51.06771%			
Juliet L. Hillman Trust	.410462	* .307464	.307464
Audrey H. Hillman Trust	.410462	* .307464	.307464
Henry L. Hillman, Jr. Trust	.410462	* .307464	.307464
William T. Hillman Trust	.410462	* .307464	.307464
Juliet L. Hillman Trust	.410461	* .307464	.307464
Audrey H. Hillman Trust	.410461	* .307464	.307464
Henry L. Hillman, Jr. Trust	.410461	* .307464	.307464
William T. Hillman Trust	.410461	* .307464	.307464
* H. L. Hillman 2000 Grant Building Pittsburgh, PA 15219 1/2 of 1/2 of .257203 of 51.06771%	3.283692	*2.459714	2.459714
* John Lawrence 2929 LTV Tower Dallas, Texas 75201 .03125 of 51.06771%	1.595866	*1.195414	1.195414
* Arthur L. Owen 2000 Mercantile Commerce Building 1712 Commerce Street Dallas, Texas 75201 .015625 of 51.06771%	.797933	* .597708	.597708
* J. F. Webre 5701 Woodway Suite 236 Houston, Texas 77057 .03125 of 51.06771%	1.595866	*1.195414	1.195414
* Lillian S. Davis 33 South 5th Street Minneapolis, Minnesota 55402 .029412 of 51.06771%	1.502003	*1.125104	1.125104
* Solly Robins 33 South 5th Street Minneapolis, Minnesota 55402 .029412 of 51.06771%	1.502003	*1.125104	1.125104
* Harding A. Orren 33 South 5th Street Minneapolis, Minnesota 55402 .001838 of 51.06771%	.093862	* .070310	.070310

	<u>Working Interest Percent</u>	<u>After Payout #1</u>	<u>After Payout #2</u>
* Bernard Rosenberg 33 South 5th Street Minneapolis, Minnesota 55402 .001838 of 51.06771%	.093862	* .070310	.070310
* Samuel D. Haas Thompson & Knight Suite 850 Two Energy Square 4849 Greenville Ave. Dallas, Texas 75206 2/52 of .0625 of 51.06771%	.122759	* .091955	.091955
* Joe M. Haas 435 Meadows Building Dallas, Texas 75206 20/52 of .0625 of 51.06771%	1.227589	* .919549	.919549
* James L. Irish, III, Trustee for Irish Family Trusts Thompson & Knight Republic National Bank Building Dallas, Texas 75201 20/52 of .0625 of 51.06771%	1.227589	* .919549	.919549
* R. M. Swesnik 6335 West NW Highway Dallas, Texas 75225 10/52 of .0625 of 51.06771%	.613795	* .459775	.459775
* C&K 1974 Exploration, Ltd. c/o Ann Adams 3900 Capital Bank Plaza Houston, Texas 77002 .257203 of 51.06771%	13.134768	*9.838852	9.838852
* Spectrum 7 - 1981 Drilling Fund P.O. Box 50 Midland, Texas 79702 12.3066% of 47.298179%	5.820797	*4.360181	4.360181
C&K Petroleum, Inc. P.O. Drawer 3546 Midland, Texas 79702 12.777835 Plus pooling interests <u>1.484374</u>	14.262209	*11.055859	9.571485
Enserch Exploration, Inc. P.O. Box 4815 Midland, Texas 79701 30% of 42.714844%	-0-	*12.814453	12.814453
Pooled Interests	-0-	-0-	** 1.484374
	<hr/>	<hr/>	<hr/>
	100.000000	100.000000	100.000000

\* Payout #1

Payout will occur after C&K Petroleum, Inc., et al have recovered, out of production, 100% of cost attributable to 42.714844% unit interest in S/2 SW/4 Section 27, T-16-S, R-37-E, Lea County, New Mexico, contributed by Enserch Exploration, Inc., as more specifically set out in Farmout Agreement dated July 26, 1982, from Enserch Exploration, Inc. in favor of C&K Petroleum, Inc.

\*\* Payout #2

Payout will occur after C&K Petroleum, Inc. has recovered, out of production, 100% of costs plus \_\_\_\_\_% risk penalty attributable to these interests, all as set out and defined in Oil Conservation Division, State of New Mexico, Order # \_\_\_\_\_ dated \_\_\_\_\_.

RECEIVED

OCT 18 1982

KELLAHIN AND KELLAHIN

*Attorneys at Law*

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Post Office Box 2265  
Santa Fe, New Mexico 87501

Telephone 982-4235  
Area Code 505

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey  
James B. Grant

October 12, 1982

Mr. Joe D. Ramey  
OIL CONSERVATION DIVISION  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Forced Pooling  
T16S, R37E  
Section 27: S/2SW/4

Dear Mr. Ramey:

On behalf of C & K Petroleum, Inc., please set the enclosed pooling application for the examiner hearing set for November 10, 1982.

Very truly yours,

  
W. Thomas Kellahin

WTK:rb  
Enc.

cc: Mrs. Danie Lebow - C & K ✓