



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

November 4, 1982

Texaco, U. S. A.
A Division of Texaco, Inc.
P. O. Box 3109
Midland, TX 79702

Attention: Mr. R. D. Tomberlin, Manager-Operations

Re: Proposed Strawn Test
C & K Petro., Inc. - Shipp 27-B #1 Well
S/2 SW/4 Sec. 27, T-16-S, R-37-E
Lea County, New Mexico

Gentlemen:

Last Friday afternoon, October 29, your Mr. Tom Bryla advised our land department that Texaco, Inc. would appear before the Oil and Gas Conservation Division, State of New Mexico to protest the proration unit for the drilling of the subject well. We were very surprised to hear this since Mr. Bryla, in telephone conversation with Louis Torrans, was advised that C & K would withdraw our application to pool the E/2 SW/4 Section 27, and would apply for pooling of S/2 SW/4 Section 27. This occurred sometime during the third week of September.

C & K had proposed in late August and early September, the drilling of two Strawn tests and Mr. Bryla was involved in frequent telephone conversations with Mr. Torrans and also Mrs. Lebow of my staff, and it was our understanding that Texaco would join in both wells. Immediately after the pooling hearing for our Shipp 27 #2 (held September 29), Mr. Bryla called Mrs. Lebow about the AFE for our Shipp 27-B #1 and Mrs. Lebow advised him again of the change of proration unit and asked him to give priority to the Shipp 27 #2 AFE since that well would be spudded prior to the Shipp 27-B #1.

Until last Friday, we had no indication that our plans for pooling would not meet with Texaco's approval.

We were unable to proceed with pooling on our first proposed proration unit (E/2 SE/4 Section 27) for drilling the Shipp 27-B #1 since certain mineral owners objected. In August of 1975, C & K Drilled a dry hole in the Strawn formation.

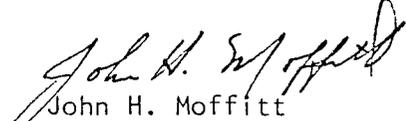
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This well was located in NE/4 SW/4 Section 27 and the objecting mineral owners felt that this dry hole had condemned that 40 acre tract as to possible Strawn production. Because of this fact, we elected to attempt to pool S/2 SW/4 Section 27.

Our application to pool is set for hearing next Wednesday, November 10, as we have previously advised you. If Texaco, after review of the above facts, does pursue its intention to oppose our unit, we have instructed our attorney to withdraw the November 10 hearing and to make application for a full commission hearing. Our attorney will advise you of the date.

We feel that Texaco's personnel should give serious consideration to a meeting with myself and my staff. After Texaco's complete review of all facts in our possession, I feel that we could resolve our dispute.

Very truly yours,



John H. Moffitt

Regional Exploration Manager

JHM/cs

cc: Mr. Tom Bryla, Landman
Texaco, U. S. A.
A Division of Texaco, Inc.
P. O. Box 3109
Midland, TX 79702



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

November 4, 1982

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

Attn: Mr. Randy Patterson
Land Manager

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

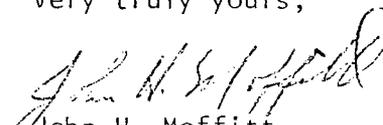
Gentlemen:

Yesterday afternoon your Mr. Bullock telephoned Mrs. Lebow of my staff and advised her that Texaco, Inc. had requested that Yates join them in opposing C&K's proposal to pool the subject proration unit for the drilling of a Strawn test.

I plan to be in Artesia tomorrow and will hand deliver this letter to you. At that time, I hope to have a discussion with you. After your review of all facts in my possession, I believe that we can settle our dispute without further delay.

Thank you very much.

Very truly yours,


John H. Moffitt
Exploration Manager

DL:jw



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT

TEXACO
U.S.A.
A DIVISION OF TEXACO INC.
P. O. BOX 3109
MIDLAND, TEXAS 79702

November 4, 1982

192925 - B. E. Shipp Lease
Lea County, New Mexico

C&K Petroleum, Inc.
P. O. Drawer 3546
Midland, Texas 79702

Attention: Louis S. Torrans, Jr.

Gentlemen:

Please refer to your letter dated October 22, 1982, wherein you stated your intention to force pool all of the non-consenting mineral interest and leasehold owners of the S/2 SW/4 of Section 27, T-16-S, R-37-E, Lea County, New Mexico, for the purpose of drilling an 11,800' Strawn test.

Please be advised that as per our telephone conversation with Ms. Danie Lebow of October 29, 1982, Texaco Inc. is hereby notifying C&K Petroleum, Inc. of its intention to contest the forced pooling of the above-mentioned tract at the scheduled November 10, 1982, hearing before the Oil Conservation Division in Santa Fe, New Mexico. Please note that although Texaco was originally interested in voluntarily joining with C&K in drilling a well on a unit made up of the E/2 of the SW/4 of Section 27, T-16-S, R-37-E, Texaco will not voluntarily join in a well for a pro-ration unit made up of the S/2 of the SW/4 of that section.

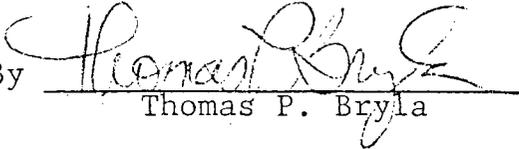
It will therefore be necessary to designate and join Texaco Inc. in the proceedings as a named non-consenting party.

Please advise us of the time and date of the Oil Conservation Division hearing.

Yours very truly,

E. H. Watkins
Land Manager

By


Thomas P. Bryla

TPB-BH

cc: Owen M. Lopez
P. O. Box 2068
Santa Fe, New Mexico 88501