

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

February 11, 1997

Murphy Petroleum Corporation
200 West First Street, Suite 700
Roswell, New Mexico 88201

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Attention: Mr. Mark Murphy

Re: Tomahawk 28 Fed Com #1 Well
1980' FSL and 660' FEL of Section 28,
T-20-S, R-33-E, Lea County, New Mexico
Tomahawk Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) has recently updated its title reports covering the acreage located within the captioned E/2 proration unit and found that numerous working interest owners within the SW/4 SE/4 have assigned their interest to Murphy Petroleum Corporation (Murphy). As you were noticed by our January 7, 1997 well proposal made to the above address to Strata Production Company, a predecessor in title to Murphy, Nearburg proposed the drilling of the Tomahawk 28 Fed Com #1, to be located 1980' FSL and 660' FEL of Section 28, T-20-S, R-33-E, Lea County, New Mexico. This well will be drilled to 14,300' or to a depth sufficient to adequately test the Morrow formation. We have enclosed an AFE setting forth our estimated costs and expenses to be incurred in the drilling and completion of this well, along with our proposed form of Joint Operating Agreement for your review and execution. The AFE and Operating Agreement previously furnished reflected the earlier interest and now reflects Murphy as the owner of an 11.5234375% working interest.

Our understanding, pursuant to our telephone conversation of February 7th, is that Murphy does not wish to participate in the drilling of this well and has been in contact with Penwell Energy, Inc. (Penwell) in an attempt to sell its interest. We have spoken with Penwell and they have indicated there is a problem with the excessive royalty burden which has been placed on this particular leasehold; we hope that both parties will be able to resolve this issue. Please keep Nearburg informed as to Murphy's progress in negotiations with Penwell, as Nearburg is currently planning to have a compulsory pooling hearing before the New Mexico Oil Conservation Division on March 6, 1997.

If Nearburg can be of any further assistance, please advise.

Yours very truly,



Duke Roush
Consulting Landman

DR:kg

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11722 Exhibit No. 8
Submitted By:
Nearburg Exploration Co.
Hearing Date: March 20, 1997

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Megh Petroleum Corporation
200 West First St.
Suite 700
Roswell, NM 85201
Tomahawk '28'

4a. Article Number
2 740 465 682

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
2-12-97

5. Signature (Addressee)

6. Signature (Agent)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service

PS Form 3800, March 1993

Receipt for Certified Mail

No Insurance Coverage Provided
 Do not use for International Mail
 (See Reverse)

7 740 465 682

Sent to	<i>Megh Petroleum Corp</i>
Street and No.	<i>200 West First St.</i>
P.O., State and ZIP Code	<i>Suite 700, Roswell, NM 85201</i>
Postage	\$
Certified Fee	\$
Special Delivery Fee	\$
Restricted Delivery Fee	\$
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>///</i>

Nearburg Producing Company

Page 1 of 2

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Tomahawk 28 Federal Com

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 14,300'

LOCATION: 1980' FSL and 660' FEL of Section 28, T-20-S, R-33-E, Lea County, New Mexico

FIELD:

EXPLORATORY, DEVELOPMENT: E

DESCRIPTION OF WORK: Drill, test, run casing and complete as a Morrow gas well.

DATE PREPARED: 12/20/96

EST. SPUD DATE: 4/15/97

EST. COMPLETION DATE: 5/30/97

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 14,400 Ft @ 21.50 \$/Ft	1514.101	309,600	NA		309,600
Drilling Daywork D/C\$/day 2 2 4400	1514.105	8,800	1515.105	8,800	17,600
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.123		15,000
Damages	1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	40,000	1515.132	3,000	43,000
Fuel, Power, and Water	1514.140	15,000	1515.140	3,000	18,000
Supplies - Bits	1514.145		1515.145	1,000	1,000
Supplies - Casing Equipment	1514.150	3,000	1515.150	8,000	11,000
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160		500
Cement and Cmt. Services - Surface Csg	1514.165	5,000	NA		5,000
Cement and Cmt. Services - Int. Csg	1514.170	15,000	NA		15,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	30,000	30,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	15,000	1515.180		15,000
Rental - Miscellaneous	1514.185	1,000	1515.185	5,000	6,000
Testing - Drill Stem / Production	1514.195	7,000	1515.195		7,000
Open Hole Logging	1514.200	48,000	NA		48,000
Mudlogging Services	1514.210	20,000	NA		20,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	12,000	12,000
Reverse Equipment	NA		1515.219	3,000	3,000
Wireline Services	1514.205		1515.205	10,000	10,000
Stimulation	NA		1515.221	106,000	106,000
Pump / Vacuum Truck Services	1514.220		1515.220	2,500	2,500
Transportation	1514.225	500	1515.225	2,000	2,500
Tubular Goods - Inspection & Testing	1514.230		1515.230		0
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,000	1515.240	750	1,750
Engineer / Geologist / Landman	1514.250	5,000	1515.250		5,000
Company Labor - Field Supervision	1514.255	10,000	1515.255	5,000	15,000
Contract Labor / Roustabout	1514.265		1515.265		0
Legal and Professional Service	1514.270	2,500	1515.270		2,500
Insurance	1514.275	32,000	1515.275		32,000
Overhead	1514.280	12,500	1515.280		12,500
SUBTOTAL		586,400		185,050	771,450
Contingencies (5%)		29,320		9,253	38,573
ESTIMATED TOTAL INTANGIBLES		615,720		194,303	810,023

Nearburg Producing Company

Exploration and Production
Dallas, Texas

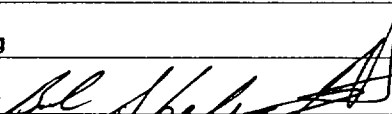
AUTHORITY FOR EXPENDITURE

LEASE: Tomahawk 28 Federal Com WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 14,300'
LOCATION: 1980' FSL and 660' FEL of Section 28, T-20-S, R-33-E, Lea County, New Mexico
FIELD: EXPLORATORY DEVELOPMENT: E
DESCRIPTION OF WORK: Drill, test, run casing and complete as a Morrow gas well.

DATE PREPARED: 12/20/96 EST. SPUD DATE: 4/15/97 EST. COMPLETION DATE: 5/30/97
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1520.305		NA		0
Surface Csg 500 Ft @ 24.00 \$/Ft	1520.310	12,000	NA		12,000
Intermediate Csg 5,000 Ft @ 14.00 \$/Ft	1520.315	70,000	NA		70,000
Protection Csg Ft @ \$/Ft	1520.320	0	NA		0
Production Csg 14,400 Ft @ 11.50 \$/Ft	NA		1522.325	165,600	165,600
Protection Liner Ft @ \$/Ft	1520.330	0	NA		0
Production Liner Ft @ \$/Ft	NA		1522.335	0	0
Tubing 14,200 Ft @ 3.25 \$/Ft	NA		1522.340	46,150	46,150
Rods Ft @ \$/Ft	NA		1522.345	0	0
Artificial Lift Equipment	NA		1522.350		0
Tank Battery	NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	20,000	20,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	5,000	6,500
Subsurface Well Equipment	NA		1522.370	7,000	7,000
Flow Lines	NA		1522.375	4,000	4,000
Saltwater Disposal Pump	NA		1522.391		0
Gas Meter	NA		1522.385	3,000	3,000
Lact Unit	NA		1522.387		0
Vapor Recovery Unit	NA		1522.389		0
Other Well Equipment	NA		1522.380		0
ROW and Damages	NA		1522.393		0
Surface Equipment Installation Costs	NA		1522.395	5,000	5,000
Elect. Installation	NA		1522.397		0
ESTIMATED TOTAL TANGIBLES		83,500		265,750	349,250
ESTIMATED TOTAL WELL COSTS		699,220		460,053	1,159,273

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: Tim MacDonald	01/03/97
REVIEWED BY: Cap Horning	01/03/97
APPROVED BY: Bob Shelton 	01/03/97

WI APPROVAL: COMPANY Murphy Petroleum Corporation 11.52343750% Working Interest
BY
TITLE
DATE