

14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma
73134-2600

Telephone 405 749-1300
Fax 405 749-9385



August 13, 1997

Via Fax 505-622-8643

Read & Stevens, Inc.
P.O. Box 1518
Roswell, NM 88202

ATTN: Bob Watson

RE: White Wing 22 Federal #13
C NW/4 SW/4 Section 22-22S-26E
Eddy County, New Mexico

Gentlemen:

Louis Dreyfus Natural Gas Corp. hereby proposes to drill the White Wing 22 Federal #13 well as a 11,800' Morrow Test to be located in the C NW/4 SW/4 Section 22-22S-26E, Eddy County, New Mexico. The S/2 of Section 22 will be the dedicated proration unit.

Our anticipated costs for this well are \$655,850 dry hole and \$915,850 for a completed well. Please indicate your election to participate on the enclosed AFE and return to the undersigned as soon as possible.

In lieu of participating, Louis Dreyfus Natural Gas Corp. would request a one-year term assignment with Read & Stevens, Inc. delivering a 78% net revenue interest for a bonus consideration of \$200.00 per acre.

Should you have any questions concerning this matter, please contact the undersigned.

Sincerely,

LOUIS DREYFUS NATURAL GAS CORP.

A handwritten signature in cursive script that reads 'Rusty Waters'.

Rusty Waters
District Landman

RW/eo
Certified Mail

NEW MEXICO
NATURAL RESOURCES
CONSERVATION DIVISION

EXHIBIT *3*

CASE NO. 11858

CHARLES B. READ
PRESIDENT

Read & Stevens, Inc.
Oil Producers
P O Box 1518
Roswell, New Mexico 88202

CP!
PHONE 505 622-3770
FAX: 505 622-8643

August 27, 1997

SEE ATTACHED ADDRESS LIST

Re: White Wing "22" Federal No. 13
S/2 Section 22, T22S-R26E
Eddy County, New Mexico
R&S #9822W

Dear Owner:

Read & Stevens has recently received a proposal from Chi Energy Inc. and an A.F.E. to participate in the drilling of the captioned 11,800' Morrow test. A copy of Chi's proposal letter and A.F.E. from Louis Dreyfus is enclosed. The 18.367258% interest (our records indicate 21.736391%) down to a depth of 10,600' and the corresponding 10% interest spread to all depths (should be 11.83432%) referred to in the July 28, 1997 letter is contractually owned by virtue of the Hackberry Hills Unit Agreement, as follows:

	<u>Unit W.I.</u>	<u>11.83432% Interest Spread to All Depths</u>
✓ Charles B. Read	6.088254%	3.31473%
Norman L. Stevens, Jr.	6.088254%	3.31473%
Texaco	3.367313%	1.83332%
Stanley Tyler, Agent	2.946412%	1.60417%
Paul Ray	0.841829%	0.45833%
Union Pacific	0.841829%	0.45833%
S.P. Yates	0.781250%	0.42535%
Estate of Martin Yates, III ✓	0.390625%	0.21268%
Estate of Lillie M. Yates	<u>0.390625%</u>	<u>0.21268%</u>
	21.736391%	11.83432%

These numbers may vary depending on the final determination of ownership, but the above represents our best estimate of each owner's interest. You will recall that we encountered this same situation in the Lee K Federal No. 1 well and the McGruder Hills Federal Unit #1. Much of the title chain under this unit is contractual and is not reflected in the record title chain.

PLEASE EXECUTE
AND RETURN TO
READ & STEVENS, INC.

Read & Stevens, Inc.

White Wing "22" Federal No. 3
Election Letter
Page -2-

Mr. Read plans to accept the Chi proposal and spread his interest and participate in the captioned well. Louis Dreyfus will be the operator of this well. Please review this proposal and advise of your election either directly to Chi or through this office. If you would prefer not to claim your interest, please so advise and a quitclaim will be forwarded for your execution. Time is of the essence as a rig has been secured and drilling will commence in the next few weeks.

Respectfully,

READ & STEVENS, INC.



Robert H. Watson
Land Manager

- X Elect to accept Chi offer and participate in proposed well.
 Do not accept Chi offer to spread interest.
 Decline to claim any interest. Will execute quitclaim.

By: 

Date: 9/2/97

cc: Chi Energy Inc. - Attn: Bill Bergman

**PLEASE EXECUTE
AND RETURN TO
READ & STEVENS, INC.**

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88202

PHONE 505 622-3770

RECEIVED

SEP - 8 1997

September 4, 1997

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK 73134-2600

Attn: Mr. Rusty Waters

Re: White Wing "22" Fed. #13
NW/4SW/4 Sec. 22, T22S-R26E
Eddy County, New Mexico
R&S #9822W

Gentlemen:

Enclosed please find a copy of a letter dated August 27, 1997 regarding the ownership of the 21.736391% operating rights from the surface to 10,600' credited to Charles B. Read. We have set out ownership of this interest and the corresponding ownership of the vertical interest spread for each owner. A copy of the A.F.E. and Operating Agreement has been furnished to each owner for their separate election.

Mr. Read plans to spread his interest and participate in the drilling of this well. His interest as to all depths will remain constant at 6.0883% as a result of his verbal agreement with Chi Energy to purchase an additional interest to keep him whole. This increase is not reflected in the attached letter but will be confirmed prior to spudding of the well.

Enclosed are copies of elections by Charles B. Read, Norman L. Stevens Jr. and Paul Ray to spread their interest and participate. Executed A.F.E.'s will be furnished as they become available.

Should you have any questions, please contact this office.

Respectfully,

READ & STEVENS, INC.

Robert H. Watson

Robert H. Watson
Land Manager

BW/ks

cc: Chi Energy, Inc. - Attn. Mr. Bill Bergman

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

PHONE 505 622-3770
FAX: 505 622-8643

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88202

09-11-97P02:48 RCVD

September 9, 1997

Mr. Rusty Waters
Louis Dreyfus Natural Gas
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK 73134-2600

Re: White Wing "22" Fed. #13
NW/4SW/4 Sec. 22, T22S-R26E
Eddy County, New Mexico
R&S #9822W

Dear Mr. Waters:

Enclosed please find A.F.E.'s executed on behalf of Charles B. Read, Norman L. Stevens, Jr., and Paul R. Ray. Also enclosed is a J.O.A. signature page signed by Mr. Ray.

Texaco/David Sleeper (303-793-4512) has advised that they will more than likely go non-consent. Union Pacific Resources/Mike Barron (817-877-7712) and Stanley Tyler (612-455-6202) have not responded. Mr. Doug Hurlbut (505-748-1471) has advised that S.P. Yates and the Lillie and Martin Yates Estate will participate. The Martin Yates Estate is now Sharbro Oil Ltd. Company.

All partners have requested a revised Exhibit A and signature pages to the J.O.A. for execution when possible.

Respectfully,

READ & STEVENS, INC.



Robert H. Watson
Land Manager

BW/eas

Enclosure