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April 30, 1998

Re: Sweet Thing Federal Unit #2
660' FNL & FWL Sec. 31,
T-20 1/2-S, R-22-E, N.M.P.M.,
Eddy County, New Mexico
Sweet Thing Prospect

To Working Interest Owners:

Please find enclosed for your review and execution two (2) copies of our AFE proposing the drilling of the captioned well. Said well shall be drilled to a depth of 8,400' or a depth in our opinion sufficient to test the Morrow formation, whichever is the lesser.

This well is being proposed as "Required Drilling Operations" under the terms of our November 1, 1993, Sweet Thing Federal Unit Operating Agreement. Article 17(A) of the Unit Agreement requires that Unit Operator take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances or be subject to compensatory damages. Being that this acreage will be directly offset by two (2) wells, one already commercial and one drilling, we deem it appropriate as Unit Operator to protect the minerals owned by the United States of America. We have spoken to the BLM and submitted the required paperwork to amend our original plan of development for said unit. As soon as we receive approval from the AO at the BLM, we can submit an APD for this well. This well is an unorthodox location, but we have spoken with our attorney regarding NMOCD approval, and he has assured us that it will be granted to protect the federal minerals.

Each of you has thirty (30) days from the receipt of this notice to advise our office of your election to participate in said well. All elections to participate <u>must be confirmed in writing</u>. Should you have any questions, please contact our office.

Yours very truly,

Jerry A. Weant, CPL Vice President - Land

f:\proposal\swtfedun.it2

AUTHORITY FOR EXPENDITURE

| | DA | TE 04/29/98 |
|---|-------------------|--|
| LEASE NAME Sweetthing Federal Unit | WE | LL NO. 2 |
| WELL LOCATION 660' FN & WL, Sec.31,T204S,R21E | _COUNTY Eddy | STATE NM |
| DRILLING INTANGIBLES: | DRY HOLE | COMPLETED WELL |
| LAND DAMAGES | 3,000 | 3,000 |
| LOCATION, ROADS, PITS CLEANUP FOOTAGE 8,400 ' @ \$ 21.45 /FT. | 24,000 | 27. 000 |
| FOOTAGE 8,400 ' @ \$ 21.45 /FT. | 24,000 180,180 | 180,180 |
| DAYWORK \$5,150.00 /DAY SURF. CSG. 250 OF13 3/8 @ \$18.10 /F INT. CSG. 1200 OF9 5/8 @ \$11.65 /F CEMENTING MUD & CHEMICALS WATER | 15,450 | 15,450 |
| SURF. CSG. 250 OF 13 3/8 " @ \$ 18.10 /F | r. 4,525 | 4,525 |
| INT. CSG. 1200° OF $95/8$ " @ \$ 11.65 /F | r. 13,980 | 13,980 |
| CEMENTING | 41,000 | 41,000 |
| MUD & CHEMICALS | 23,000 | 23,000 |
| WATER | 50,000 | 50,000 20,000 -0- |
| LOGGING TESTING & CORING TECHNICAL & LEGAL SERVICES SUPERVISION & LABOR EQUIPMENT RENTAL/TRUCKING DRILLED OVERHEAD CONDUCTER PIPE 100' @ 39.00/ft | 20,000 | 20,000 |
| TESTING & CORING | -U- | -0- |
| TECHNICAL & LEGAL SERVICES | 1,800 | 1,800 |
| SUPERVISION & LABOR | 3 000 | 3 000 |
| DOTTED OURDERN PARTICULARY | 3,000 3 ann | 3,000 |
| CONDUCTER PIPE 100' d 39.00/ft | 3,900 | 3,900 |
| TOTAL DRILLING INTANGIBLES | \$ 409,735 | \$ 409,735 |
| COMPLETION INTANGIBLES: | | |
| COMPLETION UNIT 5 DAYS @ \$ 1,400 /DAYS CEMENTING, PIPE PREPARATION | AY _ | 7,000 |
| CEMENTING, PIPE PREPARATION | | 14,300 |
| LOGGING & PERFORATING | | 9,100 |
| 11010 | | 2,200 |
| FRACTURE | | -0- |
| WATER | | 1,000 |
| TECHNICAL AND LEGAL SERVICES | | 10,000 |
| SUPERVISION & LABOR (Misc) EQUIPMENT RENTAL/TRUCKING Totco, PV, etc | | 5,000 |
| ELECTRICAL HOOKUP | | -0- |
| EDECTRICAL MOUNT | | |
| TOTAL COMPLETION INTANGIBLES | * | \$ 48,600 |
| COMPLETION TANGIBLES | | /2 680 |
| PROD. CSG. 8,400 'OF 5½ " @ \$ 5.20 / | FT. | 43,680 |
| PROD. TBG. 8,400 'OF2 7/8 " @ \$ 3.30 // | FT | -0- |
| RODS'OF" @/FT | | 12,200 |
| ELECTRICAL EQUIPMENT | | -0- |
| BOTTOM HOLE ASSEMBLY | | 4,500 |
| TANK BATTERY AND TREATER W/CONNECTION | S | 15,000 |
| PUMPING UNIT W/POWER | ~ | 4,000 |
| TOTAL COMPLETION TANGIBLES | | \$ 107,100 |
| TOTAL DRY HOLE COST TOTAL COMPLETED WELL COST | \$ 409,735 | \$ 565,435 |
| AGREED TO and ACCEPTED this day of, 19 | | Als Miles Moory RETURN TO & TULL, INC. |
| | | |

afe.txt/ss

Print Name:

STEVENS & TULL, INC. MIDLAND, TEXAS 79702

2. O. Box 11005

915/699-1410

April 29, 1998

United States Department of Interior Bureau of Land Management 1717 West Second Street Roswell, New Mexico 88201-2019

Attn: Mr. Armondo Lopez

Re: Plan of Development
Sweet Thing Federal Unit
Federal Unit #NMNM91032A
Eddy County, New Mexico
Sweet Thing Prospect

Gentlemen:

As per our conversation, Stevens & Tull, Inc., Unit Operator, hereby notifies you of our intent to amend our original Plan of Development dated June 13, 1995, which was approved on June 15, 1995, to provide for the drilling of the Sweet Thing Federal Unit #2 well. Based on a recent Morrow Channel discovery drilled by our company, being the Stevens & Tull, Inc. Sweet Thing State 36 #1 Well, located 850' FNL and 300' FEL of Section 36, T-20 1/2-S, R-21-E, Eddy County, New Mexico, we believe a second unit well is necessary to attempt to protect the mineral rights owned by the United States of America.

Based upon our review of the geology and surface topography, we believe a location of 660' FN&WL of Section 31, T-20 1/2-S, R-22-E, Eddy County, New Mexico, would provide the best opportunity to adequately develop this formation under said unit. If the foregoing is acceptable please notify our office of your approval in order that we may begin the permitting process for this well. Thank you for your cooperation in this matter.

Yours very truly

Jerry A. Weant, CPY Vice President - Land

f:\proposal\unitplan.dev



United States Department of the Interior

BUREAU OF LAND MANAGEMENT ROSWELL DISTRICT OFFICE 2909 W. Second Street Roswell, New Mexico 88201

IN REPLY REFER TO: NMNM91032X 3180 (06200)

Stevens & Tull, Inc. Attn: Mr. Jerry A. Weant, CPL P. O. Box 11005 Midland, Texas 79702 MAY 1 4 1907

Re: Protection Against Drainage, Sweet Thing Unit, Eddy County, New Mexico

Gentlemen:

We have reviewed your plan of development dated April 29, 1998. This office has also reviewed the geology of the area based on the data provided by the drilling of the Sweet Thing 36-1 State well. The preliminary geologic review of the data suggests that the Lower Morrow Channel discovered by the Sweet Thing #36-1 does extend into the Unit area. To that extent this office agrees that the Sweet Thing Unit #2 well must necessarily be drilled to protect the Unit area from drainage. As to the dispute between you, the operator, and the royalty and/or working interests owners, we are mute except to state that you are the unit operator and may locate the well anywhere you so choose to protect against drainage. However, in the event that you drill the well and miss the reservoir, you may still be subject to paying compensatory royalty or drilling another well.

If you have any questions concerning this matter, please call John S. Simitz at (505) 627-0288.

Sincerely,

Armando A. Lopez Acting Assistant District Manager, Minerals



GREAT WESTERN DRILLING COMPANY

Post Office Box 1659 • Midland, Texas 79702 • 915/682-5241

July 7, 1998

Stevens & Tull, Inc. 3316 Andrews Hwy. Midland, TX 79703

RE: Sweet Thing Federal Unit #2

660' FNL & 660' FWL, Sec. 31, T-20 1/2-S, R-22-E

Eddy County, New Mexico

Gentlemen:

Great Western Drilling Company is the original lessee of record for the spacing unit of this well and a working interest owner.

We hereby agree and strongly support the proposed surface location and the anticipated bottomhole location, based on area wellbore drift, as outlined in your well proposal dated April 30, 1998.

Please feel free to contact the undersigned should you need further confirmation of our position in this matter.

Sincerely,

Russell P. Richards Exploration Manager

RPR/lkf

(Sweet Thing #2)

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF STEVENS & TULL INC. FOR COMPULSORY POOLING AND DIRECTIONAL DRILLING LEA COUNTY, NEW MEXICO

CASE NO. 12004

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

STATE OF NEW MEXICO)

(COUNTY OF SANTA FE)

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an attorney for the Applicant and responsible for notification in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on June 17, 1998, he caused to be mailed by certified mail return-receipt requested the attached notice of this hearing and a copy of the application for the above referenced case, at least twenty days prior to the hearing of this case set for July 9, 1998, to the parties shown in said application and as evidenced by the attached copies of return receipt cards and/or receipts of certified mailing, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 2nd day of July, 1998, by W. Thomas Kellahin.

Lynda Kellahin, Notary Public

OFFICIAL SEAL Lynda Kol'ahin Case No.12004 Exhibit No._ Submitted By: Stevens & Tull, Inc. Hearing Date: July 9 1998

BEFORE THE OIL CONSERVATION COMMISSION

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 17, 1998

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

W. THOMAS KELLAHIN*

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE OF THE HEARING OF THE FOLLOWING NEW MEXICO OIL CONSERVATION DIVISION CASE:

> Re: Application of Stevens & Tull, Inc. for an unorthodox gas well location and non-standard proration unit, Eddy County, New Mexico.

On behalf of Stevens & Tull, Inc. please find enclosed a copy of the referenced application. This case has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for July 9, 1998. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As party who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 3, 1998, with a copy delivered to the undersigned.

Very truly yours,

W. Thomas Kellahin

| tion Unit seam attem this action and the seam of the s | and fee is hald) (1995) | 6. Signa | s paid) Domestic Return Receipt | igent) |
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| | l also wish to receive the following services (for an extra fee): | *C Stevens & Tull Inc. | I also wish to receive the following services (for an extra fee): | II Inc. |

Thank you for using Return Receipt Service.

| number: 1. \(\text{Addressee's Address}\) 1. \(\text{Addressee's Address}\) 2. \(\text{Restricted Delivery}\) 1. \(\text{Restricted Delivery}\) 1. \(\text{Restricted Delivery}\) 1. \(\text{Restricted Delivery}\) 1. \(\text{Restricted Delivery}\) 2. \(\text{Consult postmaster for fee.}\) 2. \(\text{ZS-7 & 7/30}\) 3. \(Addressee's Address | At Article Number 4a. Article Number 4b. Service Type Registered Registered Replication Replication 7. Date of Delivery 8. Addressee's Address Conly and fee is paid) | yates Petroleum Corp. 105 S. Fourth Street Artesia, NM 88210 5. Received By: (Print Name) JOANN GRIGGS 6. Signature: (Antressee or Ag(N)) | ☐ Addressee's Address ☐ Restricted Delivery sult postmaster for fee. ☐ Certified ☐ Insured ☐ Insured ☐ Insured ☐ Insured ☐ Addresse's Address Service Thank you for using Return Receipt Service Thank | Ata. Article Number 4a. Article Number 4b. Service Type Registered Express Mall Retum Receipt to 7. Date of Delivery 8. Addressee's | 3. Article Addressed to: Great Western Drilling Co. P.O. Box 1659 Midland, TX 79702 5. Received By: (Print Name) 6. Signature: Madressee and Sent |
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| e ss | 8. Addressee's Address (Only if requested and fee is paid) | 5. Received By: (Print Name) 6. Signature: (Addressee or Agent) | drasg Only firequested Thank | 8. Addressee's Ad and fee is paid) | 5. Received By: (Print Name) JOANN GRIGGS 6. Signature: (Addressee or Agent) X |
| 4 기구 88 | ☐ Registered ☐ Express Mail ☐ Return Receipt for Merchandse 7. Date of Dellypry 2 1999 | | 4 4 | ☐ Registered ☐ Express Mail ☐ Return Receipt 7. Date of Deffee | Artesia, NM 88210 |
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CAMPBELL, CARR, BERGE 8 SHERIDAN, P.A.

LAWYERS

MICHAEL B CAMPBELL
WILLIAM F CARR
BRADFORD C BERGE
MARK F SHERIDAN
MICHAEL H FELDEWERT
ANTHONY F MEDEIROS
PAUL R OWEN
KATHERINE M. MOSS
JACK M CAMPBELL

OF COUNSEL

JEFFERSON PLACE
SUITE I - 110 NORTH GUADALUPE
POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208
TELEPHONE. (505) 988-4421

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July 2, 1998

VIA HAND-DELIVERY

W. Thomas Kellahin. Esq. Kellahin & Kellahin 117 North Guadalupe Street Santa Fe, New Mexico 87501

Re: NMOCD Case No. 12002; Application of Scott E. Wilson and Richard K. Barr d/b/a Wilson & Barr Oil & Gas Exploration for an unorthodox well location, Eddy County, New Mexico

NMOCD Case No. 12004; Application of Stevens & Tull, Inc. for a non-standard subsurface gas well location/producing area and a non-standard gas proration unit, Eddy County, New Mexico

Dear Mr. Kellahin:

Wilson & Barr proposes to compromise the dispute between itself and your client, Stevens & Tull, Inc., in the above-referenced cases as follows: Stevens & Tull will agree to drill the well referenced in its application in NMOCD Case No. 12004 and take whatever measures are necessary to ensure a bottomhole location in the Morrow formation within a rectangular window, the boundaries of which are 600 feet from the North line to 800 feet from the North line and from 435 feet from the West line to 485 feet from the West line of irregular Section 31, Township 20-1/2 South, Range 22 East, NMPM, Eddy County, New Mexico. Wilson and Barr will dismiss NMOCD Case No. 12002 and will support the application of Stevens & Tull in NMOCD Case No. 12004.

If this offer is acceptable to Stevens & Tull, Inc., please indicate that agreement by signing this letter as indicated below and returning a signed copy to our office. Upon receipt of that signed copy, we will dismiss NMOCD Case No. 12002.

Very truly yours,

WILLIAM F. CARR

WFC:mlh

AGREED AND ACCEPTED ON BEHALF

OF STEVENS & TULL, INC.:

W. THOMAS KELLAHIN

ATTORNEY FOR STEVENS & TULL, INC.