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STEVENSON & TULL, INC.'S SWEET THING PROSPECT
EDDY COUNTY, NEW MEXICO

- SWEET THING FEDERAL UNIT
- SWEET THING STATE 36 LEASE
- LITTLE BOX STATE LEASE

STEVENS & TULL, INC.

P. O. Box 11005

MIDLAND, TEXAS 79702

915/699-1410

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

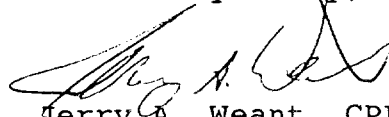
To Working Interest Owners:

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 must be confirmed in writing. 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

DATE 04/29/98

LEASE NAME Sweetthing Federal Unit

WELL NO. 2

WELL LOCATION 660' FN & WL, Sec.31,T204S,R21E COUNTY Eddy STATE NM

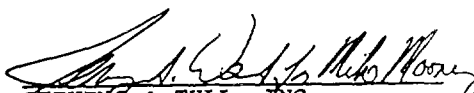
	<u>DRY HOLE</u>	<u>COMPLETED WELL</u>
<u>DRILLING INTANGIBLES:</u>		
LAND DAMAGES	3,000	3,000
LOCATION, ROADS, PITS CLEANUP	24,000	24,000
FOOTAGE 8,400 ' @ \$ 21.45 /FT.	180,180	180,180
DAYWORK \$ 5,150.00 /DAY	15,450	15,450
SURF. CSG. 250 ' OF 13 3/8 " @ \$ 18.10 /FT.	4,525	4,525
INT. CSG. 1200 ' OF 9 5/8 " @ \$ 11.65 /FT.	13,980	13,980
CEMENTING	41,000	41,000
MUD & CHEMICALS	23,000	23,000
WATER	50,000	50,000
LOGGING	20,000	20,000
TESTING & CORING	-0-	-0-
TECHNICAL & LEGAL SERVICES	1,800	1,800
SUPERVISION & LABOR	16,000	16,000
EQUIPMENT RENTAL/TRUCKING	3,000	3,000
DRILLED OVERHEAD	3,900	3,900
CONDUCTOR PIPE 100' @ 39.00/ft	3,900	3,900
TOTAL DRILLING INTANGIBLES	\$ 409,735	\$ 409,735

COMPLETION INTANGIBLES:

COMPLETION UNIT <u>5</u> DAYS @ \$ 1,400 /DAY	7,000
CEMENTING, PIPE PREPARATION	14,300
LOGGING & PERFORATING	9,100
ACID	2,200
FRACTURE	-0-
WATER	1,000
TECHNICAL AND LEGAL SERVICES	-0-
SUPERVISION & LABOR (Misc)	10,000
EQUIPMENT RENTAL/TRUCKING Totco, PV, etc	5,000
ELECTRICAL HOOKUP	-0-
TOTAL COMPLETION INTANGIBLES	\$ 48,600

COMPLETION TANGIBLES

PROD. CSG. 8,400 ' OF 5 1/2 " @ \$ 5.20 /FT	43,680
PROD. TBG. 8,400 ' OF 2 7/8 " @ \$ 3.30 /FT	27,720
RODS ' OF " @ /FT	-0-
WELLHEAD	12,200
ELECTRICAL EQUIPMENT	-0-
BOTTOM HOLE ASSEMBLY	4,500
TANK BATTERY AND TREATER W/CONNECTIONS	15,000
PUMPING UNIT W/POWER	4,000
TOTAL COMPLETION TANGIBLES	\$ 107,100
TOTAL DRY HOLE COST	\$ 409,735
TOTAL COMPLETED WELL COST	\$ 565,435


STEVENS & TULL, INC.

AGREED TO and ACCEPTED this _____
day of _____, 19____.

PLEASE RETURN TO
STEVENS & TULL, INC.

STEVENS & TULL, INC.

P. O. Box 11005

MIDLAND, TEXAS 79702

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

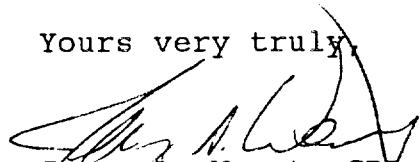
Re: Plan of Development
Sweet Thing Federal Unit
Federal Unit #NMNM91032A
Eddy County, New Mexico
Sweet Thing Prospect

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, CPL
Vice President - Land

f:\proposal\unitplan.dev

RECEIVED MAY 15 1998



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)

MAY 14 1998

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

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.

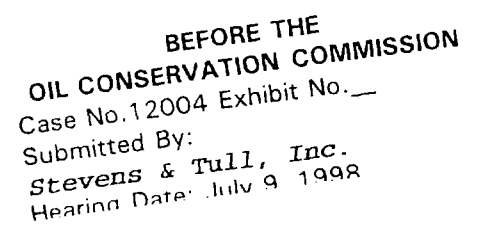
We hereby agree and strongly support the proposed surface location and the anticipated bottomhole location, based on area wellbore drift, as outlined in your well proposal dated April 30, 1998.

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)



KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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

W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

June 17, 1998

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,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

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I also wish to receive the
following services (for an
extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Article Addressed to:

Wilson & Barr
500 North Loraine Suite 1070
Midland, TX 79701

4a. Article Number

P 329 637 940

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JUN 24 1998

Received By: (Print Name)

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

Signature: (Addressed to Agent)

Form 3811, December 1994 102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

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I also wish to receive the
following services (for an
extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Article Addressed to:

Nearburg Exploration Co.
3300 North A Street
Building 2, Suite 120
Midland, TX 79705

4a. Article Number

2 357 871 307

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

6-28-98

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

Signature: (Addressed to Agent)

Form 3811, December 1994 102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

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I also wish to receive the
following services (for an
extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Article Addressed to:

Yates Drilling Company
105 S. Fourth Street
Artesia, NM 88210

4a. Article Number

2 235 440 742

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JUN 19 1998

Received By: (Print Name)

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

Signature: (Addressed to Agent)

Form 3811, December 1994 102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

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I also wish to receive the
following services (for an
extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Article Addressed to:

Rio Pecos Corporation
4501 Green Tree Blvd.
Midland, TX 79707

4a. Article Number

P 329 637 941

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JUN 19 1998

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

Signature: (Addressed to Agent)

Form 3811, December 1994 102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Complete
Print your card to
Attach
Write
The fee
delivery.

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

3. Article Addressed to:

ABO Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

5. Received By: (Print Name)
JOANN GRIGGS

6. Signature: (Addressee or Agent)
X *Joann Griggs*

PS Form 3811, December 1994

102595-97-B-0179 Domestic Return Receipt

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
P 329 637 942

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery JUN 22 1998

8. Addressee's Address (Only if requested and fee is paid)
1082

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

3. Article Addressed to:

Exxon Corporation
P.O. Box 4697
Houston, TX 77210-46797

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
X *Joann Griggs*

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
2 235 440 743

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery JUN 22 1998

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

Thank you for using Return Receipt Service.

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

3. Article Addressed to:

Great Western Drilling Co.
P.O. Box 1659
Midland, TX 79702

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
X *Joann Griggs*

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
P 502 237 489

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery 6-19-98

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

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Stevens & Tull Inc.
Non-standard Proration Unit
July 9, 1998
6/17/98

3. Article Addressed to:

Yates Petroleum Corp.
105 S. Fourth Street
Artesia, NM 88210

5. Received By: (Print Name)
JOANN GRIGGS

6. Signature: (Addressee or Agent)
X *Joann Griggs*

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
2 357 871 308

4b. Service Type

☐ Registered ☐ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery JUN 22 1998

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

Thank you for using Return Receipt Service.

SENDER

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 Stevens & Tull Inc.
 Non-standard Proration Unit
 July 9, 1998
 6/17/98

I also wish to receive the following services (for an extra fee):
 1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
 Consult postmaster for fee.

Is your RETURN ADDRESS completed on the reverse side?

3. Article Addressed to:

Myco Industries Inc.
 105 S. Fourth Street
 Artesia, NM 88210

4a. Article Number

Z 757 871 306

4b. Service Type

☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ Certified
☐ Insured
☐ COD

7. Date of Delivery

19

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

Received By: (Print Name)
 JOANN GRIGGS

6. Signature: (Addressed to Agent),

PS Form 3811, December 1994

102595-97 B-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

CAMPBELL, CARR, BERGE
& 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 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

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

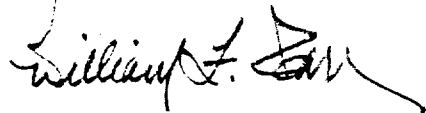
Dear Mr. Kellahin:

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.

W. Thomas Kellahin, Esq.
July 2, 1998
Page 2

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.