

**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915 686-8235  
Fax 915 686-7803

November 23, 1998

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Ms. Lori Wrotenbery, Director  
State of New Mexico  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*Catanack*  
*DP*  
*FILE*  
*12072*

Re: Case #12072, Order #R-11088  
Nearburg Producing Company - Poco Mesa "26" Federal Com. #1 Well  
T-18-S, R-24-E, Section 26: N/2  
1,650' FEL and 660' FNL  
Eddy County, New Mexico  
Poco Mesa Prospect

Dear Ms. Wrotenbery:

Please refer to the captioned order of the Commission. As provided in Paragraph (3) of the order, this is to advise you that the working interest owners in the captioned owners are Nearburg Exploration Company, L.L.C. 50% and David H. Arrington Oil & Gas, Inc., 214 W. Texas Ave., Suite 400, Midland, Texas 79701 or Dale Douglas, P. O. Box 10187, Midland, Texas 79702. Mr. Dale Douglas is the record title owner of the NW/4 of Section 26, T-18-S, R-24-E. Mr. Douglas has informed us that he purchased this lease for Mr. David H. Arrington, P. O. Box 2071, Midland, Texas 79702. Since no assignment has been made by Mr. Douglas to Mr. Arrington, well costs schedules and invoices have been sent to both parties.

Also pursuant to the order, we are enclosing a schedule of the well costs for the drilling of our well.

Yours truly,

  
Michael M. Gray  
Senior Landman

MMG/dw  
encl.

**Nearburg Exploration Company, L.L.C.**

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November 23, 1998

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

✓ David H. Arrington Oil & Gas, Inc.  
214 West Texas Ave., Suite 400  
Midland, Texas 79701

Dale Douglas  
P. O. Box 10187  
Midland, Texas 79702

Re: Poco Mesa "26" Federal Com. #1 Well  
1,650' FEL and 660' FNL  
Section 26, T-18-S, R-24-E  
Eddy County, New Mexico  
Oil Conservation #12072, Order #R-11088  
Poco Mesa Prospect

Gentlemen:

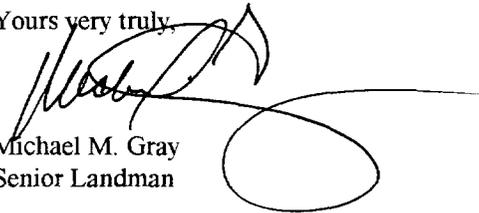
The captioned order providing for the pooling of the N/2 of Section 26, T-18-S, R-24-E, Eddy County, New Mexico has been issued. Under Paragraph (4) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order.

This letter and the enclosed schedule of well costs are being furnished to both David H. Arrington Oil & Gas, Inc. and to Dale Douglas. Although Mr. Douglas informed us that this lease was purchased on behalf of David H. Arrington, an examination of the BLM and county records reveal that record title is still held in Dale Douglas's name.

If you desire to participate in the Poco Mesa "26" Fed. Com. #1 well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$415,005.00, representing your 50% of the estimated well costs, within the time period prescribed in the order.

Please call me if you have any questions.

Yours very truly,

  
Michael M. Gray  
Senior Landman

cc: State of New Mexico  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505  
ATTN: Ms. Lori Wrotenbery, Director

Exploration and Production  
Dallas, Texas

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa 26 Federal                      WELL NUMBER: 1                      PROPOSED TOTAL DEPTH: 8,800'  
LOCATION: 1,650'FEL & 660 FNL, Section 26, T18S, R24E, Eddy County, NM  
FIELD: Wildcat                                      PROSPECT: Morrow                      EXPLORATORY, DEVELOPMENT, WO: E  
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer.

DATE PREPARED: 8/24/98                      EST. SPUD DATE: Oct 1998                      EST. COMPLETION DATE: Nov 1998  
ACCOUNTING WELL NUMBER:  
COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage 8,800 Ft @ 19.50 \$/Ft	1514.101	171,600	NA		171,600
Drilling Daywork D/C/\$/day 2 2 5200	1514.105	10,400	1515.105	10,400	20,800
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	20,000	1515.123	3,000	23,000
Damages	1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	25,000	1515.132	1,000	26,000
Fuel, Power, and Water	1514.140	15,000	1515.140	1,500	16,500
Supplies - Bits	1514.145		1515.145	1,000	1,000
Supplies - Casing Equipment	1514.150	1,500	1515.150	8,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160		500
Cement and Cmt. Services - Surface Csg	1514.165	4,000	NA		4,000
Cement and Cmt. Services - Int. Csg	1514.170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	500	1515.180		500
Rental - Miscellaneous	1514.185	15,000	1515.185	5,000	20,000
Testing - Drill Stem / Production	1514.195	10,000	1515.195		10,000
Open Hole Logging	1514.200	25,000	NA		25,000
Mudlogging Services	1514.210	10,000	NA		10,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	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	12,000	12,000
Stimulation	NA		1515.221	100,000	100,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	2,500	3,500
Transportation	1514.225	1,500	1515.225	4,000	5,500
Tubular Goods - Inspection & Testing	1514.230		1515.230	8,000	8,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	500	1515.240	500	1,000
Engineer / Geologist / Landman	1514.250	3,500	1515.250	2,500	6,000
Company Labor - Field Supervision	1514.255	5,000	1515.255	5,000	10,000
Contract Labor / Roustabout	1514.265	1,500	1515.265	5,000	6,500
Legal and Professional Service	1514.270	2,500	1515.270	1,000	3,500
Insurance	1514.275	6,000	1515.275	1,000	7,000
Overhead	1514.280	6,000	1515.280	1,000	7,000
<b>SUBTOTAL</b>		<b>363,000</b>		<b>202,400</b>	<b>565,400</b>
Contingencies (10%)		36,300		20,240	56,540
<b>ESTIMATED TOTAL INTANGIBLES</b>		<b>399,300</b>		<b>222,640</b>	<b>621,940</b>

**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

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ACCOUNTING WELL NUMBER:  
COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Conductor Casing	1520.305		NA		0
Surface Csg      350 Ft @ 24.00 \$/Ft	1520.310	8,400	NA		8,400
Intermediate Csg      1,200 Ft @ 14.00 \$/Ft	1520.315	16,800	NA		16,800
Protection Csg      Ft @ \$/Ft	1520.320	0	NA		0
Production Csg      8,800 Ft @ 9.00 \$/Ft	NA		1522.325	79,200	79,200
Protection Liner      Ft @ \$/Ft	1520.330	0	NA		0
Production Liner      Ft @ \$/Ft	NA		1522.335	0	0
Tubing      8,600 Ft @ 3.45 \$/Ft	NA		1522.340	29,670	29,670
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	15,000	15,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	12,000	13,500
Subsurface Well Equipment	NA		1522.370	5,000	5,000
Flow Lines	NA		1522.375	17,000	17,000
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		1522.390	2,000	2,000
ROW and Damages	NA		1522.393	2,500	2,500
Surface Equipment Installation Costs	NA		1522.395	6,000	6,000
Elect. Installation	NA		1522.397		0
<b>ESTIMATED TOTAL TANGIBLES</b>		26,700		181,370	208,070
<b>ESTIMATED TOTAL WELL COSTS</b>		426,000		404,010	830,010

<b>NPC APPROVAL</b>	<b>DATE</b>
PREPARED BY: <b>H.R. Willis</b>	8/18/98
APPROVED BY: <b>E. Scott Kimbrough</b>	8/18/98
APPROVED BY: 	9/1/98
APPROVED BY: 	9/1/98

WI APPROVAL:      COMPANY \_\_\_\_\_  
BY \_\_\_\_\_  
TITLE \_\_\_\_\_  
DATE \_\_\_\_\_