

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

September 1, 1998

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

TO: INTEREST OWNERS

RE: Well Proposal – Eagle Creek "11" #1 Well
Surface Location: 2,110' FWL and 1,070' FNL
Section 14
Bottom Hole Location: 2,100' FEL and 1,300' FSL
Section 11
T-17-S, R-25-E, Eddy County, New Mexico
Eagle Creek Prospect

Dear Interest Owner:

Nearburg Exploration Company, L.L.C. (NEC) proposes the drilling of the captioned well at the above location to the Morrow formation with an estimated total depth to be drilled of 8,000'. Enclosed herewith is Nearburg Producing Company's AFE reflecting a casing point cost of \$532,315 and a completed well cost of \$801,530. Nearburg Producing Company will be the operator of the well, which we anticipate being commenced by December 31, 1998. Also enclosed with this proposal is Nearburg's form of Operating Agreement designating Nearburg Producing Company as operator, along with an extra set of signature pages for your execution and return if you wish to participate in the drilling of this well. We will also need an executed copy of the AFE.

We invite the Yates entities, as noted on the distribution list, to participate in the drilling of this well, or, in the alternative, to either grant Nearburg an acceptable farmout of these interests of a term assignment of the oil and gas leases to be included in the unit, which is the E/2 of Section 11.

We appreciate your cooperation and look forward to your response.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Senior Landman

DR/dw
encl.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12073 Exhibit No. 5
Submitted By:
Nearburg Exploration Co.
Hearing Date: November 5, 1998

**EAGLE CREEK "11" #1 WELL
DISTRIBUTION LIST**

Yates Petroleum Corporation
105 S. 4th St.
Artesia, NM 88210

ABO Petroleum Corporation
105 S. 4th St.
Artesia, NM 88210

MYCO Industries, Inc.
105 S. 4th St.
Artesia, NM 88210

S. P. Yates
105 S. 4th St.
Artesia, NM 88210

John A. Yates
105 S. 4th St.
Artesia, NM 88210

John A. Yates, Personal Representative of the Estate of Peggy A. Yates
105 S. 4th St.
Artesia, NM 88210

Sharbro Oil Ltd. Co.
P. O. Box 840
Artesia, NM 88210

P 497 370 008

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

John A. Yates	
105 S. 4 th St.	
Artesia, NM 88210	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Eagle Creek 11 ^{#1} Duke

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- 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.

Eagle Creek 11^{#1}
Duke

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:



John A. Yates
105 S. 4th St.
Artesia, NM 88210

4a. Article Number

P497 370 008

4b. Service Type

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

7. Date of Delivery

090398

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

5. Received By: (Print Name)

JOANN GRIGGS

6. Signature: (Addressee or Agent)

Jo Ann Griggs

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 497 370 009

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

S. P. Yates	
105 S. 4 th St.	
Artesia, NM 88210	
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Special Delivery Fee	
Restricted Delivery Fee	
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Domestic Return Receipt

Thank you for using Return Receipt Service.

P 497 370 010

US Postal Service

Receipt for Certified Mail

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Do not use for International Mail (See reverse)

 MYCO Industries, Inc. 105 S. 4 th St. Artesia, NM 88210	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Eagle Creek 11 #1

PS Form 3800, April 1995

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Eagle Creek 11 #1 Duke

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- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

Is your RETURN ADDRESS completed on the reverse side?

3. Article Addressed to:  MYCO Industries, Inc. 105 S. 4 th St. Artesia, NM 88210	4a. Article Number P 497 370 010
5. Received By: (Print Name) JOANN GRIGGS	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
6. Signature: (Addressee or Agent) <i>Jo Ann Griggs</i>	7. Date of Delivery 090398
PS Form 3811, December 1994	102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

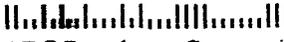
P 497 370 011

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

 ABO Petroleum Corporation 105 S. 4 th St. Artesia, NM 88210	
Certified Fee	
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Restricted Delivery Fee	
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Eagle Creek 11 #1 Duke

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- Addressee's Address
- Restricted Delivery

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3. Article Addressed to:  ABO Petroleum Corporation 105 S. 4 th St. Artesia, NM 88210	4a. Article Number P 497 370 011
5. Received By: (Print Name) JOANN GRIGGS	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
6. Signature: (Addressee or Agent) <i>Jo Ann Griggs</i>	7. Date of Delivery 090398
PS Form 3811, December 1994	102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

P 497 370 012

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

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 Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Eagle Creek 11 #1</i>	

PS Form 3800, April 1995

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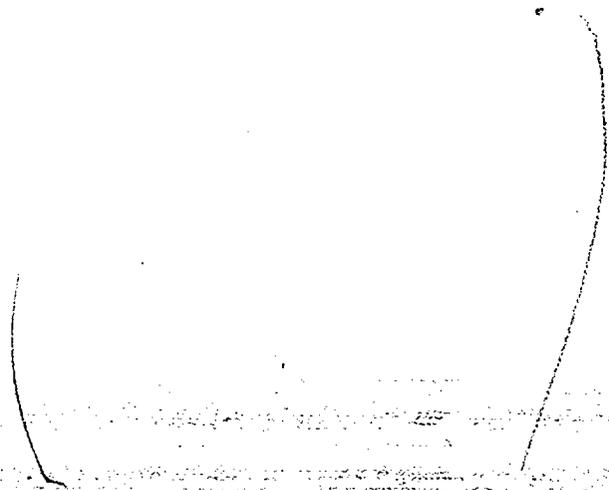
Eagle Creek 11 #1

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:	4a. Article Number <i>P 497 370 012</i>
 Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD
5. Received By: (Print Name) JOANN GRIGGS	7. Date of Delivery <i>090398</i>
6. Signature: (Addressee or Agent) <i>J. Griggs</i>	8. Addressee's Address (Only if requested and fee is paid)
PS Form 3811, December 1994	
102595-97-B-0179 Domestic Return Receipt	



cc to TRM
9-2-98

Nearburg Producing Company

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 2,100 FEL and 1,300 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 2,110' FWL and 1,070' FNL of Section 14- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 8/24/98

EST. SPUD DATE: October 1998 EST. COMPLETION DATE: Nov 1998

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/Ft	1514.101	0	NA		0
Drilling Daywork D/C\$/day 25 2 5200	1514.105	130,000	1515.105	10,400	140,400
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115	25,000	1515.115		25,000
Road & Location Expense	1514.120	5,000	1515.123	3,000	8,000
Damages	1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service	1514.130	80,000	1515.130		80,000
Drilling Fluids	1514.135	20,000	1515.132	2,000	22,000
Fuel, Power, and Water	1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits	1514.145	45,000	1515.145	750	45,750
Supplies - Casing Equipment	1514.150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160	500	1,000
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	17,000	17,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	10,000	1515.180	1,000	11,000
Rental - Miscellaneous	1514.185	15,000	1515.185	1,000	16,000
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	8,000	NA		8,000
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	7,500	7,500
Stimulation	NA		1515.227	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	2,500	3,500
Transportation	1514.225	1,500	1515.225	2,500	4,000
Tubular Goods - Inspection & Testing	1514.230		1515.230	6,000	6,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	500	1515.240	500	1,000
Engineer / Geologist / Landman	1514.250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision	1514.255	10,000	1515.255	4,500	14,500
Contract Labor / Roustabout	1514.265	10,000	1515.265	8,000	18,000
Legal and Professional Service	1514.270	1,000	1515.270	1,000	2,000
Insurance	1514.275	6,000	1515.275		6,000
Overhead	1514.280	6,000	1515.280	1,000	7,000
SUBTOTAL		457,650		98,650	558,300
Contingencies (10%)		45,765		9,865	55,630
ESTIMATED TOTAL INTANGIBLES		503,415		108,515	611,930

