



October 30, 1998

VIA FAX: 505-983-6043

Mr. William F. Carr  
Campbell, Carr, Beige & Sheridan  
PO Box 2208  
Santa Fe, NM 87504-2208

*Case 12080*

- Re: (1) Application of David H. Arrington Oil & Gas, Inc. for Complusory Pooling, directional drilling and an unorthodox location in the E/2 Section 3-16S-35E Lea County, NM-Parachute Adams well no. 1  
(2) Application of David H. Arrington Oil & Gas, Inc. for amendment of Division Compulsory Pooling Order- W/2 Section 3-16S-35E Lea County, NM-Parachute Hopper well no. 1.

Dear Mr. Carr:

On behalf of Bristol Resources Corporation, I have been asked to review their ownership in the captioned units and wells proposed by Arrington. In this regard, my partner and I visited with Bill Baker and Dale Douglas in Arrington's office in Midland yesterday.

From this meeting, we have reached an agreement as to the election time frame for Bristol on the second (Hopper ) well proposal and the terms of our term assignment for both well proposals in the event Bristol desires not to join in either test.

Having said this, there still remains the question of differing stratigraphic rights in each of the wellbores. Bristol's rights are limited to 100' below the stratigraphic equivalent of 12,225' drilled in the Townsend State Com No. 1 in Section 3, but not to exceed the base of the Chester Formation. Arrington intends to drill into the Lower Mississippian zones below this depth. Will the order provide such a cost sharing arrangement in the event Bristol elects under the order to join in the well? Obviously, Bristol's concern is that if it elects to join and a completion is made into a zone or zones below its ownership, how does the order provide for Bristol to be compensated.

Since I have been unable to reach you by telephone and in the interest of time, I am faxing this letter to and one to the Oil Conservation Division.

Please give me a call at your earliest convenience.

Best regards,

RESERVE PARTNERS L.L.C.

  
Rick L. Spellman

Manager

Fax: Florene Davidson  
Oil Conservation Division 505-827-8177

Reserve Partners L.L.C.

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