

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

December 14, 1998

Merit Energy Partners III, L.P.
12222 Merit Drive
Dallas, Texas 75251-2217

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Re: NOTIFICATION OF ELECTION
Compulsory Pooling
Viper "3" Federal #1
Surface Location: 1,600' FEL and 2,200' FSL
Bottom Hole Location: Estimated 1,650' FNL and 1,650' FEL
Section 3, T-20-S, R-33-E
Lea County, New Mexico
NMOCD Case #12087 Order R-11109

Gentlemen:

On behalf of Nearburg Exploration Company, L.L.C. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11109, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Our records indicate that you have a working interest ownership in this 320 acre spacing unit for all formations from the surface to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Nearburg Exploration Company, L.L.C. must receive a cashier's check for your percentage of the complete well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well.

If you decide not to participate, then you need do nothing further. In that event, Nearburg Exploration Company, L.L.C. will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Yours very truly,



Duke Roush
Senior Landman

DR/dw
encl.

cc: Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 Pacheco Street
Santa Fe, New Mexico 87505

