

W. E. Jeffers

Oil Operator

P. O. Box 65
Artesia, New Mexico 88211-0065

(505) 746-4285

October 5, 1999

DX
CASE FILE
12259

Mr. David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

RE: Case 12259, application of Southwestern Energy Prod. Co.
for compulsory pooling, Eddy County, New Mexico.

Dear Mr. Catanach:

In reference to our recent conversation about a 40 acre tract in Eddy County, T. 17S, R. 27E, Section 36: NWNE, and the petition to the OCD by Southwestern Energy to force pool "all mineral interests from the surface to the base of the Morrow formation underlying the N $\frac{1}{2}$ of Section 36".

As I said I own all the interest in the NWNE of Section 36 from 750' to 3500' and have a 1750' producing well on this tract. I don't know who presently owns the 750' well.

I own 21.75% of all rights below 3500', and estates administered by Al Guinn of Walsh & Watts, Inc., 1111 7th St., Wichita Falls, TX 76301, owns 78.25% of all rights below 3500'.

Walsh & Watts and I received letters dated 8/2/99, (copy enclosed) proposing the drilling of the 10,125' Morrow test, offering us the option of joining, or taking an override equal to the difference between existing lease burdens and 18.75%.

Mr. Guinn of Walsh & Watts called Southwestern Energy and, I believe offered to take 1/8th override, I was going to go along with Mr. Guinn, and would now assign for that amount of override.

The next we heard from Southwestern was the compulsory pooling letter of August 2nd, pooling all interests from the surface down.

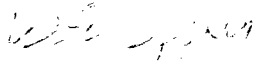
Mr. Guinn of Walsh & Watts called Southwestern Energy and asked that they confine their forced pooling of our tract to the Atoka & Morrow. He said late last week that he had not heard from them.

You suggested that I write you a letter setting out these facts.

I feel that Southwestern's actions are out of line and unfair. As we discussed, if the forced pooling of "all interests from the surface down" were allowed to go through I would lose not only my producing well, but I am on a deal now to assign and get a well drilled to approximately 3300' by another company and I am holding that deal up until this matter with Southwestern is cleared up. In addition I would lose any chance to independently trade with other companies on a back reef ABO and Wolfcamp and Glorietta tests, all possibilities on this trend.

I much appreciate your consideration.

Yours truly,



W. E. Jeffers

Enclosures: Letter from Southwestern Energy dated 8/2/99 &
Forced Pooling Application

WEJ/gj



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

August 2, 1999

VIA CERTIFIED MAIL

Working Interest Owners

Re: Well Proposal – No Bluff State 36-#1
N/2 Sec. 36-17S-27E
Eddy Co., NM

Gentlemen:

Southwestern Energy Production Company, ("SWN"), proposes the drilling of a 10,125' Morrow Test at a legal location 1,350' FWL and 660' FNL of Section 36-17S-27E. The proposed unit would be the N/2 of Section 36.

You will find enclosed our AFE reflecting a dry hole cost of \$470,500 and a completed well cost of \$754,500. If you elect to participate please sign and return one copy of the AFE at your earliest opportunity.

In the event you would rather farmout SWN offers you an ORRI equal to the difference between existing lease burdens and 18.75% with the option to convert your retained ORRI to a 25% WI after payout.

If you need any further information do not hesitate to contact the undersigned landman.

Respectfully,


Samuel Glenn Thompson
Senior Exploration Landman

SGT:sh
Enclosure

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

..
APPLICATION OF SOUTHWESTERN ENERGY
PRODUCTION COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

No. _____

APPLICATION

Southwestern Energy Production Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N¼ of Section 36, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N¼ of Section 36, and has the right to drill a well thereon.

2. Applicant proposes to drill its No Bluff "36" State Com. Well No. 1, at a location 660 feet from the north line and 1350 feet from the West line of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The N¼ of Section 36 to form a 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within said vertical extent, including the Undesignated North Illinois Camp-Morrow Gas Pool; and

(b) The NW¼ of Section 36 to form a 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within said vertical extent, including the Logan Draw-Wolfcamp Gas Pool and Undesignated Empire-Pennsylvanian Gas Pool.

3. Applicant further seeks to dedicate the N½ of Section 36 to any additional well drilled therein for pools or formations developed on 320 acre spacing.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 36 for the purposes set forth herein.

5. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 36, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the N½ of Section 36, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

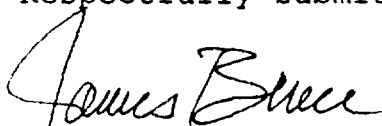
- A. Pooling all mineral interests in the N½ of Section 36, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates

pursuant to the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the wells; and

F. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Southwestern Energy Production Company

EXHIBIT A

Manix Energy, LLC
P.O. Box 1981
Midland, Texas 79702

Atlantic Richfield Company
P.O. Box 1610
Midland, Texas 79702

Chase Oil Corporation
P.O. Box 1767
Artesia, New Mexico 88211

Mack C. Chase
Trustee of the Mack C. Chase and Marilyn Y. Chase Trust
W/T/A Dated November 21, 1983
P.O. Box 1767
Artesia, New Mexico 88211

Robert C. Chase
Box 960
Artesia, New Mexico 88211

Richard L. Chase
Box 960
Artesia, New Mexico 88211

Dianne Chase Crouch
Box 693
Artesia, New Mexico 88211

W. E. Jeffers
P.O. Box 65
Artesia, New Mexico 88211

Mary D. Fleming
c/o Al Guinn
Walsh & Watts, Inc.
1111 7th Street
Wichita Falls, Texas 76301

Bessie Massey Fleming
c/o Al Guinn
Walsh & Watts, Inc.
1111 7th Street
Wichita Falls, Texas 76301