

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

February 7, 2001

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

ATTN: Ray Vaden

RE: T-18-S, R-24-E
Section 26: E/2 SE/4
Lea County, New Mexico
Poco Mesa Prospect

Gentlemen:

Pursuant to my telephone conversation of this date with Marsha Barabash, Nearburg Exploration Company, L.L.C. (NEC) would like to acquire a two (2) year term assignment of all of Chevron USA, Inc.'s (Chevron) interest in the captioned acreage on the following terms and conditions.

- 1) NEC will pay \$200.00 per net leasehold acre assigned.
- 2) Chevron shall retain an overriding royalty equal to the difference between existing burdens and 22%.
- 3) The parties agree to enter into a mutually acceptable form of term assignment to enable the conveyance of this interest.
- 4) NEC would be allowed to have access to Chevron's in house files to verify that there are no preferential rights to purchase or restrictions on assignments affecting said acreage.
- 5) This offer shall expire on its own terms unless accepted by Chevron prior to 5:00 CST on February 21, 2001.

Should you agree to the proposal as set forth above, please signify your acceptance of this offer by signing in the space provided below and return one (1) copy to the attention of the undersigned.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12662 Exhibit No. 3
Submitted by:
Nearburg Exploration Company, L.L.C.
Hearing Date: May 17, 2001

Mr. Ray Vaden
Chevron USA, Inc.
February 7, 2001
Page Two

If we can be of further assistance, please advise.

Yours truly,

A handwritten signature in cursive script, appearing to read "Duke Roush".

Duke Roush
Senior Landman

DR/dw

AGREED THIS ____ day of _____, 2001.

CHEVRON USA, INC.

By: _____

Its: _____

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

CC TRM
Kathie
DAD

March 12, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

ATTN: Ray Vaden

RE: Poco Mesa "26" State Com. #1
1,980' FSL and 2,400' FWL
S/2 Section 26, T-18-S, R-24-E
Eddy County, New Mexico
Poco Mesa 26 (01) Prospect

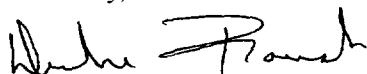
Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,



Duke Roush
Senior Landman

DR/dw
Encl.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0021 3171 8043

Pocomesa 26 St. Com. #1

Postage \$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage



Recipient's

Chevron USA, Inc.
P. O. Box 1150

(by mailer)

Street, Apt. No.

Midland, Texas 79702

City, State, ZIP+

PS Form 3800, February 2000

See Reverse for Instructions

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.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

*Chevron MA 7000
Box 1150
Midland, TX 79702*

4a. Article Number

7000 0520 0021 3171 8043

4b. Service Type

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

7. Date of Delivery

MAR 13 2001

5. Received By: (Print Name)

Bob Bell

6. Signature: (Addressee or Agent)

X Bob Bell

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

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

2. Article Number (Copy from service label)

7000 0520 0021 3171 8043 - POCO MESA 26 St. Com. #1

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

- ☐ Agent
☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Nearburg Producing Company

Exploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com WELL NUMBER: 1 PBDT: 8,700'
LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico
FIELD: Morrow Gas EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01 EST. START DATE: 5/1/01 EST. COMPLETION DATE: 6/15/01
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	1514101	0	1514101	0	0
Drilling Daywork 25 2 9,500 \$/day	1514105	251,750	1514105	20,140	271,890
Drilling Turnkey	1514110	0	1514110	0	0
Rig Mobilization and Demobilization	1514115	31,800	1514115	0	31,800
Road & Location Expense	1514120	28,355	1514120	2,120	30,475
Damages	1514125	5,000	1514125	0	5,000
Directional Drilling - Tools and Service	1514130	0	1514130	0	0
Drilling Fluids	1514135	21,200	1514135	0	21,200
Fuel, Power, and Water	1514140	42,400	1514140	0	42,400
Supplies - Bits	1514145	29,945	1514145	1,060	31,005
Supplies - Casing Equipment	1514150	2,120	1514150	4,770	6,890
Supplies - Liner Equipment	1514155	0	1514155	0	0
Supplies - Miscellaneous	1514160	0	1514160	0	0
Cement and Cmt. Services - Surface Csg	1514165	5,300	1514165	0	5,300
Cement and Cmt. Services - Int. Csg	1514170	12,720	1514170	0	12,720
Cement and Cmt. Services - Prod. Csg	NA	0	1514175	21,200	21,200
Cement and Cmt. Services - Other	1514175	0	1514175	0	0
Rental - Drilling Tools and Equipment	1514180	11,130	1514180	0	11,130
Rental - Misc.	1514185	24,751	1514185	3,180	27,931
Testing - Drill Stem / Production	1514190	4,770	1514190	2,650	7,420
Open Hole Logging	1514200	29,680	NA	0	29,680
Mudlogging Services	1514210	13,250	NA	0	13,250
Special Services	1514190	0	1514215	0	0
Plug and Abandon	1514215	12,000	1514215	(12,000)	0
Pulling and/or Swabbing Unit	NA	0	1514215	23,850	23,850
Reverse Equipment	NA	0	1514215	5,300	5,300
Wireline Services	1514205	0	1514215	19,080	19,080
Stimulation	NA	0	1514215	12,720	12,720
Pump / Vacuum Truck Services	1514220	0	1514220	6,646	6,646
Transportation	1514225	3,710	1514220	2,650	6,360
Tubular Goods - Inspection & Testing	1514230	1,590	1514220	5,300	6,890
Unclassified	1514235	530	1514225	0	530
Telephone and Radio Expense	1514240	954	1514225	318	1,272
Engineer / Geologist / Landman	1514250	15,000	1514225	3,000	18,000
Company Labor - Field Supervision	1514255	15,900	1514225	6,500	22,400
Contract Labor / Roustabout	1514255	4,770	1514225	10,335	15,105
Legal and Professional Service	1514270	5,000	1514225	0	5,000
Insurance	1514275	5,533	1514225	0	5,533
Overhead	1514280	7,000	1514225	3,500	10,500
SUBTOTAL		586,158		142,319	728,476
Contingencies (10%)		58,616		14,232	72,848
ESTIMATED TOTAL INTANGIBLES		644,774		156,551	801,324

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 2 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBSD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01


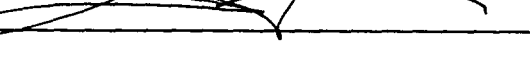
EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520-300	0	NA	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	1520-310	8,400	NA	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1520-315	16,800	NA	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520-320	0	NA	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	NA	0	1520-325	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	1520-330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1520-335	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	NA	0	1520-340	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	NA	0	1520-345	0	0
Artificial Lift Equipment			NA	0	1520-350	0	0
Tank Battery			NA	0	1520-355	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			NA	0	1520-360	12,720	12,720
* Well Head Equipment & Christmas Tree			1520-365	5,500	1520-370	11,500	17,000
Subsurface Well Equipment			NA	0	1520-375	6,148	6,148
Flow Lines			NA	0	1520-380	13,250	13,250
Saltwater Disposal Pump			NA	0	1520-385	0	0
Gas Meter			NA	0	1520-390	1,484	1,484
Lact Unit			NA	0	1520-395	0	0
Vapor Recovery Unit			NA	0	1520-400	0	0
Other Well Equipment			NA	0	1520-405	0	0
ROW and Damages			NA	0	1520-410	0	0
Surface Equipment Installation Costs			NA	0	1520-415	9,540	9,540
Elect. Installation			NA	0	1520-420	0	0
ESTIMATED TOTAL TANGIBLES				30,700		163,572	194,272
ESTIMATED TOTAL WELL COSTS				675,474		320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL		DATE
PREPARED BY:	HRW	03/12/01
REVIEWED BY:		
APPROVED BY:		
APPROVED BY:		3/12/01

WI APPROVAL:

COMPANY

Chevron USA, Inc.

BY

TITLE

DATE

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

cc: TRM
DAD
K.C.

March 27, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

RE: Poco Mesa "26" State Com. #1
1,980' FSL and 2,400' FWL
S/2 Section 26, T-18-S, R-24-E
Eddy County, New Mexico
Poco Mesa 26 (01) Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,

Duke Roush

Duke Roush
Senior Landman

DR/dw
Encl.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only: No Insurance Coverage Provided)

Poco Mesa 26 St. Com. #1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total	

Recd. Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

PS Form 3800, February 2000 See Reverse for Instructions

ENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *James Stevens* B. Date of Delivery *MAR 28 2001*
C. Signature *James Stevens*
☐ Agent
☐ Addressee
Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

Article Number (Copy from service label)

7000 0520 0021 3169 2886

S Form 3811, July 1999

Domestic Return Receipt

#1

102595-99-M-1789

Poco mesa
26 St. Com.

Nearburg Producing Company

Exploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	TO CSG PT	COMPLETION	TOTAL WELL
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	0	0	0
Drilling Daywork 25 2 9,500 \$/day	251,750	20,140	271,890
Drilling Turnkey	0	0	0
Rig Mobilization and Demobilization	31,800	0	31,800
Road & Location Expense	28,355	2,120	30,475
Damages	5,000	0	5,000
Directional Drilling - Tools and Service	0	0	0
Drilling Fluids	21,200	0	21,200
Fuel, Power, and Water	42,400	0	42,400
Supplies - Bits	29,945	1,060	31,005
Supplies - Casing Equipment	2,120	4,770	6,890
Supplies - Liner Equipment	0	0	0
Supplies - Miscellaneous	0	0	0
Cement and Cmt. Services - Surface Csg	5,300	0	5,300
Cement and Cmt. Services - Int. Csg	12,720	0	12,720
Cement and Cmt. Services - Prod. Csg	0	21,200	21,200
Cement and Cmt. Services - Other	0	0	0
Rental - Drilling Tools and Equipment	11,130	0	11,130
Rental - Misc.	24,751	3,180	27,931
Testing - Drill Stem / Production	4,770	2,650	7,420
Open Hole Logging	29,680	0	29,680
Mudlogging Services	13,250	0	13,250
Special Services	0	0	0
Plug and Abandon	12,000	(12,000)	0
Pulling and/or Swabbing Unit	0	23,850	23,850
Reverse Equipment	0	5,300	5,300
Wireline Services	0	19,080	19,080
Stimulation	0	12,720	12,720
Pump / Vacuum Truck Services	0	6,646	6,646
Transportation	3,710	2,650	6,360
Tubular Goods - Inspection & Testing	1,590	5,300	6,890
Unclassified	530	0	530
Telephone and Radio Expense	954	318	1,272
Engineer / Geologist / Landman	15,000	3,000	18,000
Company Labor - Field Supervision	15,900	6,500	22,400
Contract Labor / Roustabout	4,770	10,335	15,105
Legal and Professional Service	5,000	0	5,000
Insurance	5,533	0	5,533
Overhead	7,000	3,500	10,500
SUBTOTAL	586,158	142,319	728,476
Contingencies (10%)	58,616	14,232	72,848
ESTIMATED TOTAL INTANGIBLES	644,774	156,551	801,324

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 2 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

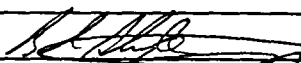
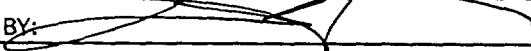
EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520-305	0	1520-305	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	1520-310	8,400	1520-310	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1520-315	16,800	1520-315	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520-320	0	1520-320	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	NA	0	1520-325	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	1520-330	0	1520-330	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1520-335	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	NA	0	1520-340	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	NA	0	1520-345	0	0
Artificial Lift Equipment			NA	0	1520-350	0	0
Tank Battery			NA	0	1520-355	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			NA	0	1520-360	12,720	12,720
* Well Head Equipment & Christmas Tree			1520-365	5,500	1520-365	11,500	17,000
Subsurface Well Equipment			NA	0	1520-370	6,148	6,148
Flow Lines			NA	0	1520-375	13,250	13,250
Saltwater Disposal Pump			NA	0	1520-380	0	0
Gas Meter			NA	0	1520-385	1,484	1,484
Lact Unit			NA	0	1520-390	0	0
Vapor Recovery Unit			NA	0	1520-395	0	0
Other Well Equipment			NA	0	1520-400	0	0
ROW and Damages			NA	0	1520-405	0	0
Surface Equipment Installation Costs			NA	0	1520-410	9,540	9,540
Elect. Installation			NA	0	1520-415	0	0
ESTIMATED TOTAL TANGIBLES				30,700		163,572	194,272
ESTIMATED TOTAL WELL COSTS				675,474		320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL		DATE
PREPARED BY:	HRW	03/12/01
REVIEWED BY:		
APPROVED BY:		
APPROVED BY:		3/12/01

WI APPROVAL:

COMPANY

Pioneer Natural Resources USA, Inc.

BY

TITLE

DATE

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

cc: TRM
DAD
K.C.

March 27, 2001

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Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

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Eddy County, New Mexico
Poco Mesa 26 (01) Prospect

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If we can be of further assistance, please advise.

Yours truly,

Duke Roush

Duke Roush
Senior Landman

DR/dw
Encl.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only: No Insurance Coverage Provided)

9882 6912 3169 2886

POCO Mesa 26 St. Com. #1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total	

Rec'd Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

Postmark Here

PS Form 3800, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

|||||
Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

- A. Received by (Please Print Clearly) *James Stevens* B. Date of Delivery *MAR 28 2001*
- C. Signature *James Stevens*
- Is delivery address different from item 1? ☐ Yes ☐ No
- If YES, enter delivery address below:

3. Service Type ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

Article Number (Copy from service label)

7000 0520 0021 3169 2886

Poco Mesa
26 St. Com.

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:		TO CSG PT		COMPLETION	TOTAL WELL
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	151/410	0	151/410	0	0
Drilling Daywork 25 2 9,500 \$/day	151/410	251,750	151/410	20,140	271,890
Drilling Turnkey	151/410	0	151/410	0	0
Rig Mobilization and Demobilization	151/410	31,800	151/410	0	31,800
Road & Location Expense	151/420	28,355	151/420	2,120	30,475
Damages	151/420	5,000	151/420	0	5,000
Directional Drilling - Tools and Service	151/430	0	151/430	0	0
Drilling Fluids	151/430	21,200	151/430	0	21,200
Fuel, Power, and Water	151/440	42,400	151/440	0	42,400
Supplies - Bits	151/450	29,945	151/450	1,060	31,005
Supplies - Casing Equipment	151/450	2,120	151/450	4,770	6,890
Supplies - Liner Equipment	151/450	0	151/450	0	0
Supplies - Miscellaneous	151/450	0	151/450	0	0
Cement and Cmt. Services - Surface Csg	151/460	5,300	151/460	0	5,300
Cement and Cmt. Services - Int. Csg	151/470	12,720	151/470	0	12,720
Cement and Cmt. Services - Prod. Csg	151/470	0	151/470	21,200	21,200
Cement and Cmt. Services - Other	151/470	0	151/470	0	0
Rental - Drilling Tools and Equipment	151/480	11,130	151/480	0	11,130
Rental - Misc.	151/480	24,751	151/480	3,180	27,931
Testing - Drill Stem / Production	151/490	4,770	151/490	2,650	7,420
Open Hole Logging	151/490	29,680	151/490	0	29,680
Mudlogging Services	151/490	13,250	151/490	0	13,250
Special Services	151/490	0	151/490	0	0
Plug and Abandon	151/490	12,000	151/490	(12,000)	0
Pulling and/or Swabbing Unit	151/490	0	151/490	23,850	23,850
Reverse Equipment	151/490	0	151/490	5,300	5,300
Wireline Services	151/490	0	151/490	19,080	19,080
Stimulation	151/490	0	151/490	12,720	12,720
Pump / Vacuum Truck Services	151/490	0	151/490	6,646	6,646
Transportation	151/490	3,710	151/490	2,650	6,360
Tubular Goods - Inspection & Testing	151/490	1,590	151/490	5,300	6,890
Unclassified	151/490	530	151/490	0	530
Telephone and Radio Expense	151/490	954	151/490	318	1,272
Engineer / Geologist / Landman	151/490	15,000	151/490	3,000	18,000
Company Labor - Field Supervision	151/490	15,900	151/490	6,500	22,400
Contract Labor / Roustabout	151/490	4,770	151/490	10,335	15,105
Legal and Professional Service	151/490	5,000	151/490	0	5,000
Insurance	151/490	5,533	151/490	0	5,533
Overhead	151/490	7,000	151/490	3,500	10,500
SUBTOTAL		586,158		142,319	728,476
Contingencies (10%)		58,616		14,232	72,848
ESTIMATED TOTAL INTANGIBLES		644,774		156,551	801,324

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 2 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com WELL NUMBER: 1 PBTD: 8,700'
LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico
FIELD: Morrow Gas EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

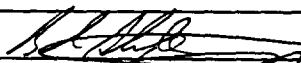
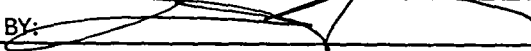
EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520-305	0	NA	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	1520-310	8,400	NA	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1520-315	16,800	NA	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520-320	0	NA	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	NA	0	1520-325	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	1520-330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1520-335	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	NA	0	1520-340	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	NA	0	1520-345	0	0
Artificial Lift Equipment			NA	0	1520-350	0	0
Tank Battery			NA	0	1520-355	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			NA	0	1520-360	12,720	12,720
* Well Head Equipment & Christmas Tree			1520-365	5,500	1520-365	11,500	17,000
Subsurface Well Equipment			NA	0	1520-370	6,148	6,148
Flow Lines			NA	0	1520-375	13,250	13,250
Saltwater Disposal Pump			NA	0	1520-380	0	0
Gas Meter			NA	0	1520-385	1,484	1,484
Lact Unit			NA	0	1520-390	0	0
Vapor Recovery Unit			NA	0	1520-395	0	0
Other Well Equipment			NA	0	1520-400	0	0
ROW and Damages			NA	0	1520-405	0	0
Surface Equipment Installation Costs			NA	0	1520-410	9,540	9,540
Elect. Installation			NA	0	1520-415	0	0
ESTIMATED TOTAL TANGIBLES				30,700		163,572	194,272
ESTIMATED TOTAL WELL COSTS				675,474		320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL		DATE
PREPARED BY:	HRW	03/12/01
REVIEWED BY:		
APPROVED BY:		
APPROVED BY:		3/12/01

WI APPROVAL:

COMPANY

Pioneer Natural Resources USA, Inc.

BY

TITLE

DATE

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

cc: TRM
DAD
KC.

March 27, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Chevron USA, Inc.
P. O. Box 1635
Houston, Texas 77251

RE: Poco Mesa "26" State Com. #1
1,980' FSL and 2,400' FWL
S/2 Section 26, T-18-S, R-24-E
Eddy County, New Mexico
Poco Mesa 26 (01) Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,

Duke Roush

Duke Roush
Senior Landman

DR/dw
Encl.

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
Poco Mesa 26 St. Com. #1	
Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery (Endorsement)	<input checked="" type="checkbox"/>
Total Postage	
Recipient's	Chevron USA, Inc. P. O. Box 1635 Houston, Texas 77251
Street, Apt. #	
City, State, ZIP+ 4	
PS Form 3800, February 2000 See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p>7000 0520 0021 3169 2879</p> <p>Chevron USA, Inc. P. O. Box 1635 Houston, Texas 77251</p>	<p>A. Received by (Please Print Clearly) MAR 30 2001</p> <p>B. Date of Delivery</p> <p>C. Signature <i>Javier Chapa</i></p> <p>D. Is delivery address different from item 1? <input checked="" type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Copy from service label)</p> <p>7000 0520 0021 3169 2879</p>	<p>Poco Mesa 26 St. Com. #1</p>

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	TO CSG PT	COMPLETION	TOTAL WELL
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	0	0	0
Drilling Daywork 25 2 9,500 \$/day	251,750	20,140	271,890
Drilling Turnkey	0	0	0
Rig Mobilization and Demobilization	31,800	0	31,800
Road & Location Expense	28,355	2,120	30,475
Damages	5,000	0	5,000
Directional Drilling - Tools and Service	0	0	0
Drilling Fluids	21,200	0	21,200
Fuel, Power, and Water	42,400	0	42,400
Supplies - Bits	29,945	1,060	31,005
Supplies - Casing Equipment	2,120	4,770	6,890
Supplies - Liner Equipment	0	0	0
Supplies - Miscellaneous	0	0	0
Cement and Cmt. Services - Surface Csg	5,300	0	5,300
Cement and Cmt. Services - Int. Csg	12,720	0	12,720
Cement and Cmt. Services - Prod. Csg	0	21,200	21,200
Cement and Cmt. Services - Other	0	0	0
Rental - Drilling Tools and Equipment	11,130	0	11,130
Rental - Misc.	24,751	3,180	27,931
Testing - Drill Stem / Production	4,770	2,650	7,420
Open Hole Logging	29,680	0	29,680
Mudlogging Services	13,250	0	13,250
Special Services	0	0	0
Plug and Abandon	12,000	(12,000)	0
Pulling and/or Swabbing Unit	0	23,850	23,850
Reverse Equipment	0	5,300	5,300
Wireline Services	0	19,080	19,080
Stimulation	0	12,720	12,720
Pump / Vacuum Truck Services	0	6,646	6,646
Transportation	3,710	2,650	6,360
Tubular Goods - Inspection & Testing	1,590	5,300	6,890
Unclassified	530	0	530
Telephone and Radio Expense	954	318	1,272
Engineer / Geologist / Landman	15,000	3,000	18,000
Company Labor - Field Supervision	15,900	6,500	22,400
Contract Labor / Roustabout	4,770	10,335	15,105
Legal and Professional Service	5,000	0	5,000
Insurance	5,533	0	5,533
Overhead	7,000	3,500	10,500
SUBTOTAL	586,158	142,319	728,476
Contingencies (10%)	58,616	14,232	72,848
ESTIMATED TOTAL INTANGIBLES	644,774	156,551	801,324

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 2 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

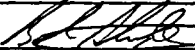
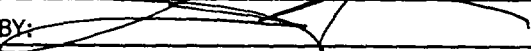
EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			TO CSG PT	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	0	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	8,400	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	16,800	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	0	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	0	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	0	0	0
Production Liner	0 Ft @	0.00 \$/Ft	0	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	0	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	0	0	0
Artificial Lift Equipment			0	0	0
Tank Battery			0	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			0	12,720	12,720
* Well Head Equipment & Christmas Tree			5,500	11,500	17,000
Subsurface Well Equipment			0	6,148	6,148
Flow Lines			0	13,250	13,250
Saltwater Disposal Pump			0	0	0
Gas Meter			0	1,484	1,484
Lact Unit			0	0	0
Vapor Recovery Unit			0	0	0
Other Well Equipment			0	0	0
ROW and Damages			0	0	0
Surface Equipment Installation Costs			0	9,540	9,540
Elect. Installation			0	0	0
ESTIMATED TOTAL TANGIBLES			30,700	163,572	194,272
ESTIMATED TOTAL WELL COSTS			675,474	320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW	03/12/01
REVIEWED BY:	
APPROVED BY: 	
APPROVED BY: 	3/12/01

MI APPROVAL:

COMPANY

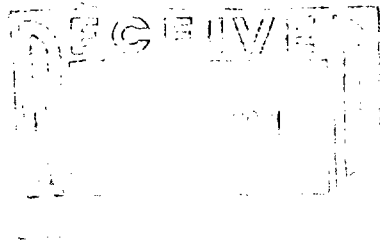
Chevron USA, Inc.

BY

TITLE

DATE

File



Chevron

April 25, 2001

Chevron U.S.A. Production Company

P.O. Box 1150, Midland, TX 79702
15 Smith Road, Midland, TX 79705
Phone 915 687 7745
Fax 915 687 7448
E-Mail rvad@chevron.com

R. M. Vaden

Senior Land Representative
Permian Basin Land Division

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Attention: Mr. Duke Roush

Re: Term Assignment Request Request
Dagger Draw Area
Poco Mesa "26" Fed Com. #1
Township 18 South, Range 24 East
Section: 26: S/2
Eddy County, New Mexico
Federal lse # NM-22616 / Chevron Lse # 312847 / Control # 2114

Dear Duke:

Your letter of January March 27, 2001, requested Cheveon's joinder to the AFE for the captioned well for a Morrow formation test. Our geologist recently completed a review of your request, and I have been informed that Chevron does not, at this time, desire to join in drilling this well. I realize that we previously also turned down your request for a term assignment, sale, or farmout of the Chevron acreage in this proposed proration unit.

I discussed the proposed well with our geologist, and in the event you elect to force pool Chevron's interest under this well, Chevron will then decide to either farmout, join or accept the non-consent penalty for this well. I will also continue efforts to clarify title concerning the Mesa Fourmile Federal Com well and Chevron's current interest in the proration unit of your proposed well.

Thank you for your interest. We will keep your letter on file for future reference. If you have any questions concerning the above, please call me at (915) 687-7745.

Sincerely,

Ray M. Vaden, CPL, ESA

cc: James Baca – NOJV, Houston