

Submit to Appropriate District Office
 State Leases - 4 copies
 Fee Leases - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

BEFORE EXAMINER STOOBER
 OIL CONSERVATION DIVISION

NEARBURG EXHIBIT NO. 2

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

PLAT NO. 10297

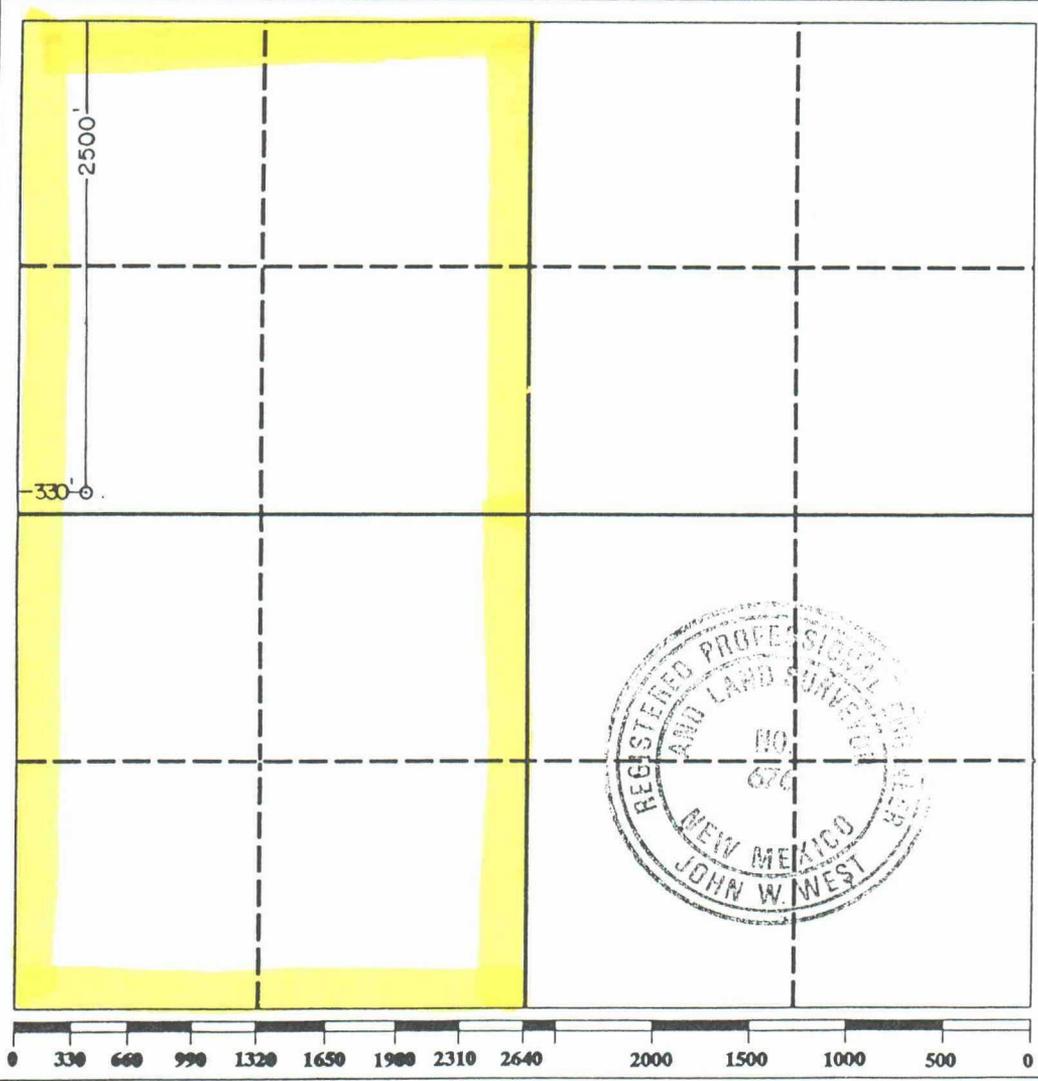
Operator NEARBURG PRODUCTION CO.			Lease SUENO 15			Well No. 1		
Unit Letter E	Section 15	Township 22 SOUTH	Range 27 EAST	County EDDY		NMPM		
Actual Footage Location of Well: 330 feet from the WEST line and 2500 feet from the NORTH line								
Ground level Elev. 3091.1	Producing Formation			Pool		Dedicated Acreage: Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

 Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

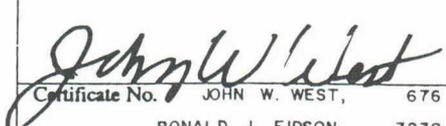


OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____
 Printed Name _____
 Position _____
 Company _____
 Date _____

SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 4-15-91

Signature & Seal of Professional Surveyor

 Certificate No. JOHN W. WEST, 676
 RONALD J. EIDSON, 3239

Nearburg Producing Company

Exploration and Production
1 Petroleum Center, Bldg. 8, Suite 100
3300 North "A" Street
Midland Texas 79705
915/686 8235
Fax 915/686 7806

April 11, 1991

Mr. Richard P. Sevier
Kerr-McGee Corporation
P. O. Box 11050
Midland, Texas 79702

BEFORE THE BOARD OF OIL CONSERVATION
NEARBURG FARMOUT 3
CASE NO. 10297

Re: State of New Mexico lease LG 6381-3
Section 16-22S-27E
Eddy County, New Mexico

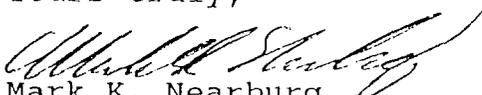
Dear Mr. Sevier:

Kerr-McGee Corporation owns a 9.375% working interest in the E/2 of the captioned section. Nearburg Producing Company plans to drill a Morrow test well on a W/2 Section 15 proration unit at a location 330' FWL and 2500' FNL. This is a non-standard location for which a hearing has been set May 2, 1991 before the New Mexico Oil Conservation Division.

I respectfully request a waiver of the captioned location from Kerr-McGee Corporation and a Farmout of Kerr-McGee's 9.375% working interest in the E/2 of Section 16 on a straight 75% net revenue interest delivered to Nearburg Exploration Company with Kerr-McGee Corporation reserving the difference between 25% and existing lease burdens as an overriding royalty subject to proportionate reduction. The Farmout would be conditioned upon Nearburg commencing a Morrow test well in the W/2 of Section 15 within 90 days of a signed agreement with Kerr-McGee. The Farmout would also provide that if Nearburg did not drill or cause to be drilled a Morrow test well in the E/2 of Section 16 within one year from the date of spudding Nearburg's well in the W/2 of Section 15, all rights under an agreement with Kerr-McGee would terminate unless extended by mutual written agreement.

The captioned lease was purchased by Kerr-McGee from Delta Drilling and is held by production by a marginal Morrow well located in the W/2 of Section 16-22S-27E. Your earliest possible consideration of these requests will be sincerely appreciated. Please call me if you have any questions.

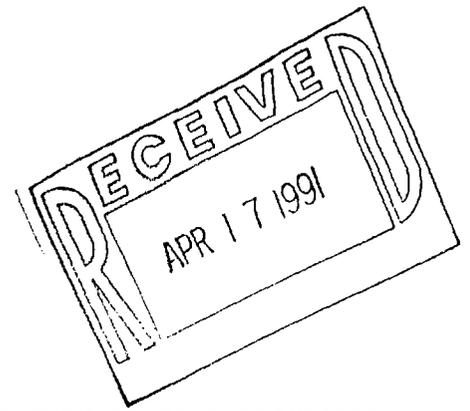
Yours truly,


Mark K. Nearburg
Land Manager

MKN/ra



BRANEX RESOURCES, INC.
POST OFFICE BOX 2328
ROSWELL, NEW MEXICO 88202
(505) 623-2840



April 16, 1991

Texaco USA
P.O. Box 2100
Denver, Colorado 80237

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

ATTN: David Sleeper

RE: Township 22 South of Range 27 East, NMPM
Section 16: SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$,
Containing 120 acres more or less
Eddy County, New Mexico
State of New Mexico OGL SN LG-6381

Gentlemen:

Texaco owns a 7.01325% after payout operating rights interest under an operating agreement covering all of Section 16, T22S-R27E, NMPM, Eddy County, New Mexico. The operating agreement to which I refer is that certain agreement dated January 2, 1980, by and between Northern Natural Gas Company as Operator and Delta Drilling Company et al as Non-Operators. The above captioned lands were originally owned by Reserve Oil Inc. 75% and Delta Drilling Company 25%. Reserve Oil Inc. was acquired by Getty Oil Company and Getty was subsequently acquired by Texaco. In any event, Reserve Oil Inc. farmed out its interest in 240 acres (S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Section 16) embraced by State of New Mexico oil and gas lease SN LG-6381 to Northern Natural Gas Company in consideration of Northern drilling a Morrow formation test in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 16.

The well to which Reserve Oil Inc. farmed out, the Carlsbad State Com. #1, subsequently made a successful Morrow gas well in 1980, and the W $\frac{1}{2}$ Section 16, T22S-R27E, NMPM, was dedicated as the state mandated proration unit for said well. Reserve Oil Inc. had farmed out its 75% interest in and to the 240 acre tract under the entire 640 acre Section 16 on the basis of a 75% NRI before payout with the option to convert to a 25% WI after payout subject to proportionate reduction. Hence Texaco's present day operating rights ownership under all of Section 16 equaling 7.03125%.

Branex Resources, Inc. (Branex) and Pacific Enterprises Oil Company (PEOC) have been jointly working on a Morrow prospect to be drilled in the W $\frac{1}{2}$ Section 15, T22S-R27E, NMPM, and have each written Texaco on two or three occasions in the past nine months with no positive response. The State of New Mexico has been advised of our intentions and because of the fact that the acreage in Section 16 has been held by production since 1980 without further development, the State has written a demand letter to the record title owner of lease SN LG-6381 (copy enclosed).

Texaco shares its undivided operating rights with Kerr-McGee and Hallwood Energy Company insofar as the E $\frac{1}{2}$ Section 16 is concerned. (Hallwood is now Operator and successor in interest to Northern Natural Gas Company.) Hallwood and Kerr-McGee have responded positively to the letter written by the State of New Mexico insofar as further development is concerned.

Branex to Texaco
April 16, 1991
Page 2

Branex has made arrangements for Nearburg Exploration Company of Midland, Texas, to buy PEOC's interest in our deal since PEOC has now closed their Midland office. Nearburg Producing Company will be the Operator of test wells to be located in the W $\frac{1}{2}$ Section 15 and the E $\frac{1}{2}$ Section 16. We are now proposing two Morrow test wells and are advising the State of New Mexico accordingly. The well in the W $\frac{1}{2}$ Section 15 will be drilled first and each well will be drilled to approximately 12,000' subsurface. If the initial test well is a failure, we may or may not drill a subsequent test well.

We will not drill the initial test well in the W $\frac{1}{2}$ Section 15 without a commitment from Texaco insofar as the E $\frac{1}{2}$ Section 16 is concerned. Accordingly we hereby offer Texaco one of the following proposals insofar as Texaco's 7.03125% gross operating rights interest in the E $\frac{1}{2}$ Section 16, T22S-R27E, NMPM, is concerned.

1. We will purchase an outright assignment of Texaco's 22.5 net acres in the E $\frac{1}{2}$ Section 16 for a cash consideration of \$3,000.00; or
2. We will accept a one year "drill or reassign" assignment of Texaco's interest in the E $\frac{1}{2}$ Section 16 on the basis of a straight 75% NRI. Texaco would reserve a proportionate overriding royalty interest equal to the difference existing between total burdens and 25%, all subject to proportionate reduction.

Hallwood Energy and Kerr-McGee will agree to a waiver of the "Maintenance of Uniform Interest" provision in the operating agreement which covers all of Section 16.

We would request that Texaco agree to one of the two proposals outlined herein or we will ask that Hallwood propose a well under the terms and conditions of the existing operating agreement or we will attempt to "force pool" the interest. We believe that the State of New Mexico is going to force action on its lease in any event, so the choices presented to Texaco herein offer much more attractive alternatives than losing their interest in an implied covenants case. Your prompt consideration is appreciated.

Yours very truly,

BRANEX RESOURCES, INC.

F. Andrew Grooms
by K&C

F. Andrew Grooms
President

BRI/FAG/kec

c: Nearburg Producing Company
Attn: Mark K. Nearburg

New Mexico Commission of Public Lands
Attn: Floyd Prando

C/RRR No.: P 913 032 933