

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088
418 52

Naumann Oil and Gas, Inc.
P.O. Box 10159
Midland, Texas 79702
(915)-683-5051

April 10, 1995

*Case File
10979
DO*

State of New Mexico
Energy, Minerals, and Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088
Attn. Mr. David Catanach

Re: Naumann Oil and Gas, Inc. Carlsbad "7" well No. 1, W/2 Section 7, T-22-S, R-27-E, NMPM, Eddy County, New Mexico. Case No. 10979, Order No. R-10143.

Dear Mr. Catanach:

Please find enclosed per the above referenced order (pg. -6- (5)), the final itemized cost for the above referenced well. A secondary gelled acid stimulation as provided for in the original AFE submitted to the NMOC has not yet been completed, the enclosed itemized expenses also indicates that this treatment has not yet been completed.

Included for your review and records is a copy of the letter of notification that has been sent out certified mail to the pooled interest owners in this well. The same list of itemized expenses and Division Orders were also included.

If you have any further questions or should you require any additional information, please contact me at your earliest convenience.

Sincerely,

H. Jack Naumann, Jr.
H. Jack Naumann, Jr.
President

cc.
Mr. W. Thomas Kellahin
Mr. David N. Frye

NAUMANN OIL AND GAS, INC.
TOTAL EXPENSES as of 3-1-95

WELL NAME: City of Carlsbad
FIELD: Carlsbad Strawn

COUNTY: Eddy

STATE: New Mexico

DEPTH: 10,600'

DRILLING	TANGIBLE	INTANGIBLE	TOTAL
Move In/ Move Out			
Road, Location, Damages		\$13,856.82	\$13,856.82
Drilling (Footage)		\$48,747.21	\$48,747.21
Drilling (Daywork)			
Bits		\$804.38	\$804.38
Rig Fuel			
Mud, Chemicals, Water		\$7,761.10	\$7,761.10
Surface Casing			
Intermediate Casing			
Protective Casing			
Cement Services		\$10,830.91	\$10,830.91
Casing Tools, Valves		\$1,785.42	\$1,785.42
Logging, Coring, DST		\$7,915.58	\$7,915.58
Transportation		\$3,912.01	\$3,912.01
Equipment Rental		\$1,956.51	\$1,956.51
Engineering Services		\$8,214.95	\$8,214.95
Geological Services		\$2,342.56	\$2,342.56
Non-Controllable Serv.		\$6,235.88	\$6,235.88
Misc. Serv., Labor, Ovhd		\$9,471.24	\$9,471.24

COMPLETION	TANGIBLE	INTANGIBLE	TOTAL
Service Rig		\$2,660.00	\$2,660.00
Production casing	\$34,241.95		\$34,241.95
Production Liner			
Cement Services			
Casing Tools			
Perforating, Logging		\$5,858.58	\$5,858.58
Treatment Stimulation		\$8,645.64	\$8,645.64
Mud, Chemicals, Water		\$62.65	\$62.65
Production Logging		\$3,414.26	\$3,414.26
Wire Line			
Transportation		\$2,621.26	\$2,621.26
Equipment rental		\$1,347.52	\$1,347.52
Wellhead Assembly	\$2,752.95		\$2,752.95
Production Tubing	\$16,129.49		\$16,129.49
Gas Eng. Services		\$2,449.79	\$2,449.79
Non-Controllable Equip.		\$2,729.20	\$2,729.20
Foundations, Bldg.			
Artificial Lift			
Storage Tanks	\$5,121.60		\$5,121.60
Seperator/Treator	\$8,311.88		\$8,311.88
Line pipe, fittings	\$3,966.51		\$3,966.51
Misc. Services, Labor		\$4,196.52	\$4,196.52
Bore Road for Rowing		\$9,466.60	\$9,466.60
GRAND TOTAL COST	\$70,525.88	\$167,306.59	\$237,831.17

ADDITIONAL EXPENSES AS OF 3-1-95 HAVE NOT BEEN COMPLETED INCLUDE GEL ACID TREATMENT (Est. Cost \$39,000.00)

ILLEGIBLE

NAUMANN OIL AND GAS, INC.
TOTAL EXPENSES as of 3-1-95

WELL NAME: City of Carlsbad
FIELD: Carlsbad Strawn

COUNTY: Eddy

STATE: New Mexico

DEPTH: 10,600'

DRILLING	TANGIBLE	INTANGIBLE	TOTAL
Move In/ Move Out			
Road, Location, Damages		\$13,856.82	\$13,856.82
Drilling (Footage)		\$48,747.21	\$48,747.21
Drilling (Daywork)			
Bits		\$804.38	\$804.38
Rig Fuel			
Mud, Chemicals, Water		\$7,761.10	\$7,761.10
Surface Casing			
Intermediate Casing			
Protective Casing			
Cement Services		\$10,830.91	\$10,830.91
Casinghead, valves		\$1,785.42	\$1,785.42
Logging, Coring, DST		\$7,915.58	\$7,915.58
Transportation		\$3,912.01	\$3,912.01
Equipment Rental		\$1,956.51	\$1,956.51
Engineering Services		\$3,214.95	\$3,214.95
Geological Services		\$2,342.56	\$2,342.56
Non-Controllable Serv.		\$6,235.88	\$6,235.88
Misc. Serv., Labor, Ovhd		\$9,471.24	\$9,471.24

COMPLETION	TANGIBLE	INTANGIBLE	TOTAL
Service Rig		\$2,660.00	\$2,660.00
Production casing	\$34,241.95		\$34,241.95
Production Liner			
Cement Services			
Casing Tools			
Perforating, Logging		\$5,858.58	\$5,858.58
Treatment Stimulation		\$8,645.64	\$8,645.64
Mud, Chemicals, Water		\$62.65	\$62.65
Production Testing		\$3,414.26	\$3,414.26
Wire Line			
Transportation		\$2,621.26	\$2,621.26
Equipment rental		\$1,347.52	\$1,347.52
Wellhead Assembly	\$2,752.95		\$2,752.95
Production Tubing	\$16,129.49		\$16,129.49
Gas Eng. Services		\$2,449.79	\$2,449.79
Non-Controllable Equip.		\$2,729.20	\$2,729.20
Foundations, Bldg.			
Artificial Lift			
Storage Tanks	\$5,121.80		\$5,121.80
Seperator/Treator	\$8,311.88		\$8,311.88
Line pipe, fittings	\$3,966.51		\$3,966.51
Misc. Services, Labor		\$4,196.52	\$4,196.52
Bore Road for Flowline		\$9,486.60	\$9,486.60
GRAND TOTAL COST	\$70,525.68	\$167,306.59	\$237,831.17

ADDITIONAL EXPENSES AS OF 3-1-95 HAVE NOT BEEN COMPLETED INCLUDE GEL ACID TREATMENT (Est. Cost \$39,000.00)

ILLEGIBLE

OIL CONSERVATION DIVISION
RECEIVED

95 MAR 31 PM 8 52

1106 N. Country Club
Carlsbad, NM 88220
March 28, 1995

Mr. W. Thomas Kellahin, Attorney
Naumann Oil & Gas, Inc.
P. O. Box 2265
Santa Fe, NM 87504-2265

DAC
FILE 10979
R-10143

Dear Mr. Kellahin:

I have received your March 17-15, 1995 letter, but not the requested Division Order and Naumann Joint Operating Agreement. Why did you attempt to address only one of the Naumann Oil & Gas failures of Order R-10143 stated in my letter of March 8, 1995? Mr. Naumann understood me.

Neither Mr. Frye's "Notification of Compulsory Pooling Election" of July 7, 1994 nor your letter of March 17-15, 1995, complies with NMOCD's R-10143's Order (3). I'll prove it at the appropriate time, but I believe you already know it.

Mr. Frye stated 298 interests (not 400); C&K Petroleum did most of the work for him? His pooling testimony states facts concerning me that are contradictory to public, C&K Petroleum, and my records; also he contradicted his own exhibits. Either he has problems understanding public documents or he will lie to gain a benefit; I never leased my mineral ownership in Section 7 (and I did pay my share of the old well, no-one asked for proof). Not very expert. Has he and Naumann fulfilled their commitment to keep the NMOCD apprised of the results of their futher efforts to secure named loose interests, subsequent the force pool hearing? Or did their commitment fade once pooling was accomplished?

I was impressed with your pooling abilities when I read the transcript; you're even better than your dad. I also developed an appreciation for Mr. Catanach and Mr. Carroll. Based upon the testimony they received, they made a good effort to be fair to all interest owners, and allowed Naumann Oil to proceed! A good job by three professionals! Order R-10143 reflects genuine consideration of correlative rights.

If Naumann Oil wants any more direct communication with me, attach copies of the Carlsbad 7's Naumann Joint Operating Agreement and Division Order, no ringers. Why not furnish them? What is Naumann trying to hide? An prudent operator would have had both complete and returned by now; the Operating Agreement should have been available immediately prior the well's completion. Get them to me soon and we'll see if we can voluntarily work something out.

Sincerely,

Bill Taylor

Bill Taylor

Copies: NMOCD: D. Catanach
W. H. Taylor, etals

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

March 17, 1995

VIA FEDERAL EXPRESS

Mr. and Mrs. Bill Taylor
1106 North County Club
Carlsbad, New Mexico 88220

Case File
10979
Dre

Re: NOTIFICATION OF ELECTION

Compulsory Pooling

Naumann Oil & Gas Inc.'s Carlsbad "7" Well No. 1

W/2 (equivalent) Section 7, T22S, R27E, NMPM

Eddy County, New Mexico

NMOCD Case 10979

Order R-10143

Dear Mr. and Mrs. Taylor:

I have received a copy of your letter dated March 8, 1995 to David Moore concerning your contention of lack of notification of your election to participate pursuant to the referenced order. Please be advised that Mr. Moore is not Naumann's agent with regard to your potential involvement in this matter. Please direct any further communications to me.

Mr. Naumann resents both the tone and content of your letter. Contrary to your allegations, Mr. Frye and Mr. Naumann have diligently attempted to comply with the terms and conditions of the compulsory pooling procedures of the New Mexico Oil Conservation Division. This was one of the most complex efforts I have ever seen anybody undertake for compulsory pooling and involved attempting to contact some 400 individual interests in this spacing unit.

For your information, on July 7, 1994, David Frye on behalf of Naumann Oil & Gas Inc., sent the enclosed letter and AFE by certified mail-return receipt to all parties being pooled including you. We are

Mr. and Mrs. Bill Taylor
March 15, 1995
Page 2.

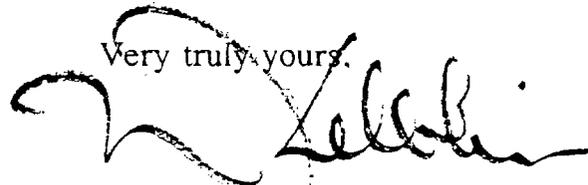
reviewing Mr. Frye's records in an attempt to locate a copy of proof of service upon you. However, in the event we are unable to confirm service, we are now providing you with another election period. You will have the benefit of making your election with the knowledge that the recompletion work has been done and you now know the results of that work.

Therefore, on behalf of Naumann Oil & Gas Inc. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-10143, copy enclosed, I am providing you with notice of your right to elect to participate in the well recompleted pursuant to this order.

While it is our understanding that Bill and Wanda Taylor own the oil and gas minerals in Lot 15. Block E, San Jose East Addition, City of Carlsbad, and would have a 0.063% percent mineral interest in this well and its spacing unit, we have not attempted to calculate the actual sum of money you must send in order to participate.

Should you desire to participate in this well and avoid the payment of the 100% risk factor out of its share of production, then within thirty days of the date you receive this letter, Naumann Oil & Gas Inc. must receive a cashier's check for your share of \$425,200.00 and a letter signed by you agreeing to execute Naumann's joint operating agreement all as set forth in Mr. Frye's July 7, 1994 letter.

If you decide not to participate then you need do nothing further. In that event, Naumann Oil & Gas Inc. will pay your share of the costs and will recover your share out of production plus an additional 100 percent.

Very truly yours,


W. Thomas Kellahin

cc: NMOCD (Santa Fe)
Attn: David Catanach
cc: Naumann Oil & Gas Inc.
cc: David N. Frye

LOGRO CORPORATION
Oil and Gas Exploration and Production

July 7, 1994

NOTIFICATION OF COMPULSORY POOLING ELECTION
Certified Mail - Return Receipt Requested

Re: Compulsory Pooling by Naumann Oil & Gas Inc.
Carlsbad "7" Well No. 1
W/2 (equivalent) Section 7, T22S, R27E, NMPM
Eddy County, New Mexico
NMOCD Case 10970; Order R-10143

Dear Interest Owner:

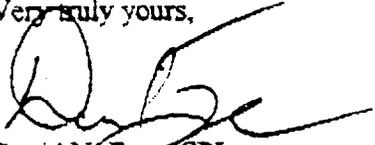
On behalf of Naumann Oil & Gas Inc. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-10143 issued July 5, 1994, (copy enclosed), I am providing you with notice of your right to elect to participate in the well to be completed in the Undesignated Carlsbad-Strawn Gas Pool pursuant to this Order.

Should you desire to participate in this well and avoid the payment of the 100% risk factor out of your share of the production, then within thirty days of the date you receive this letter, Naumann Oil & Gas Inc. (P. O. Box 10159, Midland, Texas 79702) must receive a cashier's check from you for your proportionate share of the costs of a completed well and a letter signed by you agreeing to execute our joint operating agreement. Enclosed is a copy of the Authority for Expenditure (AFE), which combined with the \$95,000.00 value of the existing wellbore, totals the completed well cost of \$425,200.00.

If you decide not to participate then you need do nothing further. In that event, Naumann Oil & Gas Inc. will pay your share of the costs of the well and will recover your share out of production plus an additional 100 percent.

I have not attempted to calculate for you the actual sum of money you must send in order to participate. However, you may make that calculation for yourself by taking the net acres you own in the W/2 of this section, dividing it by 307.02 acres, then using the resulting percentage and multiplying it times \$425,200.00. The product of that calculation will be your dollar share of the costs of the well.

Very truly yours,



David N. Frye, CPL

Enclosures: NMOCD Order R-10143, AFE

cc: Director, NMOCD-Santa Fe

ILLEGIBLE

NAUMANN OIL AND GAS, INC.
 AUTHORITY FOR EXPENDITURE

WELL NAME: City of Carlsbad
 FIELD: Carlsbad Strawn

COUNTY: Eddy

STATE: New Mexico

DEPTH: 10,600'

DRILLING	TANGIBLE	INTANGIBLE	TOTAL
Move In/ Move Out			
Road, Location, Damages		\$15,000.00	\$15,000.00
Drilling (Footage)		\$58,000.00	\$58,000.00
Drilling (Daywork)		\$5,000.00	\$5,000.00
Bits		\$3,500.00	\$3,500.00
Rig Fuel			
Mud, Chemicals, Water		\$2,500.00	\$2,500.00
Surface Casing			
Intermediate Casing			
Protective Casing			
Cement Services		\$15,000.00	\$15,000.00
Casinghead, valves		\$3,000.00	\$3,000.00
Logging, Coring, DST		\$4,000.00	\$4,000.00
Transportation		\$3,000.00	\$3,000.00
Equipment Rental		\$4,000.00	\$4,000.00
Engineering Services		\$8,000.00	\$8,000.00
Geological Services		\$2,000.00	\$2,000.00
Non-Controllable Serv.		\$3,500.00	\$3,500.00
Misc. Serv., Labor, Ovhd.		\$8,000.00	\$8,000.00
Cost to Casing Point			
P&A Cost			
DRY HOLE COST		\$135,500.00	\$135,500.00

COMPLETION	TANGIBLE	INTANGIBLE	TOTAL
Service Rig		\$8,500.00	\$8,500.00
Production casing	\$50,700.00		\$50,700.00
Production Liner			
Cement Services		\$5,000.00	\$5,000.00
Casing Tools			
Perforating, Logging		\$3,500.00	\$3,500.00
Treatment Stimulation		\$40,000.00	\$40,000.00
Mud, Chemicals, Water		\$2,000.00	\$2,000.00
Production Testing			
Wire Line			
Transportation		\$3,000.00	\$3,000.00
Equipment rental		\$3,000.00	\$3,000.00
Wellhead Assembly	\$7,000.00		\$7,000.00
Production Tubing	\$32,000.00		\$32,000.00
Geo/Eng. Services		\$5,000.00	\$5,000.00
Non-Controllable Equip.		\$3,500.00	\$3,500.00
Foundations, Bldgs.		\$2,000.00	\$2,000.00
Artificial Lift			
Storage Tanks	\$10,000.00		\$10,000.00
Separator/Treater	\$5,000.00		\$5,000.00
Line pipe, fittings	\$8,000.00		\$8,000.00
Misc. Services, Labor		\$5,000.00	\$5,000.00
Cost to Complete	\$110,700.00	\$84,000.00	\$194,700.00
GRAND TOTAL COST	\$110,700.00	\$219,500.00	\$330,200.00

NEW MEXICO OIL CONSERVATION DIVISION
RECEIVED

1995 MAR 20 PM 8 52

BILL TAYLOR
1106 N. Country Club
Carlsbad, NM 88220

March 8, 1995

Mr. David Moore, Agent
Naumann Oil & Gas, Inc.
P. O. Box 10159
Midland, Texas 79702

Dear Mr. Moore:

I have just learned Naumann did re-enter the Carlsbad 7 Well and has been producing it since November 10, 1994. I remember asking Mr. David Moore in my telephone call on July 13, 1994, to call me when he came over to initiate work on re-entry of the Carlsbad 7 so I could discuss the prospect further with him with the intent of possibly participating. Of course, Mr. Moore did not do so, did you? Nor has Naumann initiated any contacts subsequent the hearing before the Commission on May 26, 1994.

Naumann Oil & Gas sought the benefits of forced pooling, but have ignored and failed to comply with the Orders of Order R-10143, thereby denying the correlative rights of pooled interests, and mocking the New Mexico Oil Conservation Commission for their having granted Naumann Order R-10143.

Order (3), page 5, requires Naumann Oil & Gas to supply each known working interest owner an itemized schedule of Commission approved estimated well costs (\$425,000) after the effective date of Order R-10143, and within 90 days prior commencing the well. Naumann did NOT comply with Order (3); therefore forced pooled interests were not given the opportunity to comply with Order (4) and participate under Order R-10143.

Naumann's C-104, amended report, dated 1/23/95, and filed with the New Mexico Oil Division, designating David Moore, yourself, as agent, states 9/12/94 as the completion date of the well. Order (5) of R-10143 states Naumann Oil & Gas has 90 days from that date to furnish each working interest owner an itemized schedule of actual well costs. Naumann did not, nor have they since furnished an itemized schedule of actual well costs, therefore pooled interests were not allowed their rights to approve or disapprove any Naumann's statement of well costs.

Order (7) authorizes Naumann to withhold a risk charge of 100% from those who did not pay their share within thirty days AFTER HAVING RECEIVED THE APPROVED AND REQUIRED AFE OF ORDER (3). Of course, Naumann did not send the AFE, nor even inform us of when they intended to re-enter, therefore Naumann has no right to the 100% risk charge.

Order (10) establishes 7/8s working and 1/8th royalty for interests of forced pooled mineral interests. Order (11) specifies any costs to be paid out of production is to be withheld from the working interest 7/8s, and nothing withheld from the royalty 1/8th. Order (12) orders Naumann to place any funds not disbursed for any reason in escrow in Eddy County, and identify the fund to the Division within 30 days.

Not only is Naumann not complying with the above stated Orders of R-10143, but Naumann has not supplied customary Division Orders nor Operating Agreements, six months after your date for well completion.

Naumann demanded the \$425,000 up front, prior work on the well; \$95,000 was clear and free for the existing well which some of us had paid for previously; therefore Naumann has received \$95,000 clear money, plus over \$100,000 already from gas sales, or \$195,000 above the estimated well costs also demanded. Add \$27,000 to \$35,000 for each on-going month from gas sales, and Naumann has made and is making pretty good money without accounting nor paying anything to interests complained of to the Commission to obtain force pooling! Who cares about the Order R-10143, the Commission, and the 13% force pooled owners, right?

Both Mr. David Frye, partner in the well with Mr. Jack Naumann, and Naumann attorney Tom Kellahin are thoroughly familiar with the provisions and Orders of Force Pooling Orders; and of course Naumann etals have Order R-010143 itself, in English. Naumann violations of such have to be a deliberate, calculated risk. I hope all the voluntary participating working interest owners were made knowledgeable. Were the contractor's bills paid from the required up-front \$330,000? Or does Naumann still have this, and bills are unpaid?

Mr. Moore, based upon my prior opinion of you, not my present one, I'm making this contact to you, agent for Naumann. Disprove my evolving interpretation of fraud upon mineral interest owners and the Commission. Make a first good faith step by faxing me (at 505-885-0780) copies of the FINAL Division Order and Operating Agreement to prove Naumann etals have completed such after the well has been completed almost six months. Subsequently, quickly, address the violations of correlative rights of Commission Order R-10143.

Right now, it seems to me that Naumann etals are trying to pull a rip off of the New Mexico pooled mineral interest owners; therefore apologies will not be sufficient justification for Naumann's actions.

Sincerely,



Bill Taylor

copies: H. Taylor, etals
Mr. Thomas Kellihan
Mr. David Catanach



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

July 5, 1994

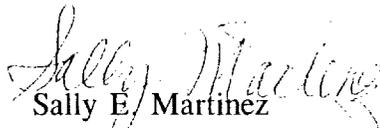
KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 11979
ORDER NO. R-10143

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
Taxation & Revenue

KAREN AUBREY

ATTORNEY AT LAW

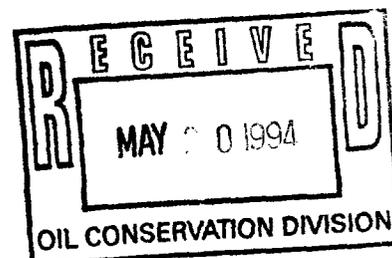
ALSO ADMITTED IN ARIZONA

236 MONTEZUMA

SANTA FE, NEW MEXICO 87501

TELEPHONE (505) 982-4287
TELEFAX (505) 986-8349

May 20, 1994



Mr. Jim Morrow
Hearing Officer
New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, NM 87504-2088

Re: Case No. 10979 Naumann Oil and Gas, Inc.

Dear Jim:

I represent Clydine Wylie (formerly Clydine Lara) who has received notice of the hearing set for May 26, 1994 on the above application. Mrs. Wylie, her brother, and her mother all own an interest in the acreage to be pooled, however, only Mrs. Wylie has received notice of the hearing, and only Mrs. Wylie has been contacted regarding voluntary participation in the well. I enclose a Pre-Hearing Statement and Entry of Appearance so that Mrs. Wylie will show as a party, however, I do not intend to appear at the hearing or present testimony.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen Aubrey".

Karen Aubrey

ka/mm

xc: Clydine Wylie
W. Thomas Kellahin

LOGRO CORPORATION

Oil and Gas Exploration and Production

June 12, 1994

Clydine K. Lara Wiley
2804 Oboe Circle
Hacienda Heights, CA 91745

Re: Carlsbad 7-1
W/2 Section 7, T22S-R27E
Eddy County, New Mexico
Case No. 10979

Dear Ms. Wiley:

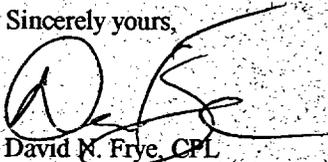
Pursuant to my telephone conversation with Ms. Aubrey, we hereby offer you the same terms for your interest in the above captioned well as we have offered to your mother and brother. This offer is made to you contingent upon their acceptance of our offer to them.

The terms of the offer are that we will pay your entire cost of the re-entry if you will waive your right to a hearing. We are making this offer in order to expedite the re-entry process and avoid the delays caused by having another hearing. This means you will not pay any cost until the well is completed as a producer of oil or gas. If the well is successful, you will only pay your share of the production cost and overhead while continuing to receive your full share of revenue. If the re-entry is not successful, you will pay nothing.

Should you agree to this proposal, please sign and date this letter in the spaces provided below and return one copy of this letter to me in the enclosed envelope on or before June 20, 1994.

We look forward to drilling a successful well for you and hope to toast our success with some California wine. Please do not hesitate to call me if you have any questions or need further information.

Sincerely yours,



David M. Frye, CPL

Accepted and agreed to:

Name

Date: _____

DNF/sbp
941104.DOC

ILLEGIBLE

Clydine K. Lara Wiley

June 12, 1994

Page 2

cc: Josephine Burciaga
Constancio A. Lara
Karen Aubrey
Jack Naumann - Naumann Oil & Gas
Thomas Kellahin - Kellahin & Kellahin
David Catanach - New Mexico Oil Conservation Division

LOGRO CORPORATION

P. O. Box 261324
PLANO, TEXAS 75026-1324

1994 JUN 6 11 0 50

TEL: (214) 964-0608
FAX: (214) 964-3319

June 3, 1994

Josephine Burciaga
1810 Elwood Ave.
Pomona, California 91745

CERTIFIED MAIL

Constancio A. Lara
13574 Oak St.
Chino, California 91710

Re: **Carlsbad 7-1**
W/2 Section 7, T22S-R27E
Eddy County, New Mexico
Case No. 10979

Dear Mr/s. Burciaga and Lara :

As you may have heard from Mrs. Wiley, my partner and I are interested in re-entering the captioned well and attempting a completion in the Strawn formation. We have attempted since December 1993 to obtain the rights to do so by first obtaining leases from the mineral owners, then asking those who did not want to lease to participate in the re-entry. Copies of our correspondence are attached.

You may note that a hearing on the re-entry was called for and held before the New Mexico Oil Conservation Division on May 26, 1994. You should have been notified of the hearing in advance so that you could appear and give testimony if you wished. Although none of the other owners appeared at the first hearing, you still have the right to a hearing if you so desire. Because of our oversight in failing to properly notify you, we are offering to pay your entire cost of the re-entry if you will waive your right to a hearing. We are making this offer in order to expedite the re-entry process and avoid the delays caused by having another hearing. This means you will not pay any cost until the well is completed as a producer of oil or gas. If the well is successful, you will only pay your share of the production cost and overhead while continuing to receive your full share of revenue. If the re-entry is not successful, you will pay nothing.

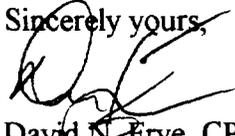
Should you agree to this proposal, please sign and date this letter in the spaces provided below and return one copy of this letter to me in the enclosed envelope on or before June 15, 1994. In the alternative, should you desire to object, then you must sign that portion of the letter showing your objection and forward it to Mr. David Catanach, Oil Conservation Division, P. O. Box 2088, Sante Fe, New Mexico 87503 so that he receives

Josephine Burciaga
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June 3, 1994
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your objection before June 23, 1994. If you fail to timely file your objection, then the Division will assume you do not wish a hearing and will enter an order in this case pooling your interests.

We apologize for our omission in notifying you, and would be happy to answer any questions you may have regarding this matter. Please do not hesitate to call me if I can clarify any of the above for you.

Sincerely yours,



David N. Frye, CPL

Accepted and agreed to:

I object and wish to attend a hearing:

Name:

Name:

Date:

Date:

DNF/sbp
941101.DOC

cc: Jack Naumann - Naumann Oil & Gas
Thomas Kellahin - Kellahin & Kellahin
David Catanach - New Mexico Oil Conservation Division