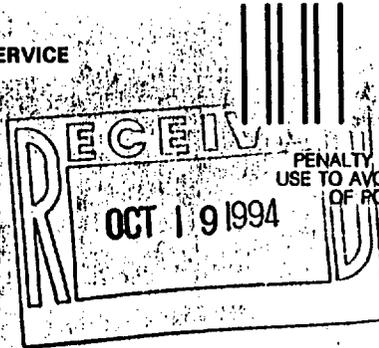


BEFORE THE  
 OIL CONSERVATION DIVISION  
 Case No. 10997 Exhibit No. 2  
 Submitted By:  
 Nearburg Exploration Company  
 Hearing Date: November 10, 1994

UNITED STATES POSTAL SERVICE

Official Business



PENALTY FOR PRIVATE  
 USE TO AVOID PAYMENT  
 OF POSTAGE, \$300



*A.H. J.F.*

Print your name, address and ZIP Code here

NEARBURG PRODUCING CO,  
 3300 N. "A" STREET  
 BUILDING 2, SUITE 120  
 MIDLAND, TX 79705

04



ILLEGIBLE

your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Write 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:  
 Mr. Pat Smith  
 Anadarko Petroleum Corporation  
 17001 Northchase drive  
 Houston, Texas 77060  
 FG

4a. Article Number  
 P 154 368 049

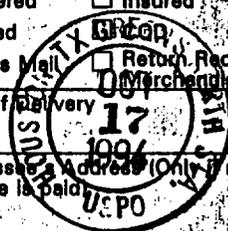
- 4b. Service Type
- Registered
  - Insured
  - Certified
  - Express Mail
  - Return Receipt for Merchandise

7. Date of delivery  
 17  
 1994

5. Signature (Addressee)

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

8. Signature (Agent)  
*[Signature]*



Thank you for using Return Receipt Service.

**Nearburg Exploration Company**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

**AMENDED**

October 13, 1994

Mr. Pat Smith  
Anadarko Petroleum Corporation  
17001 Northchase Drive  
Houston, Texas 77060

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Re: Morris 26 "G" #1 Well;  
2310' FN&EL of Section 26,  
T-19-S, R-25-E, Eddy Co., NM  
Morris 26 Prospect

Dear Mr. Smith:

This letter will supersede Nearburg Exploration Company's letter to you dated September 30, 1994.

Nearburg Exploration Company ("NEC") has had to correct the location of our previously proposed Morris "G" well to the one shown in the caption. This correction is due to new geological and geophysical information not available until now, and will allow Anadarko the right to reconsider joining in same. Therefore, if Anadarko would like to participate in the drilling of the Morris 26 "G" #1 well and utilize the previously negotiated form of Operating Agreement for the well, please write us indicating such an election.

As you know, NEC owns 93.653125% leasehold interest in the N/2 Section 26 unit. The proposed Morris 26 "G" well will be drilled to a depth of 9500' sufficient to test the Morrow formation. The well will be in the Cemetery Morrow gas pool which requires a 320-acre spacing unit. Anadarko Petroleum Company would own 6.346875% of such a unit.

Enclosed herewith is a copy of our AFE for drilling the proposed Morris 26 "G" well and a new page 4 to be substituted in the previously negotiated form of Operating Agreement. Said page indicates the corrected location of the Test Well and new commencement date therein. If you do not desire to participate with your interest in the drilling of this well but would be willing to sell your interest, NEC will consider this option at a reasonable acquisition price. Because of the change of location, we will have to re-open the force pooling unorthodox location NMOCD hearing to amend the previous order. Therefore, we have filed for a new hearing date on October 27, 1994, of which you will receive notice.

We appreciate your patience with us in this matter and look forward to hearing from you concerning this proposal. Should you have any questions or need further information, please advise.

Very truly yours,



Joe Fitzgerald  
Senior Landman

**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

**AUTHORITY FOR EXPENDITURE**

Well: Morris 26G WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 9,500'  
 LOCATION: 2310'FN&EL of Section 26, T-19-S, R-25-E, Eddy County, New Mexico  
 FIELD: Cemetary Morrow PROSPECT: EXPLORATORY, DEVELOPMENT, WORKOVER: E  
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 5/11/94 EST. SPUD DATE: 7/1/94 EST. COMPLETION DATE: 8/15/94  
 ACCOUNTING WELL NUMBER:  
 COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Conductor Casing	1522.305		NA		0
Surface Csg 300 Ft @ 22.00 \$/Ft	1522.310	6,600	NA		6,600
Intermediate Csg 2000 Ft @ 14.00 \$/Ft	1522.315	28,000	NA		28,000
Protection Csg	1522.320	0	NA		0
Production Csg 9500 Ft @ 10.00 \$/Ft	NA		1522.325	95,000	95,000
Protection Liner	1522.330		NA		0
Production Liner	NA		1522.335		0
Tubing 9400 Ft @ 3.15 \$/Ft	NA		1522.340	29,610	29,610
Rods Ft @ \$/Ft	NA		1522.345	0	0
Artificial Lift Equipment	NA		1522.350		0
Tank Battery	NA		1522.355	3,000	3,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	10,000	10,000
Well Head Equipment & Christmas Tree	1522.365	2,500	1522.365	10,000	12,500
Subsurface Well Equipment	NA		1522.370	4,500	4,500
Flow Lines	NA		1522.375	2,500	2,500
Saltwater Disposal Pump	NA		1522.381		0
Gas Meter	NA		1522.385	2,500	2,500
Lact Unit	NA		1522.387		0
Vapor Recovery Unit	NA		1522.390		0
Other Well Equipment	NA		1522.390		0
ROW and Damages	NA		1522.393	500	500
Surface Equipment Installation Costs	NA		1522.395	7,000	7,000
Elect. Installation	NA		1522.397		0
<b>ESTIMATED TOTAL TANGIBLES</b>		<b>37,100</b>		<b>164,610</b>	<b>201,710</b>
<b>ESTIMATED TOTAL WELL COSTS</b>		<b>418,140</b>		<b>265,205</b>	<b>683,345</b>

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

<b>NRO APPROVAL</b>	<b>DATE</b>
PREPARED BY: TRM	5/11/94
REVIEWED BY:	
APPROVED BY:	

WI APPROVAL: COMPANY \_\_\_\_\_  
 BY \_\_\_\_\_  
 TITLE \_\_\_\_\_  
 DATE \_\_\_\_\_

**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

**AUTHORITY FOR EXPENDITURE**

Well: Morris 26G WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 9,500'  
 LOCATION: 2310' FN&EL of Section 26, T-19-S, R-25-E, Eddy County, New Mexico  
 FIELD: Cemetary Morrow PROSPECT: EXPLORATORY, DEVELOPMENT, WORKOVER: E  
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 5/11/94 EST. SPUD DATE: 7/1/94 EST. COMPLETION DATE: 8/15/94  
 ACCOUNTING WELL NUMBER:  
 COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 9,500 Ft @ 16.00 \$/Ft	1514.101	152,000	NA		152,000
Drilling Daywork D/C\$/day 3 2 4400	1514.106	13,200	1515.105	8,800	22,000
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.123	1,000	16,000
Damages	1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	20,000	NA		20,000
Fuel, Power, and Water	1514.140	10,000	1515.140	1,500	11,500
Supplies - Bits	1514.145		1515.145	750	750
Supplies - Casing Equipment	1514.150	3,000	1515.150	3,000	6,000
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.165	8,000	NA		8,000
Cement and Cmt. Services - Int. Csg	1514.170	17,500	NA		17,500
Cement and Cmt. Services - Prod. Csg	NA		1515.172	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	7,500	1515.180		7,500
Rental - Miscellaneous	1514.185	1,500	1515.185	2,000	3,500
Testing - Drill Stem / Production	1514.195	9,000	1515.195	3,000	12,000
Open Hole Logging	1514.200	25,000	NA		25,000
Mudlogging Services	1514.210	9,000	NA		9,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	12,000	1515.215	(12,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	7,500	7,500
Reverse Equipment	NA		1515.219		0
Wireline Services	1514.205		1515.205	15,000	15,000
Stimulation	NA		1515.221	10,000	10,000
Pump / Vacuum Truck Services	1514.220	1,500	1515.220	1,500	3,000
Transportation	1514.225	2,500	1515.225	3,500	6,000
Tubular Goods - Inspection & Testing	1514.230	1,000	1515.230	7,000	8,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	450	1515.240	200	650
Engineer / Geologist	1514.250	3,000	1515.250	1,800	4,800
Company Labor - Field Supervision	1514.255	10,000	1515.255	5,400	15,400
Contract Labor / Roustabout	1514.265	750	1515.265	3,000	3,750
Legal and Professional Services	1514.270	3,000	1515.270	1,500	4,500
Insurance	1514.275	10,000	1515.275		10,000
Overhead	1514.280	6,000	1515.280	1,500	7,500
<b>SUBTOTAL</b>		<b>346,400</b>		<b>91,450</b>	<b>437,850</b>
Contingencies (10%)		34,640		9,145	43,785
<b>ESTIMATED TOTAL INTANGIBLES</b>		<b>381,040</b>		<b>100,595</b>	<b>481,635</b>

ARTICLE V.  
OPERATOR

A. Designation and Responsibilities of Operator:

Nearburg Producing Company shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.  
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 28th day of February, 1995, Operator shall <sup>be authorized to</sup> commence the drilling of a well for oil and gas at the following location:

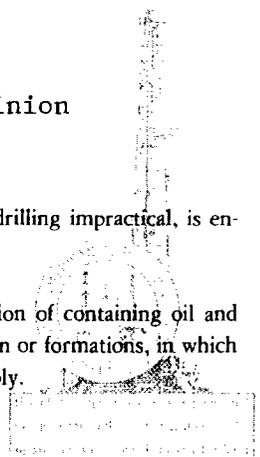
2310' FN&EL of Section 26, Township 19 South, Range 25 East,  
Eddy County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to

an estimated depth of 9500' sufficient in Operator's opinion  
to penetrate and test the Morrow formation,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

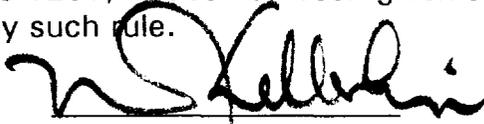
BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION  
*Nearburg* EXHIBIT NO. 10997  
CASE NO. 10997  
CASE NO. 10997

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION  
FOR THE PURPOSE OF CONSIDERING:

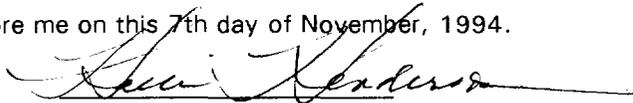
Application of NEARBURG PRODUCTION  
COMPANY to Reopen Case 10997 and to  
Amend Order R-10150, Eddy County, New Mexico.

CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of NEARBURG PRODUCTION COMPANY, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 5th day of October, 1994 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for November 10, 1994, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

  
W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 7th day of November, 1994.

  
Notary Public

My Commission Expires: June 15th, 1998

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return it to you.

Name: **Nearburg/Morris 26**  
 Date: **October 5, 1994**  
 Note: "Return Receipt Requested" on the mailpiece below the article number.  
 Note: 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:

**Mr. Patrick Smith**  
**ANADARKO PETROLEUM CORPORATION**  
**POB 1330**  
**Houston, Texas 77251-1330**

4a. Article Number  
**321 036 897**

4b. Service Type

Registered  Insured

Certified  COD

Express Mail  Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)  
*C. T. Kelly*

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

**POB 1330**

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 321 036 897



**Receipt for Certified Mail**

No Insurance Coverage Provided  
 Do not use for International Mail  
 (See Reverse)

**Mr. Patrick Smith**  
**ANADARKO PETROLEUM CORPORATION**  
**POB 1330**  
**Houston, Texas 77251-1330**

1800, June 1991

Item #	
Registered Delivery Fee	
Return Receipt Fee (with Return Receipt Requested)	
Return Receipt Shown to Whom (Date and Addressee's Address)	
POSTAGE & FEES	\$
Postmark or Date	

**Nearburg/Morris 26**  
**October 5, 1994**