

**PACIFIC ENTERPRISES OIL COMPANY (USA)**

July 26, 1990

SOUTHWEST REGION  
200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

Mr. Joe Thomas  
Exxon Company, U.S.A.  
Post Office Box 1600  
Midland, Texas 79702

RE: Porcupine Prospect #6140

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Exxon State Com #16-1  
E/2 Section 16, T-17-S, R-31-E  
Eddy County, New Mexico

Dear Mr. Thomas:

Reference is made to our prior correspondence and conversations concerning the drilling of the above referenced well.

As we have discussed, Pacific is planning to file with the New Mexico Oil Conservation Division an application to limit the Penn-Fren Pool to its existing boundaries and request that any new well drilled next to this pool be spaced according to current statewide rules.

Currently Pacific or its partners control all of the NE/4, N/2NW/4 and S/2SW/4. We have approached the record title owners to the N/2SW/4 and S/2NW/4 but they think Exxon might own these tracts in addition to your interest in the SE/4; however, there is nothing of record that we can locate to support this.

Previously Exxon has declined to participate in the drilling of the initial well with their 50% working interest. Pacific therefore proposes the formation of a one Section Working Interest Unit wherein Exxon would have a 25% working interest, unless you can furnish title information to the W/2 which would increase your interest to 50%. The initial well would be drilled approximately 1980' FNL and 1980' FEL of said Section 16 and would be drilled to a depth sufficient to test the Morrow formation which is expected to be encountered at approximately 12,100'. I have enclosed for your review and approval two (2) copies of the Authority For Expenditure for the initial well. Please sign and return one copy, retaining the other for your records. Upon our receipt, I will forward a Joint Operating Agreement for your execution.

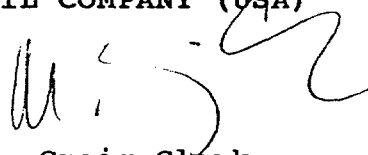
In the event you do not wish to participate in the drilling of the initial well or the formation of the Working Interest Unit, Pacific requests a farmout of your interest wherein Exxon will deliver a 75% net revenue before payout with the option to convert your reserved overriding royalty interest at payout to a 25% working interest, said overriding royalty interest and working interest would be subject to proportionate reduction.

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Should Exxon wish to farmout, please let me know and I will prepare a formal agreement for your execution. Pacific anticipates an August 22, 1990 hearing, therefore your prompt attention would be appreciated.

Very truly yours,

**PACIFIC ENTERPRISES  
OIL COMPANY (USA)**

A handwritten signature in black ink, appearing to read 'M. Craig Clark', with a stylized flourish extending to the right.

M. Craig Clark  
Landman

MCC/dsr