

777211

Chama Petroleum Company

Exploration and Production
P.O. Box 31405
5447 Glen Lakes Drive
Dallas, Texas 75231
214-739-1778

August 22, 1985

CERTIFIED
RETURN RECEIPT REQUESTED

Mr. F. H. Mills, Jr.
1704 First National Bank Bldg.
P.O. Box 465
Midland, Texas 79702

Re: NW $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 4
T-19-S, R-26-E
Eddy County, New Mexico

BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
CHAMA	EXHIBIT NO. <u>4</u>
CASE NO.	<u>8703</u>

Dear Mr. Mills:

Inasmuch as the value of this particular prospect is marginal, I felt our offer to lease was just compensation for including all of the captioned acreage in said lease. Accordingly, as we are not in agreement as to lease terms, returned herewith is your lease.

You will be receiving a notice of force pooling. If you wish to forego the force pooling, enclosed please find six (6) copies of an AFE, two (2) for each of you, to sign and return one (1) copy and one (1) copy for your files if you should decide to participate in the drilling of this well.

Yours truly,

Mark K. Nearburg
Landman

Mt.N/kc
Enclosure

cc: Mr. Jack L. Russell
Mr. Ralph L. Way

F. H. Mills, Jr.

1704 FIRST NATIONAL BANK BUILDING

P. O. BOX 465

Midland, Texas 79702

(915) 683-1088

August 13, 1985

Re: NW/4 SE/4 Section 4,
T-19-S, R-26-E,
Eddy County, New Mexico

Chama Petroleum Company
P. O. Box 31405
Dallas, Texas 75231

Attention: Mr. Mark Nearburg

Gentlemen:

Reference is made to our telephone conversation of August 12, 1985, and your question of the remaining acreage which was not included on the Oil and Gas Lease to you dated July 31, 1985.

If the acreage provided for in the above lease is unacceptable, please return the original of said lease, as we are not interested in leasing more than the drillsite for the terms provided for.

An early reply will be appreciated.

Yours very truly,


F. H. Mills, Jr.

FHM-SSB

CC: Mr. Jack L. Russell
Mr. Ralph L. Way

RECEIVED AUG 16 1985

*8-12-85
called F. H. Mills, Jr.
and he said to see 45214
face page Mr*

F. H. Mills, Jr.

1704 FIRST NATIONAL BANK BUILDING
P. O. BOX 465

Midland, Texas 79702
(915) 683-1088

August 7, 1985

Re: Section 4, T-19-S, R-26-E
Eddy County, New Mexico

Chama Petroleum Company
P. O. Box 31405
Dallas, Texas 75231

Attention: Mr. Mark Nearburg

Gentlemen:

Reference is made to previous correspondence and conversations with your Mr. Mark Nearburg, concerning a short term oil and gas lease covering the following described acreage for the purpose of drilling a Glorieta-Yeso test.

NW/4 SE/4 Section 4, T-19-S, R-26-E,
Eddy County, New Mexico

Enclosed please find a duly executed 90-day oil and gas lease, which is on the form you desired.

We would appreciate being kept informed as to the status of the lease and the well which is to be drilled.

Yours very truly,

F. H. MILLS, JR.

Sandie Brown

Sandie Brown

SSB
Encl.

CERTIFIED MAIL #P402 899 080
RETURN RECEIPT REQUESTED

RECEIVED AUG 12 1985

Chama Petroleum Company

Exploration and Production
P.O. Box 31405
5441 Glen Lakes Drive
Dallas, Texas 75231
214-739-1778

July 10, 1985

Mr. Jack Russell
Mr. Ralph Way
Mr. F. H. Mills, Jr.
P. O. Box 1604
Midland, TX 79702

RE: NW/4 SE/4 and E/2 SW/4 SE/4, Section 4, T-19-S,
R-26-E, Eddy County, New Mexico

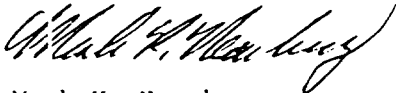
Gentlemen:

My last correspondence to you concerning a lease on the captioned acreage was a letter dated August 3, 1983 at which time we decided to wait until Chama was ready to drill before pursuing a lease.

Chama is now ready to drill a Glorieta-Yeso test in the NW/4 SE/4 of the captioned lands. Therefore, I request either a quarter royalty, no bonus, six month term lease limited to 100' below total depth drilled but covering all the captioned lands, i.e. no Pugh Clause, or if you desire, I will promptly provide you with an AFE from which you may elect to participate.

As time is of the essence hereof, I will appreciate a response by Tuesday, July 16, 1985.

Yours truly,



Mark K. Nearburg
Landman

MKN/b

P.S. This is our standard New Mexico lease form.

Chama Petroleum Company

Exploration and Production
P.O. Box 31405
5447 Glen Lakes Drive
Dallas, Texas 75231
214-739-1778

August 3, 1983

Mr. Jack Russell
Mr. Ralph Way
Mr. F. H. Mills, Jr.
P. O. Box 1604
Midland, TX 79702

RE: NW/4 SE/4 and E/2 SW/4 SE/4, Section 4, T-19-S,
R-26-E, Eddy County, New Mexico

Dear Mr. Russell:

I first contacted Mr. Ralph Way concerning the captioned land on Monday, July 18, 1983, and offered \$75/acre for a five (5) year, 3/16 lease with no restrictions. I tried to reach Mr. Way twice on Wednesday, July 20, 1983 without success. I called him again on Friday, July 22, 1983, and he told me that you would probably want a 1/4 royalty, but he had not talked to you or Mr. Mills. Shortly thereafter, on Friday, July 22nd, I called you and we discussed various terms for an oil and gas lease. Chama Petroleum was willing to pay \$75/acre for a 3 year, 3/16 lease which you said was unacceptable. You then told me that yourself, Mr. Way and Mr. Mills would require \$100/acre bonus for a two (2) year lease with a 3/16 royalty and a depth limit of -3,000 ft.

I considered these to be unreasonable terms and in the following days I considered reasonable alternatives. On August 2, 1983, I called you and said that we would be willing to pay \$100/acre for a 2 year, 3/16 royalty lease if we could have the rights from the surface to 100' below total depth drilled.

You rejected this offer on behalf of yourself, Mr. Mills and Mr. Way, whereupon I made the offer of a 1/4 royalty lease with an 18 month term and no bonus, which is the type of agreement we have made with other industry people in the area. You rejected this offer and told me the lease would cost \$100/acre for a 2 year lease with a 3/16 royalty above 3,000', and a 1/4 royalty below 3,000'.

Mr. Jack Russell
August 3, 1983
Page 2

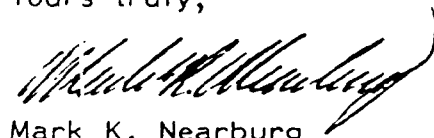
We feel that there are three options that are economical for this prospect.

1. A two year lease with a $3/16$ royalty, paying \$100/acre bonus and earning the rights to 100' below total depth drilled.
2. A $1/4$ royalty lease for 18 months, no bonus, earning the rights to 100' below depth drilled.
3. Participate in this prospect with your interests.

Please reply in writing on behalf of yourself, Mr. Mills and Mr. Way at your earliest convenience.

Thank you for your time and consideration.

Yours truly,



Mark K. Nearburg
Lancman

MKN/b