

SFEC

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8820

500 West Illinois
Midland, Texas 79701
915/687-3551

January 17, 1986

HAND DELIVERED TO
EXXON CORPORATION

Received by Douglas C. Bolino
Date January 20, 1986

RE: OD NM 617,056
Johnson #1
1980' FNL and 660' FWL
Section 24, T22S, R27E
Eddy County, NM
Indian Draw Prospect
Carlsbad Area

See Attached List

Gentlemen:

Pursuant to the verbal well proposal, enclosed is one copy and one (1) extra signature page to the proposed Operating Agreement for the referenced well. Also enclosed are two (2) copies of the cost estimate (AFE) pertaining to same.

As discussed, due to a February 19 spud date (as imposed by Farmout Agreement), we felt it necessary to go ahead and get placed on the New Mexico Oil Conservation Division's docket of February 5, 1986 for a Compulsory Pooling action against Exxon Corporation and Spectrum 7 Energy Corporation to insure a timely response to this proposal. A copy of the application for hearing is enclosed for your reference. It is Santa Fe's hope that an agreement can be reached between all parties prior to the hearing and thus avoid such an action.

Please note that the enclosed Operating Agreement is the identical form agreed upon between our respective companies when we drilled the Lovelace #1 well in the south half of Section 27, T22S, R27E with the exception of Exhibit "C" (Copas). Said Exhibit has been updated to the 1984 form. In doing so, the Overhead Rates have been slightly increased to reflect the increased depth of this test in relation to the Lovelace #1.

If it is your company's election to join in this test, it is requested that you execute and return one (1) copy of the extra signature page to the Operating Agreement and one (1) copy of the AFE. If your company is not in favor of joining, Santa Fe would entertain entering into a mutually acceptable farmout agreement.

Due to the short fuse on this project, a counterpart of the Operating Agreement is being sent to Santa Fe's management for signature concurrently with this letter. An original signature page with Santa Fe's signature will follow as soon as it is available.

Your cooperation in this matter is most appreciated. Should you have any questions, please feel free to call.

Sincerely,

Patrick J. Tower
Patrick J. Tower
Senior Landman

cysl42
attachment

OD NM 617,056
Johnsor. #1
Eddy Ccunty, NM

Kriti Exploration, Inc.
One Allen Center, Suite 2700
500 Dallas Street
Houston, TX 77002

Attention Jack Wheeler

Spectrum 7, 1984-85 Private Drilling Partnership
Spectrum 7 1984 Drilling Program
Spectrum 7 Institutional Drilling Partnership
c/o Spectrum 7 Energy Corporation
Managing General Partner
Box 10626
Midland, TX 79702

Attention Mike Childers

Exxon Corporation
P. O. Box 1700
Midland, TX 79702

Attention Doug Robison
Land-Unitization

Santa Fe Energy Company

500 West Illinois
Midland, Texas 79701
915/687-3551

January 17, 1986

HAND DELIVERED TO SPECTRUM
ENERGY CORPORATION, Managing Partner
Received by *Michael R. Chiles*
Date: 1-20-86

RE: OD NM 617,056
Johnson #1
1980' FNL and 660' FWL
Section 24, T22S, R27E
Eddy County, NM
Indian Draw Prospect
Carlsbad Area

See Attached List

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Sincerely,

Patrick J. Tower
Patrick J. Tower
Senior Landman

cys142
attachment

OD NM 617,056
Johnson #1
Eddy County, NM

Kriti Exploration, Inc.
One Allen Center, Suite 2700
500 Dallas Street
Houston, TX 77002

Attention Jack Wheeler

Spectrum 7, 1984-85 Private Drilling Partnership
Spectrum 7 1984 Drilling Program
Spectrum 7 Institutional Drilling Partnership
c/o Spectrum 7 Energy Corporation
Managing General Partner
Box 10626
Midland, TX 79702

Attention Mike Childers

Exxon Corporation
P. O. Box 1700
Midland, TX 79702

Attention Doug Robison
Land-Unitization

500 West Illinois
Midland, Texas 79701
915/687-3551

January 23, 1986

Re: OD-NM-617,056
Johnson #1
1980' FNL & 660' FWL
Section 24, T-22-S, R-27-E
Eddy County, New Mexico
Indian Draw Prospect
Carlsbad Area

Exxon Corporation, U.S.A.
P.O. Box 1600
Midland, Texas 79702

Attn: Mr. Doug Robison

Gentlemen:

As a follow-up to the letter of January 17, 1986, enclosed please find two updated cost estimates (AFEs) pertaining to the referenced well. It was discovered that the AFE which was furnished with the January 17 letter contained an addition error under the producer column. The enclosed AFE corrects the error. Please substitute the enclosed AFE for the one originally furnished.

We apologize for any inconvenience this oversight might have caused. Should you have any questions, please advise.

Sincerely,

Patrick J. Tower
Patrick J. Tower
Senior Landman

sbh4110
Enclosures

500 West Illinois
Midland, Texas 79701
915/687-3551

January 23, 1986

Re: OD-NM-617,056
Johnson #1
1980' FNL & 660' FWL
Section 24, T-22-S, R-27-E
Eddy County, New Mexico
Indian Draw Prospect
Carlsbad Area

Spectrum 7, 1984-85 Private Drilling Partnership
Spectrum 7 1984 Drilling Program
Spectrum 7 Institutional Drilling Partnership
c/o Spectrum 7 Energy Corporation
Managing General Partner
P.O. Box 10626
Midland, Texas 79702

Attn: Mr. Mike Childers

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Sincerely,



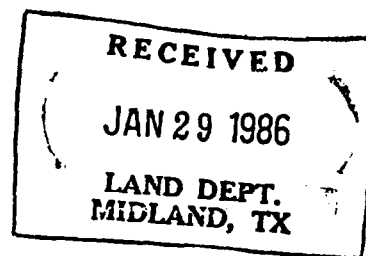
Patrick J. Tower
Senior Landman

sbh4110
Enclosures

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

EXPLORATION DEPARTMENT
CENTRAL DIVISION

WAS	BLC
TF	NG
DB	MS
VDD	EST
PT-29	CS
HB	NEW
SH	FILE
GG	



January 28, 1986

RE: Johnson #1
Section 24-22S-27E
Eddy County, NM

Santa Fe Energy Co.
500 W. Illinois
Midland, TX 79701

Attn: Mr. Patrick J. Tower

Gentlemen:

In reference to the above captioned well please be advised that we continue to remain open as to a meeting between your staff and ours in order to discuss the feasibility of a southwest location rather than the proposed northwest location. Our Andrews Geologic Group has indicated that they will be glad to grant an unorthodox location 660' in the corner of the southwest quarter.

As discussed with you previously, we are concerned as to the gas contract situation. Please advise if you see any room for negotiation on these various proposals and whether or not we should be providing you any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Douglass C. Robison".

Douglass C. Robison
Land-Unitization
(915) 683-0467

DCR:cs

Santa Fe Energy Company



500 West Illinois
Midland, Texas 79701
915/687-3551

January 30, 1986

Re: OD-NM-617,056
Johnson #1 Well
W/2 Sec. 24, T-22-S,
R-27-E, Eddy County, NM,
Indian Draw Prospect
Carlsbad Area

Exxon Company, U.S.A.
P.O. Box 1600
Midland, Texas 79702-1600

ATTN: Douglass C. Robison

Gentlemen:

In response to your letter of January 28, 1986, and subsequent conversation on January 29th, please be advised that Santa Fe Energy Company is not willing to meet with Exxon concerning the location of the referenced well. This decision is due to the fact that Exxon has requested Santa Fe to reveal its geological interpretations without any reciprocation on the part of Exxon. In light of the compulsory pooling hearing in the near future, it would be Santa Fe's opinion that this type of meeting would not lend itself to any kind of negotiation, but only to Exxon's preparation for the hearing.

Also, as pointed out in a meeting with Doug Robison on January 27, 1986, it was noted that Santa Fe has drilled nine gas wells in this area since early 1983, one of which your company is a partner in. All of the gas wells except one have been hooked up to a pipeline with current gas sales. In fact, the two closest wells to the Johnson #1 were put on line in December of 1985. The one well which is not connected is in the process of being hooked-up. As pointed out, Santa Fe's Gas Department was contacted concerning Exxon's concerns as to the gas contract situation. They advised that they felt reasonably secure that should we establish production on the Johnson #1, a reasonable gas contract could be secured, especially in light of the existing production in the area.

Hopefully this letter has adequately addressed Exxon's concerns. Please advise as to whether you have any questions concerning this matter.

Sincerely yours,


Patrick J. Tower
Senior Landman

PJT/efw1166

Santa Fe Energy Company



800 West Illinois
Midland, Texas 79701
915/687-3551

February 10, 1986

Re: OD-NM-617,056
Johnson #1 Well
W/2 Sec. 24, T-22-S,
R-27-E, Eddy County, NM,
Indian Draw Prospect
Carlsbad Area

*Hand delivered on
2-11-86 TO EXXON*

Exxon Company, U.S.A.
P.O. Box 1600
615 West Missouri
Midland, Texas 79702

*2-11-86
Copy HAND DELIVERED TO
Spectrum 7 Energy Corporation
PJT*

ATTN: Doug Robison

Gentlemen:

In response to your request that the feasibility of a southwest location be considered rather than the proposed northwest location, please be advised that Santa Fe Energy Company would be willing to locate this test in the Southwest quarter at a location being 660' FWL and 1980' FSL, assuming there are no surface problems. The proration unit to be assigned to said test would be the W/2 and the well name would then be changed to the Ferguson "A" #1. Santa Fe Energy Company still prefers the proposed location in the Northwest quarter based on current geological interpretation, however would move to the southwest quarter location to help expedite the drilling of a well.

Once you have a chance to consider the above, please advise as to your response. If we can be of further assistance, please feel free to call.

Sincerely yours,

Patrick J. Tower
Patrick J. Tower
Senior Landman

PJT/efw1170-1