AMERICAN TRADING AND PRODUCTION CORPORATION
WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79702

February 12, 1980

915 / 684-4463

WEST TEXAS / NEW MEXICO DISTRICT

Regional Oil & Gas Supervisor
U.S.G.S.
Roswell, New Mexico 88201

RE: Approval of Talco Federal and State Unit

Dear Sir,

The following geological report concerning the proposed Talco Federal and State Unit is submitted for your approval. The Talco Unit is to include sections 1, 2, 11, 12, 13, 14, 24 and E/2 of 10, T26S, R35E, located in Lea County, New Mexico, 9 miles southwest of Jal.

Geological

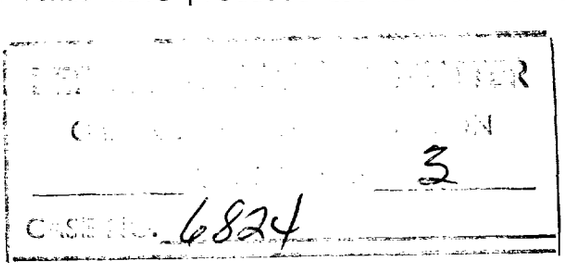
The Talco prospect is located near the Western margin of the Central Basin Platform in a complex zone of down-to-the-basin faults. The prospect is interpreted as a pre-existing structural high which was complexly faulted during development of the Central Basin Platform. Detailed Atoka facies analysis and seismic interpretations indicate that substantial reefal development occurred on the ancient structural anomaly. BTA tested 200 MCFD from the Atoka in their #1 Hagood 7608 JV-P well located three miles south of the proposed location. This well was later potentialed (CAOF 1.811 MMCFGPD) from the Strawn and Atoka zones. Since 5-9-77 the well has produced 171 MMCFG. The Skelly #1 Mexico "P" Federal located 2 miles southwest tested 900 MCFD and was potentialed for 2.823 MMCFGPD. This well has subsequently produced 1,860 MMCFG and 8,800 BO.

Prospect limits are defined by numerous seismic lines ranging in quality from poor to good. In the event reefal Atoka facies are present indicating a pre-existing high, this well will probably be drilled to evaluate the Fusselman at a depth of 18,300'. The El Paso Natural Gas #1 Sinclair located 1.5 miles SE of the proposed location did not drill deep enough to test the Atoka formation.

Prospective Pay Zones

1. Atoka - Prolific gas producer in the Crittendon field located 7 miles south in Winkler County, Texas. Since its discovery in 1968, the 6 Crittendon Atoka wells have produced 122.16 BCFG and 1,997 MB Condensate.

2. Devonian - This formation is extremely productive to the South along the same structural trend. Nine wells in the Evetts field, Winkler County, Texas have produced 299.12 BCFG since production began in 1971.



3. Fusselman - This formation is an excellent producer in the Crittendon field and other Delaware Basin fields. Fusselman production in the Delaware Basin is generally dependent upon structural closure.

The Atoka formation is the primary objective for this wildcat test. Log analysis suggests that the Morrow formation may be productive in nearby wells therefore it is necessary to evaluate the Pennsylvanian to a depth of 16,400'. In the event that the Atoka facies and structural position are encouraging, it would be necessary to drill to and evaluate the Fusselman formation.

Conclusion

A Federal and State Unit consisting of sections 1, 2, 11, 12, 13, 14, 24 and E/2 of 10, T26S, R35E Lea County, New Mexico is warranted for a 16,400' Atoka test with the option to test the Fusselman at 18,300'. All acreage estimated to be commerically productive has been included within the proposed unit outline.

Your approval of the proposed Talco Federal and State Unit is requested in order that we may proceed with the drilling of the Atapco #1 Beard-Federal.

Sincerely,

Deon Christensen

Deon Christensen
District Geologist

DC/pp