

DRUM ENERGY
C O R P O R A T I O N

P.O. Box 2134
Midland, Texas 79702
915/684-9081
Fax 915/683-3520

December 30, 1993

New Mexico Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, NM 87501

RE: Application for Administrative Approval, Off-Lease Storage
Frances Evelyn #1, House Blinebry Field
Unit letter N, Sec. 35, T19S-R38E, Lea County

Gentlemen:

This well is located on a 40 acre tract at the community of Nadine. This tract has been subdivided into small tracts ranging from .8 acre to 5 acres in size. Many of the owners have established residences. The road into the Frances Evelyn #1 is a school bus route. We ask approval to locate the battery for the Frances Evelyn #1 on property adjacent to the east which has not been subdivided and is on a 1/4 section farm. This would be a safer arrangement because of reduced truck traffic through the neighborhood and having storage a safer distance from residences. It would also be an act of goodwill and cooperation by keeping the neighborhood more sightly and giving the residents the most use of their land. Attached is a plat showing this proposal.

Addressing the six points covered in Rule 309-C:

1. All production is from the same common source of supply as off-lease storage is being applied for on only one well.
2. Commingling of production from the two leases will not result because their facilities will have no common parts.
3. There will be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease.
4. and 5. Attached are lists of the working interest owners of each lease, a copy of the notification sent to each working interest owner, and copies of the certified mail receipts for the mailing.
6. The minerals of the Frances Evelyn #1 are fee. The surface of the Werta Federal #1 is fee. Attached is authorization from the surface owner to have the Frances Evelyn #1 battery on his property.

Yours truly,
Drum Energy Corporation

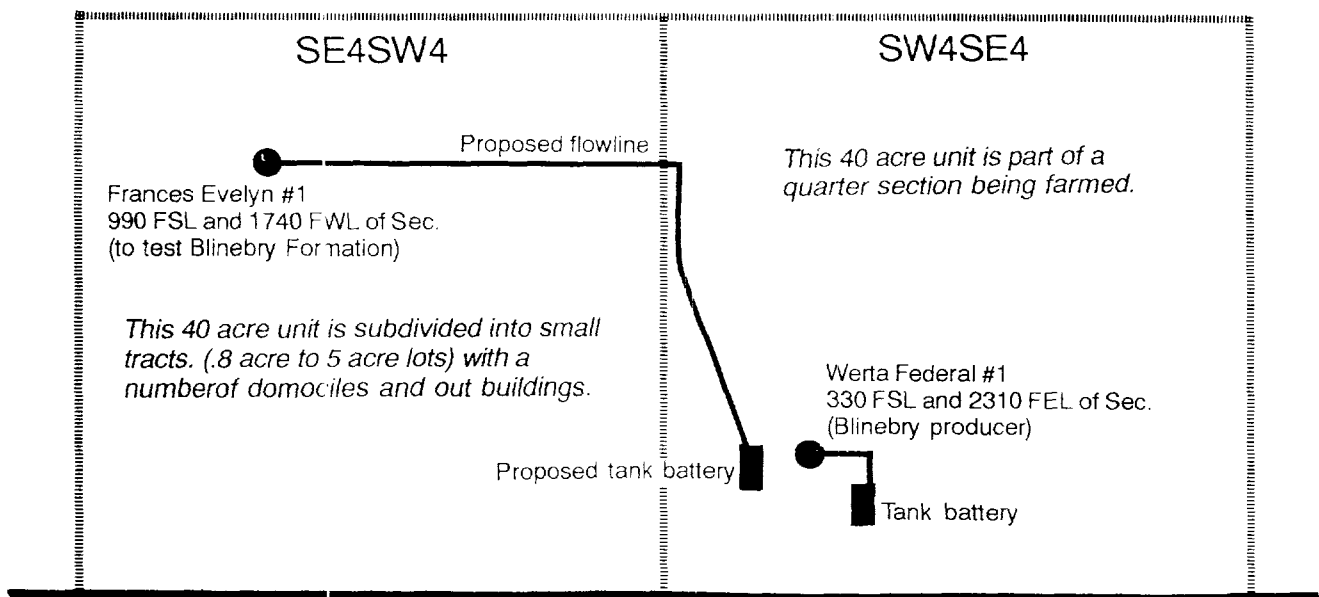

By: David R. Mussett, President

DRUM ENERGY
C O R P O R A T I O N

P.O. Box 2134
Midland, Texas 79702
915/684-9081
Fax 915/683-3520

Attachment to application for ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE, Frances Evelyn #1

Section 35
T19S-R38E
Lea County



WORKING INTEREST OWNERSHIP OF THE FRANCES EVELYN #1

SE4SW4 Section 35, T19S-R38E, N.M.P.M., Lea County, New Mexico

	<u>WI</u>	<u>NRI</u>
Nancy B. Cafiero c/o Panther Canyon Oil and Gas 214 W. Texas, Ste. 704 Midland, TX 79701	0.06250000	0.04905754
Tom R. Cone P.O. Box 778 Jay, OK 74346	0.10914375	0.08566918
DASCO Energy Corporation P.O. Box 2545 Hobbs, NM 88241	0.12500000	0.09811508
O.T. Maxwell 910 W. Tennessee Midland, TX 79701	0.01500000	0.01177381
David R. Mussett P.O. Box 2134 Midland, TX 79702	0.06085625	0.04776733
Marian Mussett P.O. Box 2134 Midland, TX 79702	0.06562500	0.05151042
Paper Time, Inc. 119 N. Colorado, Ste. 505 Midland, TX 79701	0.03125000	0.02452877
Ralph Fate Route 1 Covington, TX 76636	0.25000000	0.19623016
Patoil Corporation P.O. Box 10808 Midland, TX 79702	0.12500000	0.09811508
N.R. Rousselot & Sons P.O. Box 1860 Midland, TX 79702	0.10000000	0.07849206
R. P. Shaeffer 2501 88th St. NE Bellevue, WA 98004	0.02000000	0.01569841
S. B. Shaeffer 214 W. Texas, Ste. 705 Midland, TX 79701	0.02000000	0.01569841
John P. Cox Oil & Gas Enterprises P.O. Box 10885 Midland, TX 79702	0.01562500	0.01269531
Royalty		0.21464844
Totals	1.00000000	1.00000000

WORKING INTEREST OWNERSHIP OF THE WERTA FEDERAL #1

SW/4S1/4 Section 35, T19S-R38E, N.M.P.M., Lea Co., N.M.

	<u>WI</u>	<u>NRI</u>
Nancy B. Cafiero c/o Panther Canyon Oil and Gas 214 W. Texas, Ste. 704 Midland, TX 79701	0.10000000	0.07743280
John E. Casey P.O. Box 10533 Midland, TX 79702	0.05000000	0.03871640
C. M. Gafford c/o Terry Pate 502 N. McKinney Odessa, TX 79763	0.10000000	0.07743280
O.T. Maxwell 910 W. Tennessee Midland, TX 79701	0.02660000	0.02059712
David R. Mussett P.O. Box 2134 Midland, TX 79702	0.09215000	0.07135432
Marian Mussett P.O. Box 2134 Midland, TX 79702	0.10000000	0.07743280
Paper Time, Inc. 119 N. Colorado, Ste. 505 Midland, TX 79701	0.05000000	0.03871640
Ralph Pate Route 1 Covington, TX 76636	0.15000000	0.11614919
Terry Pate 502 N. McKinney Odessa, TX 79763	0.15000000	0.11614919
N.R. Rousselot & Sons P.O. Box 1860 Midland, TX 79702	0.10000000	0.07743280
R. P. Shaeffer 2501 88th St. NE Bellevue, WA 98004	0.02500000	0.01935820
S. B. Shaeffer 214 W. Texas, Ste. 705 Midland, TX 79701	0.02500000	0.01935820
Centerfire Resources P. O. Box 3855 Midland, TX 79702	0.03125000	0.02031250
Royalty		0.22955729
Totals	1.00000000	1.00000000

DRUM ENERGY
C O R P O R A T I O N

P.O. Box 2134
Midland, Texas 79702
915/684-9081
Fax 915/683-3520

December 15, 1993

TO: Working Interest Owners,
Frances Evelyn #1, (SE4SW4 Sec. 35 T19S-R38E)
Werta Federal #1, (SW4SE4 Sec. 35 T19S-R38E)

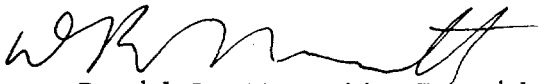
RE: OFF-LEASE STORAGE of Frances Evelyn #1 production

Ladies and gentlemen:

We intend to locate the battery for the Frances Evelyn #1 on the Werta Federal #1 lease. The storage facilities for the two wells will be entirely separate, with no common parts whatsoever. Production from the Frances Evelyn #1 will be transported via flowline to its battery prior to measurement. Such an arrangement will be beneficial to the community residing on the Frances Evelyn lease, allaying their safety and aesthetic concerns.

This notification is made in accordance with NMOCD Rule 309-C.

Yours truly,
DRUM ENERGY CORPORATION



By: David R. Mussett, President

P 178 933 632

Receipt or Certified Mail

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

Sent to	S. B. Shaeffer
Street and No.	214 W. Texas Ste 604
P.O., State and ZIP Code	Midland TX 79701
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 178 933 631

Receipt for Certified Mail

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

Sent to	Marian Mussett David Mussett
Street and No.	P.O. Box 2134
P.O., State and ZIP Code	Midland, TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 178 933 633

Receipt for Certified Mail

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

Sent to	Tom R. Conner, Jr.
Street and No.	P.O. Box 778
P.O., State and ZIP Code	Jay OK 74346
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 178 933 634

Receipt or Certified Mail

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

Sent to	Patoil Corp.
Street and No.	P.O. Box 10808
P.O., State and ZIP Code	Midland, TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

Receipt or Certified Mail

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

Sent to	John Cox Oil & Gas
Street and No.	P.O. Box 10885
P.O., State and ZIP Code	Midland TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Receipt for Certified Mail

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

Sent to	DASCO Energy Corp.
Street and No.	P.O. Box 2545
P.O., State and ZIP Code	Hobbs NM 88241
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Form 3800, June 1991

Receipt or Certified Mail

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

Sent to	Terry Tate
Street and No.	502 N. McKinney
P.O., State and ZIP Code	Odessa TX 79763
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Form 3800, June 1991

Receipt for Certified Mail

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

Sent to	Ralph Tate
Street and No.	Route 1
P.O., State and ZIP Code	Covington TX 76636
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Form 3800, June 1991

P 198 933 642

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

Sent to	R.P. Shaffer
Street and No.	2501 88th St. NE
P.O., State and ZIP Code	Bellevue WA 98004
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 640

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

Sent to	PaperTime Inc.
Street and No.	119 N Colorado Ste 505
P.O., State and ZIP Code	Midland TX 79701
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 641

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

Sent to	D.T. Maxwell
Street and No.	910 W. Tennessee
P.O., State and ZIP Code	Midland TX 79701
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 646

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

Sent to	Nancy B. Caffero
Street and No.	214 W. Texas Ste 704
P.O., State and ZIP Code	Midland TX 79701
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 643

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

Sent to	N.R. Rousselet & Sons
Street and No.	P.O. Box 1860
P.O., State and ZIP Code	Midland TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 644

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

Sent to	John E. Casey
Street and No.	P.O. Box 10533
P.O., State and ZIP Code	Midland TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 645

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

Sent to	CenterFire Resources
Street and No.	P.O. Box 3855
P.O., State and ZIP Code	Midland TX 79702
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

P 198 933 646

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

Sent to	G. M. Gafford
Street and No.	P.O. Box 1401
P.O., State and ZIP Code	Alpine TX 79831
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

December 9, 1993

Clearwater Corporation
P.O. Box 779
Hobbs, NM 88240

Drum Energy Corporation
Box 3134
Midland, Texas 79702

Attention: Dave Mussett

Dear Mr. Mussett;

This letter shall serve as an agreement between Clearwater Corporation and Drum Energy to allow Drum Energy to place a battery for the Francis Evelyn #1 on the Werta Federal #1 location site. In return, Drum Energy will furnish natural gas for the irrigation well motors in the S/E 1/4 of Sec. 35 - T18S - R39E - Lea Co., NM

Yours truly,

A handwritten signature in dark ink, appearing to read "Guy Williams", with a long horizontal flourish extending to the right.

Guy Williams
Vice President