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CERTIFIED MAIL
RETURN RECEIPT REQUESTED
P 357 926 852

November 14, 1990



Mr. Cleve I. Noble, Sr.
No. 391 Road 5500
Bloomfield, New Mexico 87413

RE: Gallegos Canyon Unit #516
NW 1/4 SW 1/4 Sec. 7, T28N-R11W
San Juan County, New Mexico

RECEIVED
NOV 19 1990
OIL CON. DIV
DIST. 3

Dear Mr. Noble:

BHP Petroleum (Americas) Inc. has reviewed our original proposal to drill the above referenced well at its presently staked location adjacent to Amoco Production Company's #138-E well.

Our review was prompted by your contact and subsequent conversation with Fred Lowery, our Operations Superintendent for that area.

After further review of our original proposal and the other potential drillsites for the subject well, it has been decided to drill the subject well at its present staked location.

We apologize for any inconvenience this may cause and continue to offer \$1,500 as compensation for the use of the area necessary to drill, complete and produce the subject well.

We feel that drilling the well at the presently staked location will minimize surface disturbance and other impacts to the area.

As was discussed in my letter of October 9, 1990 and the Surface Use Agreement enclosed with that letter, we will try to minimize surface disturbance caused by pipeline construction also.

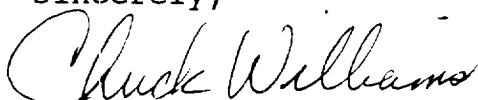
Please review the Surface Use Agreement that was enclosed in my October 9, 1990 letter and inform BHP of your decision to accept our offer.

Mr. Cleve I. Noble, Sr.
Bloomfield, NM
Re: GCU #516

The State of New Mexico, Oil Conservation Division, has approved our request to drill the well at the staked location, thus we intend to start construction within two weeks.

Please don't hesitate to contact me if you have any questions.

Sincerely,



Chuck Williams
Field Services Administrator
Inland Business Unit

CW/nj

cc: BHP Petroleum (Americas) Inc.
Jon Bowden - Legal Department
Bob McNeal - Land Department
Fred Lowery - Farmington
Ernie Busch - NMOCD Aztec, NM

