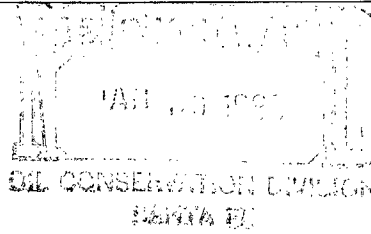




A Subsidiary of
Union Pacific Corporation

January 10, 1986



State of New Mexico
Oil Conservation Commission
P O Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Mike Stogner

RE: Non-Standard Proration Unit
New Mexico State Order R-1069-D
Township 25 North, Range 11 West
Section 29: W/2NW/4
San Juan County, New Mexico

Gentlemen:

Champlin Petroleum Company (operator), along with its partners Chorney Oil Company and Norcen Energy Inc., plan to drill a 5120' Lower Gallup formation test on Federal Oil and Gas Lease NM-57577 at a location in the SW/4NW/4 of Section 29, Township 25 North, Range 11 West, San Juan County, New Mexico.

Champlin, on behalf of its partners, hereby respectfully requests that a non-standard proration unit ocvering the W/2NW/4, Sec. 29, T25N, R11W be assigned to the above-mentioned well. Champlin has distributed waiver-of-objections to the offsetting lease owners and will forward same to you upon receipt of the executed copies.

Enclosed for your reference is a lease plat showing lease ownership in the subject area. If you have any questions or would like to discuss this matter, please call me at (303) 779-2784. Thank you.

Very truly yours,

Larry D. Lillo
Landman

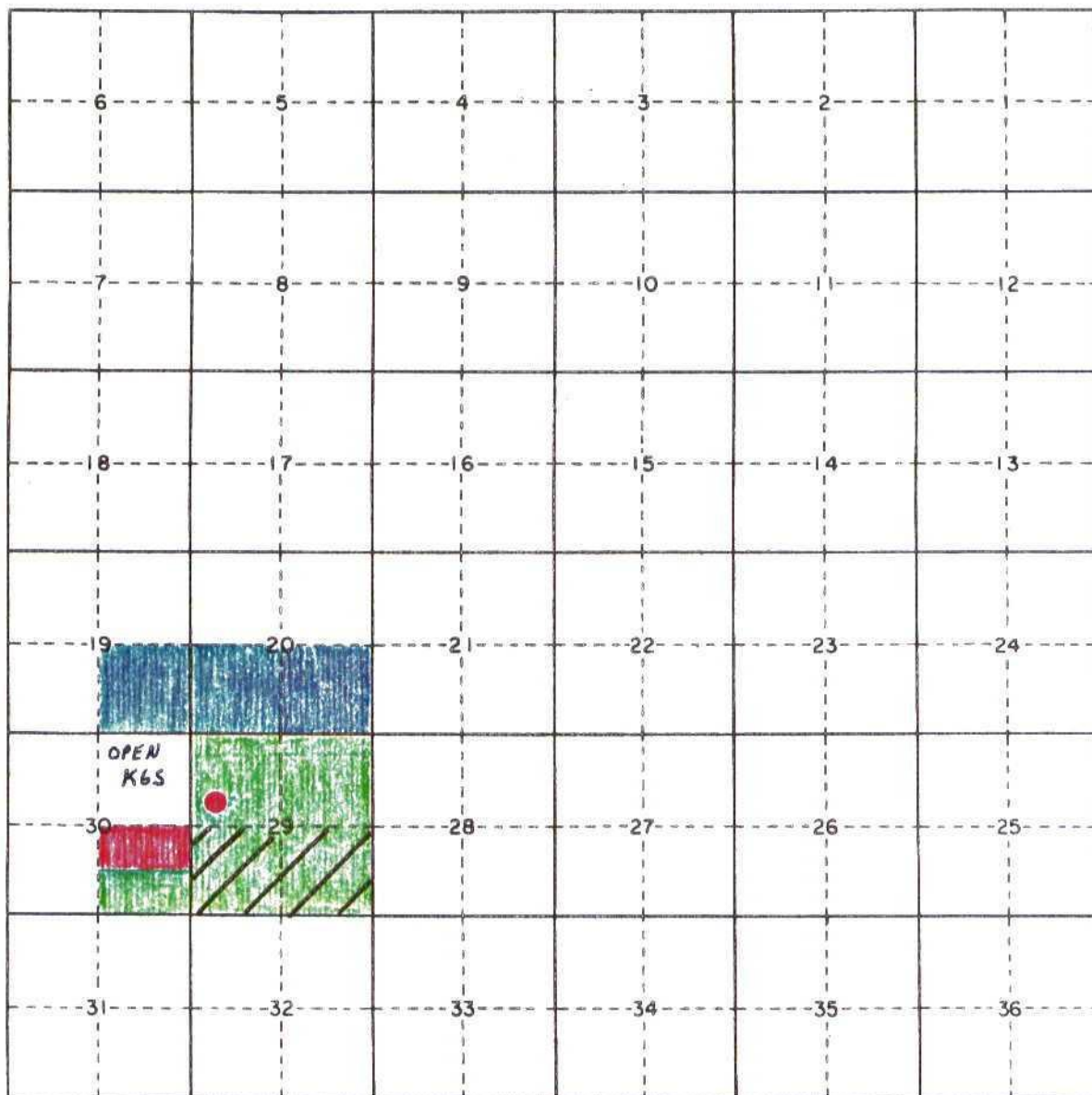
LDL:kmj

Enc.

cc: State of New Mexico-Aztec Office, Mr. Frank Chavez
BLM-Farmington Office, Mr. Bill Bingham
Norcen
Chorney

Section 29 Township 25 North Range 11 West

County San Juan State New Mexico



CHAMPLIN 50%, NORCEN 25%,
CHORNEY 25%



CHAMPLIN 35%, SOUTHERN UNION 30%,
NORCEN 17.5%, CHORNEY 17.5%



WARRAN CARR 80%,
KATHLEEN CONE 20%



HIXON DEVELOPMENT COMPANY



A Subsidiary of
Union Pacific Corporation

January 10, 1986

SEE ATTACHED MAILING LIST

RE: Bisti Lower Gallup Pool
San Juan County, New Mexico

Ladies and Gentlemen:

Champlin Petroleum Company, with its partners Chorney Oil Company and Norcen Energy, Inc., plan to drill a 5120' Lower Gallup formation well in the SW/4NW/4 of Section 29, T25N, R11W, San Juan County, New Mexico.

Under Rule 2 of New Mexico State Order R-1069-D, the designated proration unit for the subject well would normally be the S/2NW/4 of Section 29, T25N, R11W; however, under Rule 4, the Secretary-Director of the Oil Conservation Commission may grant an exception to Rule 2 where no objection is filed by an operator within a 2640-foot radius of the well.

Champlin has requested that the Oil Conservation Commission assign a proration unit for the subject well as follows:

Township 25 North, Range 11 West
Section 29: W/2NW/4

San Juan County, New Mexico

Enclosed is a plat showing lease ownership within a 2640-foot radius of the proposed well location.

Champlin et al would appreciate your approval of a waiver-of-objection to the above-mentioned request, by returning to the undersigned one executed copy of this letter which has been sent in duplicate. Thank you.

Very truly yours,

Larry D. Lillo
Landman

LDL:kmj

Enc.

cc: Mike Stogner, Oil Conservation Commission



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

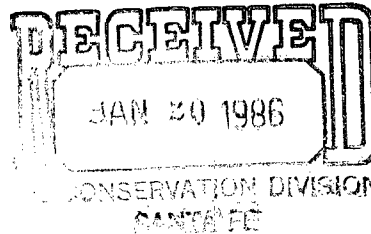
1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE 1-16-86

RE: Proposed MC _____
Proposed DHC _____
Proposed NSL _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

NSP



Gentlemen:

I have examined the application dated 1-16-86
for the Champlin Petroleum Co. E-20 E-2925N-16W
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

*Noted for hearing - Pool rules require N2 + S12
deductions.*

Yours truly,