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February 22, 1983

Ernest L. Padilla, Esq.
First Northern Plaza
Santa Fe, New Mexico 87501

HAND-DELIVERED

OFFICE OF THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. _____	Exhibit No. <u>96</u>
Submitted by _____	
Hearing Date _____	

Re: Oil Conservation Commission Case #7744 (de novo):
Application of Clements Energy, Inc. for Compulsory
Pooling, Lea County, New Mexico

Dear Mr. Padilla:

Following our telephone conversation of February 21, I discussed the above-reference matter with Perry A. Poole who has authorized me to make the following offer in an effort to resolve the dispute which exists between him and Clements Energy, Inc. for development of the NE/4 of Section 14, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico:

Mr. Poole proposes to farm-out the NW/4 NE/4 of Section 14, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico to Clements Energy, Inc. under the following general terms and conditions:

a. On or before June 1, 1983, Clements Energy, Inc. to commence an 11,000-foot (+/-) per Permo Penn test ("Initial Test Well") with proposed location in the NE/4 of Section 14 (Initial Proration Unit is the NE/4).

b. By drilling and completing such "Initial Test Well," Clements Energy, Inc. to earn an assignment of 100% of the NW/4 NE/4 of Section 14, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico as to the proration unit designated for such well. In such agreement, Perry A. Poole to reserve a proportionately reduced 5% overriding royalty interest. Poole to have an option to convert such overriding royalty interest to a proportionately reduced 25% Working Interest after payout. The

Ernest Padilla, Esq.
February 22, 1983
Page 2

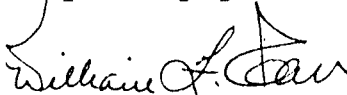
approximate Working Interest before payout and after payout is as follows:

	<u>net acres</u>	<u>original interest</u>	<u>before payout</u>	<u>after payout</u>
Clements Energy, Inc.	120.0	75%	100%	93.75%
P. A. Poole	<u>40.0</u>	<u>25%</u>	<u>0%</u>	<u>6.25%</u>
TOTAL	160.0	100%	100%	100%

I am hopeful that the foregoing will be acceptable to Clements and that the parties can proceed to execute a formal agreement. Since the hearing is scheduled for February 23, 1983, we would accept a copy of this letter noting the acceptance of Clements signed by you as sufficient evidence of the agreement for us to notify the Commission that our application for hearing de novo should be dismissed.

If you have any questions concerning this matter, please advise. Best regards.

Very truly yours,



William F. Carr

WFC:kb

cc: P. A. Poole
3565 Frow Avenue
Miami, Florida 33133