



Texaco Exploration
and Production Inc

500 North Loraine
Midland TX 79701

P. O. Box 2109
Midland TX 79702

October 9, 1996

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**



TO: ALL WORKING INTEREST OWNERS
(See Attached Addressee List)

NM206621 - Rhodes "23" Federal Com. No. 1
Lea County, New Mexico

Ladies and Gentlemen:

Texaco Exploration and Production Inc. (TEPI) proposes the drilling of the captioned horizontal well at a surface location 660' FSL and 1100' FWL of Section 23, T-26-S, R-37-E and a bottom hole location of 1980' FSL and 660' FWL of Section 23, T-26-S, R-37-E. Vertical depth will be approximately 3,200 feet. We anticipate a lateral in Sand 4 of the Middle Yates of approximately 500 feet. We plan an additional lateral in Sand 6 of the Middle Yates of approximately 1400 feet. The proration unit for the well will be the SW/4 of Section 23. TEPI owns the W/2 SW/4 and our records reflect that you are an owner in the E/2 SW/4 as set out in the attachment hereto.

If you would like to join us in the drilling of this well, please execute one original of the attached AFE and return it to me at your earliest convenience. I will then forward an Operating Agreement for your review. If you elect not to join in the drilling of the well, please consider the following options:

- TEPI will purchase your interest for a cash consideration of \$300 per net acre.
- TEPI will purchase a one year term assignment of your interest for \$100 per net acre assuming you can deliver a 75% net revenue interest. You would in turn retain an overriding royalty equal to the difference between 75% and existing burdens.

Please let me hear from you as soon as possible regarding your decision. We anticipate filing a force pooling action with the New Mexico Oil Conservation Division in the very near future.

Please give me a call at (915) 688-4445 if you have any questions.

Very truly yours,

Ronald W. Lanning

RWL:

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11678 Exhibit No. 1
Submitted By:
Burlington Oil & Gas Company
Hearing Date: December 19, 1996

ADDRESS LIST

Ms. Leslyn M. Swierc
Burlington Resources Oil & Gas Company
P.O. Box 51810
Midland, Texas 79710

Larry A. Nermyr
HC-57
Box 4106
Sidney, Montana 59270

James E. Burr
3803 Wedgewood Ct.
Midland, Texas 79707

Ruth Sutton
2826 Moss
Midland, Texas 79705

Oil and Gas Leasehold Estate

W/2 SW/4 of Section 23, T26S, R37E

Texaco Exploration and Production Inc.	100.00000%
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E/2 SW/4 of Section 23, T26S, R37E

Burlington Resources Oil & Gas Company	96.09375% or 76.875 acres
Larry A. Nermyr	1.56250% or 1.250 acres
James E. Burr	1.56250% or 1.250 acres
Ruth Sutton	0.78125% or 0.625 acres

Proration Unit: SW/4 of Section 23, T26S, R37E

Texaco Exploration and Production Inc.	50.000000%
Burlington Resources Oil & Gas Company	48.046875%
Larry A. Nermyr	0.781250%
James E. Burr	0.781250 %
Ruth Sutton	0.390625%

