

Nearburg Exploration Company, L.L.C.

cc. Kathie
Carolyn

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

August 1, 2001

TO ALL WORKING INTEREST OWNERS:
(See Distribution List)

RE: Guernsey "15" #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico
Guernsey Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Guernsey 15 #1-Y well to a vertical depth of 11,500' at the captioned location to test the Strawn formation. We are dedicating the S/2SE/4 as the 80 acre proration unit for this well and have enclosed an AFE setting forth NEC's estimated cost to re-enter the Ruby "22" State #1 well at the surface location and directionally drill to the referenced bottom hole location and complete same as a Strawn producer.

Should you wish to join in the drilling of this well, we ask that you execute both copies of the AFE and return one copy to the undersigned. Upon receipt, we will forward an operating agreement for your approval and execution.

Should you wish not to join in the drilling of this well, we ask that you consider granting us an oil and gas lease on your unleased minerals or a term assignment of any leasehold interest you may own on mutually agreeable terms.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Senior Landman

DR/dw
encl

GUERNSEY 15 #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico

* OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

~~Elbert and Suzy Shipp Trust~~
~~1104 West Ave. J~~
~~Lovington, New Mexico 88260~~

~~John T. Stallings~~
~~P. O. Box 685~~
~~Creedmore, NC 27522~~

~~Alan Jochimsen~~
~~4209 Cardinal Lane~~
~~Midland, Texas 79707~~

* ZIA Royalty, LLC
P. O. Box 2160
Hobbs, NM 88241

~~States, Inc.~~
~~P. O. Box 911~~
~~Breckenridge, TX 76424~~

~~Doornbos Revocable Trust~~
~~P. O. Box 639~~
~~Bartlesville, OK 74005~~

~~Marshall and Winston, Inc.~~
~~P. O. Box 50880~~
~~Midland, Texas 79710~~

~~Roy G. Barton, Jr., Trustee~~
~~of the Roy G. Barton, Sr. and Opal Barton Revocable Trust~~
~~P. O. Box 978~~ 1919 North Turner
Hobbs, NM 88240

~~Roy G. Barton, Jr.~~
~~P. O. Box 978~~ 1919 North Turner
Hobbs, NM 88240

Distribution List - Page Two

E. L. Latham Co.
P. O. Box 1392
Hobbs, NM 88240

The Beveridge Co.
P. O. Box 993
Midland, Texas 79702

Kenneth D. McPeters
P. O. Box 1860
Hobbs, NM 88240

Sun-West Oil and Gas, Inc.
P. O. Box ~~289~~ 788
Hobbs, NM 88241

← per gun card

James Ronald Ewing
7 Tenth Tee Circle
Maumelle, Arkansas 72113

Howell Spear and Mary Nan Spear, his wife
P. O. Box 30169
Pensacola, FL 32503

Norma Jean Chanley
P. O. Box 728
Hobbs, NM 88240



XTO Energy, Inc.
810 Houston Street, Suite 2000
Fort Worth, Texas 76102



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Exploration and Production
3300 North "A" Street
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915/686-8235
Fax 915/686-7806

August 28, 2002

Mr. Doug Hurlbut
OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

RE: Guernsey "15" #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico
Guernsey Prospect

Gentlemen:

Pursuant to our telephone conversation of this date, Nearburg Exploration Company, L.L.C. (NEC) has proposed the drilling of the Guernsey "15" #1-Y at the captioned location. OXY USA WTP Limited Partnership (OXY) has expressed a desire to review the geologic and geophysical data (Data) upon which NEC has relied upon to develop this Prospect. NEC will be willing to provide OXY the opportunity to review the Data, subject to the following terms and conditions.

- 1) Within twenty (20) days of execution of this letter, NEC will provide the Data and present same to OXY.
- 2) Within ten (10) days from the presentation, OXY will agree to one of the following.
 - a) Participate in the drilling of this well and enter into a mutually acceptable form of Operating Agreement naming NEC as Operator.
 - b) Grant a one (1) year lease on OXY's mineral ownership covering the SE/4 of Section 15, reserving a 20% royalty, with no up front bonus.
- 3) OXY agrees to maintain any and all Data presented to them confidential and agrees to enter into a mutually agreeable Confidentiality Agreement.

Mr. Doug Hurlbut
OXY USA WTP Limited Partnership
August 28, 2002
Page Two

If the foregoing meets with OXY's approval, please execute both copies of this letter, returning one executed copy to the attention of the undersigned.

If we can be of further assistance, please advise.

Yours truly,



Duke Roush
Senior Landman

DR/dw

OXY USA WTP LIMITED PARTNERSHIP

By: _____
Its: _____