

July 18, 1967

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>24 16</u>	EXHIBIT NO. <u>#3</u>
CASE NO. <u>3033</u>	

Mr. H. T. Hilliard
 Ashmun & Hilliard
 Suite 1120 - Mills Tower
 220 Bush Street
 San Francisco, California 94184

SW/4 Section 6
 T-13-S, R-38-E N.M.P.M.
 Lea County, New Mexico

Dear Mr. Hilliard:

Further to our telephone conversation of July 7, 1967, we are writing to explain our plans for this acreage and to request once again your cooperation toward getting a well drilled.

We have in hand oil and gas leases covering 13/16 mineral interest under the subject 160 acre tract which added to your Opal E. Fulton et vir lease, which covers a 3/16 mineral interest, accounts for all of the mineral interest. We plan to drill a 12,300' Devonian test well to be located approximately 1320' FWL and 2310' FSL of Section 6, with operations to commence as soon as we can resolve a satisfactory arrangement with you. We estimate this well will cost \$150,000 drilled and tested to the casing point or plugged and abandoned, whichever occurs, and completion costs should run an additional \$65,000, including tank battery.

Even though you stated in our telephone conversation that you did not wish to join in the drilling of this well, that you would not farm out or otherwise contribute toward the drilling of a well and furthermore that you did not wish to see a well drilled on this tract, we are submitting below several propositions for your consideration - we hope you will find one of these to be of interest.

- (1) You join in the drilling of this well, paying your 3/16 share of the costs thereof. We would enter into a standard operating agreement, Ross-Martin Form 610 with attached Accounting Schedule COPAS Form 1962. This agreement would name V-F Petroleum as Operator and the accounting schedule would provide for a combined fixed rate for overhead expense of \$100.00 per month per well to the depth of 12,500'.

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- (2) You farm out to us your lease - we will drill and complete the well at our sole cost, risk and expense, and you will retain, free and clear, 1/8 : 8/8 ORRI.
- (3) You sell your lease to us - we will give you your money back (\$50.00/acre for a total of \$1500.00) plus a 1/32 x 8/8 ORRI and will agree to drill the well at our sole cost, risk and expense.

We realize the location is not completely proven and that there is some risk involved - especially considering the depth and expense of the well but it will be apparent from performance history of the offset producing well that this tract should be drilled to prevent drainage. Our royalty owners are aware of this situation and are quite anxious to see this well drilled and we sincerely hope that you will find it to be to your best interest to either join us in this venture or to contribute toward same in one way or another.

If you have any suggestions as to your possible participation differing from those outlined above, we would be very happy to discuss them with you. Thank you for your consideration. We shall look forward to hearing from you at your earliest convenience.

Very truly yours,

V-F PETROLEUM

J. M. Fullinwider

JF:bjs

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SIGNATURE OF ADDRESSEE'S AGENT, IF ANY <i>Carol A. Busch</i>	
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