

**Nearburg Exploration Company**

Exploration and Production  
3300 North "A" Street  
Suite 8100  
Midland, Texas 79705  
915/686 8235  
Fax 915/686-7806

July 1, 1993

Ms. Janet Richardson  
Yates Petroleum Corporation  
Abo Petroleum Corporation  
Myco Industries, Inc.  
Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

Re: Big Walt 2 #2 Well  
1980' FEL & 1650' FSL  
Section 2, T-22-S, R-24-E  
Eddy County, New Mexico  
MH Area

Dear Janet:

Nearburg Producing Company proposes the drilling of the Big Walt 2 #2 well, an 8100' Cisco Canyon test to be drilled at the captioned location. Yates Petroleum Corporation Yates Drilling Company, Myco Industries, Inc. and Abo Petroleum Corporation own a 50% interest in the E/2 Section 2 spacing unit. Nearburg Exploration Company owns the remaining 50%.

Enclosed herewith please find, Nearburg's AFE estimating the cost of the proposed well along with our proposed operating agreement. We invite the Yates companies to participate in our proposed well.

We would appreciate your response to our well proposal. Thank you for your cooperation.

Yours very truly,



Bob Shelton  
Consulting Landman

Enclosures (2)

bob: YatesBW2.ltr

NEW MEXICO  
OIL CONSERVATION DIVISION

EXHIBIT 3

CASE NO. 10788

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Ms. Janet Richardson  
Yates Petroleum Corporation  
Abo Petroleum Corporation  
Myco Industries, Inc.  
Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

4a. Article Number

P 046 794 720

4b. Service Type

- |   |   |
|---|---|
| <input type="checkbox"/> Registered           | <input type="checkbox"/> Insured                        |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD                            |
| <input type="checkbox"/> Express Mail         | <input type="checkbox"/> Return Receipt for Merchandise |

7. Date of Delivery

7-6-93

5. Signature (Addressee)

*Cybertha Boyce*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

**Nearburg Producing Company**

Exploration and Production

Dallas, Texas

Page 1 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Big Walt 2 **6** WELL NUMBER: 2 PROPOSED TOTAL DEPTH: 8,100'  
 LOCATION: 1980' FEL & 1550' FSL, Section 2, T22S, R24E, Eddy County, New Mexico  
 FIELD: Undesignated Cisco/Canyon PROSPECT: MH EXPLORATORY, DEVELOPMENT, WORKOVER: D  
 DESCRIPTION OF WORK: Drill and complete as a pumping Cisco/Canyon oil producer.

DATE PREPARED: 7/1/93 EST. SPUD DATE: OOB 12/1/93 EST. COMPLETION DATE: 2/15/94

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage 8,100 Ft @ 15.75 \$/Ft	1514.101	127,575	NA		127,575
Drilling Daywork D/C\$/day 2 2 4300	1514.105	8,600	1515.105	8,600	17,200
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	50,000	1515.123	1,000	51,000
Damages	1514.125	5,000	1515.125		5,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	15,000	NA		15,000
Fuel, Power, and Water	1514.140	20,000	1515.140	1,500	21,500
Supplies - Bits	1514.145		1515.145	750	750
Supplies - Casing Equipment	1514.150	2,000	1515.150	3,500	5,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	500	1515.160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.165	10,000	NA		10,000
Cement and Cmt. Services - Int. Csg	1514.170	17,000	NA		17,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	30,000	30,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	3,000	1515.180	1,000	4,000
Rental - Miscellaneous	1514.185	500	1515.185	1,000	1,500
Testing - Drill Stem / Production	1514.195	6,000	1515.195		6,000
Open Hole Logging / RFTs	1514.200	25,000	NA		25,000
Mudlogging Services	1514.210	7,500	NA		7,500
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	15,000	15,000
Reverse Equipment	NA		1515.219	1,200	1,200
Wireline Services	1514.205		1515.205	5,000	5,000
Stimulation	NA		1515.221	20,000	20,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	1,000	2,000
Transportation	1514.225	1,500	1515.225	2,000	3,500
Tubular Goods - Inspection & Testing	1514.230	1,000	1515.230	6,000	7,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,000	1515.240	500	1,500
Engineer / Geologist	1514.250	3,150	1515.250	900	4,050
Company Labor - Field Supervision	1514.255	11,250	1515.255	4,500	15,750
Contract Labor / Roustabout	1514.265	1,000	1515.265	8,000	9,000
Legal and Professional Services	1514.270	500	1515.270	500	1,000
Insurance	1514.275	10,000	1515.275		10,000
Overhead	1514.280	5,000	1515.280	2,000	7,000
<b>SUBTOTAL</b>		<b>343,075</b>		<b>104,450</b>	<b>447,525</b>
Contingencies (10%)		<b>34,308</b>		<b>10,445</b>	<b>44,753</b>
<b>ESTIMATED TOTAL INTANGIBLES</b>		<b>377,383</b>		<b>114,895</b>	<b>492,278</b>

***Dallas, Texas***

**AUTHORITY FOR EXPENDITURE**

LEASE: Big Walt 2                      WELL NUMBER: 2                      PROPOSED TOTAL DEPTH: 8,100'  
LOCATION: 1980' FEL & 1550' FSL, Section 2, T22S, R24E, Eddy County, New Mexico  
FIELD: Undesignated Cisco/Canyon                      PROSPECT: MH                      EXPLORATORY, DEVELOPMENT, WORKOVER: D  
DESCRIPTION OF WORK: Drill and complete as a pumping Cisco/Canyon oil producer.

DATE PREPARED: 7/1/93 EST. SPUD DATE: OOB 12/1/93 EST. COMPLETION DATE: 2/15/94  
ACCOUNTING WELL NUMBER:  
COMMUNICATIONS ACCOUNT NUMBER:

<b><u>TANGIBLE COSTS:</u></b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Conductor Casing	1520.305		NA		0
Surface Csg            250 Ft @    22.00 \$/Ft	1520.310	5,500	NA		5,500
Intermediate Csg    2,500 Ft @    17.41 \$/Ft	1520.315	43,525	NA		43,525
Protection Csg	1520.320	0	NA		
Production Csg     8,200 Ft @    12.50 \$/Ft	NA		1522.325	102,500	102,500
Protection Liner	1520.330		NA		
Production Liner	NA		1522.335		
Tubing                8,100 Ft @     3.10 \$/Ft	NA		1522.340	25,110	25,110
Rods                    Ft @            \$/Ft	NA		1522.345	0	0
Artificial Lift Equipment	NA		1522.350	80,000	80,000
Tank Battery	NA		1522.355	15,000	15,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	10,000	10,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	10,500	12,000
Subsurface Well Equipment	NA		1522.370		0
Flow Lines	NA		1522.375	2,500	2,500
Saltwater Disposal Pump	NA		1522.391		0
Gas Meter	NA		1522.385	3,000	3,000
Lact Unit	NA		1522.397		0
Vapor Recovery Unit	NA		1522.399		0
Other Well Equipment	NA		1522.390		
ROW and Damages	NA		1522.393		
Surface Equipment Installation Costs	NA		1522.395	10,000	10,000
Elect. Installation	NA		1522.397	5,000	5,000
<b>ESTIMATED TOTAL TANGIBLES</b>		50,525		263,610	314,135
<b>ESTIMATED TOTAL WELL COSTS</b>		427,908		378,505	806,413

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

<b>NPC APPROVAL</b>	<b>DATE</b>
PREPARED BY: ESK\TRM	7/1/93
REVIEWED BY: TRM	7/1/93
APPROVED BY:	

WI APPROVAL: COMPANY \_\_\_\_\_  
 BY \_\_\_\_\_  
 TITLE \_\_\_\_\_  
 DATE \_\_\_\_\_