

**Cedar Lake Area, Sections 35 & 36, T17S-R30E
Eddy County, New Mexico; John Lodge's Notes**

- 08/11/93** Meridian Oil proposed the drilling of an 11,500' Morrow Well in N/2 SW/4 of Sec. 36; location was 1980' & 660' FWL with a W/2 Proration Unit.
- 08/20/93** Meridian provided AFE for the drilling of this Well (Loco Hills 36 State No. 1).
- 08/24/93** Enron submitted application (Case #10827) for Unorthodox Location and Compulsory Pooling for the Cedar Lake 35 Federal Comm. No. 2 Well to be located 990' FSL & 990' FEL of Section 35 (11,600' Morrow Well).
- Hearing set for 09/23/93. Hearing continued a few days until 09/27/93.
- 09/93** Meridian decided not to drill Loco Hills 36 State No. 1 Well and to support and participate in Enron's Cedar Lake 35 Federal Comm. No. 2 Well.
- 09/24/93** Agreement made with Enron, El Paso (Meridian), ARCO and Camterra concerning Enron Cedar Lake 35 Federal Com. No. 2. Enron accepted 30% penalty factor for production limitation; Enron will furnish ARCO well information in Cedar Lake 35 Federal Comm. No. 2; and ARCO agreed not to propose a well in Section 36 until Anadarko Power Fed Comm. No. 2 Well (Section 26, Unit I) and the Fed. Comm. No. 2 Well are completed, or March 1, 1994 whichever occurs first.
- 09/27/93** Case No. 10827 presented by OCD.
- 11/18/93** Order #R-10019 was issued for Cedar Lake Fed Comm. No. 2; 30% production penalty factor and 140% risk penalty. \$5,300.00 & \$530.00 drilling & producing overhead rates; commencement date 03/01/94.
- 11 & 12/93** Anadarko Power Federal Comm. No. 2 Well drilled.
- 02/11/94** OCD granted Enron extension until 06/01/94 to commence Cedar Lake 35 Federal Comm. No. 2.

03/02/94 ARCO proposes the drilling of the ARCO Cedar Lake State 36-1 Well 1980' FSL & 660' FWL of Section 35; 11,500' Morrow test well; W/2 proration unit.

03/04/94 Enron proposes the drilling of 11,600' Morrow test 1980' FSL & 660' FWL of Section 36.

March & April 1994 Review Operating Agreement & sign AFEs for drilling Enron Cedar Lake "36" State Comm. No. 1; Target Spud Date May 15, 1994, but actual spud date in Operating Agreement to be 06/01/94. Title examination in progress. Enron to send out formal JOA for signature.

05/09-13/94 Enron advises that it will not drill the Cedar Lake "36" State Comm No. 1 Well. Implies that decision is based on evaluation of 3-D Seismic Data indicating that location in W/2 of Sec. 36 is higher risk than unorthodox location in S/2 of Sec. 35. They will drill location in Section 35. Meridian advised that they will not make a decision to participation in W/2 of Section 36 until after S/2 of Section 35 is drilled. Meridian will support and will participate in S/2 of Section 35. Camterra indicated that they will participate with Enron in S/2 of Sec. 35. They don't want to have 2 wells drilling at the same time, but don't know what their decision will be concerning participation in W/2 of Sec. 36.

05/17/94 ARCO filed application for Compulsory Pooling for the drilling of the ARCO Cedar Lake 36 No. 1 Well.

05/17/94 - 06/07/94 Attempt to negotiate Farmout with Enron and Camterra; Meridian advised that they will not make a decision on well in W/2 of Sec. 36, due to participation in S/2 of Sec. 35. Meridian advised ARCO to Force Pool their interest.

06/08/94 Negotiated Farmout from Enron covering their interest in W/2 of Sec. 36. Advised Camterra of trade made with Enron and revised Farmout offer to the same trade made with Enron. Camterra advised that the owners of their company will be in Midland on 06/09 & 06/10 and they will make a decision at that time as to their interest. Believe that they will either participate or Farmout.

March 2, 1994

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Certified Mail - Return Receipt Requested

Attn: Mr. Pat Tower

Re: **ARCO Cedar Lake State 36-1 Well**
1980' FSL & 660' FWL of Section 36
Township 17 South, Range 30 East
Eddy County, New Mexico

Gentlemen:

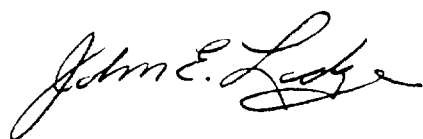
Please be advised that ARCO Permian, a unit of Atlantic Richfield Company, hereinafter referred to as "ARCO", hereby proposes the drilling of an 11,500' Morrow test well at a location approximately 1980' FSL & 660' FWL of Section 36, Township 17 South, Range 30 East, Eddy County, New Mexico. It is currently anticipated that the drilling and proration unit for this well would be the W/2 of said Section 36. Attached hereto for your perusal, you will find a copy of our drilling cost estimate for this well which indicates a dry hole cost of \$516,900 and total completed well costs set forth as \$798,900.

Please indicate your election below of either to participate or not to participate in the drilling of this well and return one (1) copy of this letter to the undersigned. In the event that you desire to participate in the drilling of this well, or upon your prior written request, I will be happy to submit an Operating Agreement to you for your review and execution. In the event that you do not desire to participate in the drilling of this well, we would be willing to discuss the possibilities of acquiring your interest under mutually acceptable terms.

Should you have any questions or problems concerning this matter, please do not hesitate to contact me by telephone at (915) 688-5237.

Sincerely,

ARCO Permian



John E. Lodge
Land Director

ARCO Cedar Lake State 36-1 Well
March 2, 1994
Page 2

Elect TO participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Enron Oil & Gas Company

By: _____

Date: _____

Elect NOT to participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Enron Oil & Gas Company

By: _____

Date: _____

Supplement

Original

Well name Cedar Lake State 36-1		TD 11,500'			
Location 1980' FSL, 660' FWL, Section 36, T17S, R30E, Eddy County, New Mexico					
District ARCO Permian	Area or Group	Field Cedar Lake (Morrow)			
Objective Morrow @ Ft.		@ Ft.			
<input checked="" type="checkbox"/> Development 9171 <input type="checkbox"/> Single <input type="checkbox"/> Exploratory 9172 <input type="checkbox"/> Dual <input type="checkbox"/> Workover/Recompletion 9171 <input type="checkbox"/> Multiple		Data Processing Information AFC No. Original/Revision Indicator 1=Original <input type="checkbox"/> 2=Revision <input type="checkbox"/>			
Tangible Costs - SUB 500 and 550					
1. Tubular goods	Drilling	Evaluation	Completion	Elem	Total Gross Dollars
13 3/8" OD from 0 ft. to 650	10,000				10,000
8 5/8" OD from 0 ft. to 650	18,000				28,000
5 1/2" OD from 0 ft. to 1,500			60,000		60,000
2 7/8" OD from 0 ft. to 11,000			35,000		35,000
" OD from ft. to					0
" OD from ft. to					0
" OD from ft. to					0
2. Casinghead, Tubinghead, Christmas tree	7,500		5,000	5 0 4	12,500
3. Tubing Accessories			10,000	5 0 6	10,000
4. Artificial Lift Accessories				5 0 7	0
5. Well Protective Structures				5 0 8	0
6. Unclassified	2,000		2,000	0 0 0	4,000
7. Additional Basis (Sub 550)					0
Casinghead, Tubinghead, Christmas Tree				5 0 4	0
Tubing Accessories				5 0 6	0
Artificial Lift Accessories				5 0 7	0
Well Protective Structures				5 0 8	0
TOTAL TANGIBLES	47,500	0	112,000		159,500
Intangible Costs - SUB 600					
8. Contract Engineering Technical				0 1 3	0
9. Boat Operations				0 5 3	0
10. Minor Supplies				0 7 8	0
11. Electric Power and Light				2 4 1	0
12. Diesel Fuel				2 4 2	0
13. Natural Gas				2 4 3	0
14. Water	13,000		5,000	2 4 6	18,000
15. Property and Equipment Rentals				2 4 8	0
16. Security, Safety, and Firefighting	2,000		1,000	2 5 0	3,000
17. Tubular Testing, and Inspection	3,000		2,500	5 0 3	5,500
18. Trucking Tubulars	5,000		6,000	5 0 9	11,000
19. Casing Accessories	5,000		5,000	5 1 2	10,000
20. Site Preparation and Maintenance	30,000		5,000	5 1 4	35,000
21. Permits, Insurance, and Damanges	10,000			5 1 5	10,000
22. Rig Moving Expense				5 1 7	0
23. Shorebases				5 2 1	0
24. Camp Housekeeping	1,000		1,000	5 2 2	2,000
25. Reclamation	1,000		1,000	5 3 5	2,000
26. Air Freight and Transportation				5 2 8	0
27. Disposal and Cleanup	8,000		3,000	5 3 1	11,000

Well name Cedar Lake State 36-1	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement		Original/Revision Indicator 1=Original <input type="text" value="1"/> 2=Revision		
Location Lea County, New Mexico	AFC No.				
District ARCO Permian					
Intangible Costs (Cont'd) - SUB 600	Drilling	Evaluation	Completion	Elem	Total Gross Dollars
28. Contract Footage Drilling 11500 ft. @ \$ 22.00 per foot	253,000			5 3 2	253,000
29. Contract Drilling Daywork Drilling 0.5 days @ \$ 4,400.00 per day	2,200		2,200	5 3 3	4,400
30. Mobilization, Demobilization & Rig Mod.				5 3 4	0
31. Roads and Airstrips				5 3 6	0
32. Completion/Workover Daywork 21 days @ \$ 2,000.00 per day			42,000	5 4 2	42,000
33. Drill String & BHA Rental			7,000	5 4 3	7,000
34. Well Control Equipment	8,500		1,500	5 4 7	7,500
35. Bits, Underreamers, & Hole Openers				5 4 8	0
36. Drilling Mud and Transportation	20,000			5 5 1	20,000
37. Drilling Mud Equipment and Services	1,000			5 5 2	1,000
38. Completion Fluids			5,000	5 5 3	5,000
39. Open Hole Surveys	18,000			5 5 7	18,000
40. Wireline Work				5 5 9	0
41. Formation Monitoring	9,000			5 6 0	9,000
42. Cased Hole Surveys and perf. Fees			18,000	5 6 1	18,000
43. Surface Well Test Equipment			8,000	6 5 3	8,000
44. Coring and Analysis	18,000			5 6 6	18,000
45. Drill Stem Test Equipment				5 7 2	0
46. Fracturing, Acidizing, and Gravel Pack			135,000	5 7 7	0
47. Divers				5 7 8	0
48. Fishing Tool Rental				5 8 0	0
49. Directional Drilling Tool Rental				5 8 1	0
50. Telecommunications & Navigational Needs				5 8 2	0
51. Material Losses				5 8 8	0
52. Capitalized Overhead	38,200		30,800	6 0 4	69,000
53. Cement Running Fees for Casing & Tubing 13 3/8" OD 500 Sacks	6,000				6,000
8 5/8" OD 2000 Sacks	16,000				16,000
5/1/02" OD 2000 Sacks			20,000		20,000
49. Directional Drilling Tool Rental					0
54. Cementing - Squeezes & Plugs				6 9 9	0
55. Unclassified	5,000		5,000	0 0 0	10,000
					0
					0
TOTAL INTANGIBLES	469,400	0	170,000		639,400
TOTAL COST (Tangibles & Intangibles)	516,900	0	282,000		798,900
EVALUATED COST	516,900				

P 429 446 165

Receipt for Certified Mail



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Street and No.	P.O. Box 2267
P.O. State and ZIP Code	Midland, Texas 79702
Postage	\$ 2.75
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Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$ 2.75
Postmark or Date	

PS Form 3800, June 1991

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- 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 Fee will provide you the signature of the person delivered to and the date of delivery.

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

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Enron Oil & Gas Company
Attn: Mr. Pat Tower
P.O. Box 2267
Midland, Texas 79702

5. Signature (Addressee)
Pat Tower

6. Signature (Agent)

4a. Article Number
P 429 446 165

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR - 4 1994

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

March 2, 1994

Camterra Resources Partners, Ltd.
306 West Wall, Suite 500
Midland, Texas 79701

Certified Mail - Return Receipt Requested

Attn: Mr. Gary L. Pitts

Re: **ARCO Cedar Lake State 36-1 Well**
1980' FSL & 660' FWL of Section 36
Township 17 South, Range 30 East
Eddy County, New Mexico

Gentlemen:

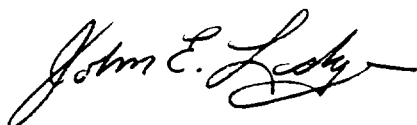
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Sincerely,

ARCO Permian



John E. Lodge
Land Director

ARCO Cedar Lake State 36-1 Well
March 2, 1994
Page 2

Elect TQ participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Camterra Resources Partners, Ltd.

By: _____

Date: _____

Elect NOT to participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Camterra Resources Partners, Ltd.

By: _____

Date: _____

cc: Mr. David Goughnor
Camterra Resources Partners, Ltd.
2615 East End Boulevard South
Marshall, Texas 75670

Well name Cedar Lake State 36-1		TD 11,500'			
Location 1980' FSL, 660' FWL, Section 36, T17S, R30E, Eddy County, New Mexico					
District ARCO Permian	Area of Group	Field Cedar Lake (Morrow)			
Objective Morrow @ Ft. @ Ft.					
Gen I <input checked="" type="checkbox"/> Development 9171 <input type="checkbox"/> Single <input type="checkbox"/> Exploratory 9172 <input type="checkbox"/> Dual <input type="checkbox"/> Workover/ 9171 <input type="checkbox"/> Multiple Recombination		Data Processing Information AFC No. Original/Revision Indicator 1=Original <input type="checkbox"/> 2=Revision <input type="checkbox"/>			
Tangible Costs - SUB 500 and 550					
Tubular goods	Drilling	Evaluation	Completion	Elem	Total Gross Dollars
3 3/8" OD from _____ ft. to _____ 550	7,000				7,000
3 5/8" OD from _____ ft. to _____ 600	23,000				23,000
5 1/2" OD from _____ ft. to _____ 500			10,000		10,000
2 7/8" OD from _____ ft. to _____ 1,000			15,000		15,000
_____ OD from _____ ft. to _____					0
_____ OD from _____ ft. to _____					0
_____ OD from _____ ft. to _____					0
2. Casinghead, Tubinghead, Christmas tree	7,500		5,000	5 0 4	12,500
3. Tubing Accessories			10,000	5 0 6	10,000
4. Artificial Lift Accessories				5 0 7	0
5. Well Protective Structures				5 0 8	0
6. Unclassified	2,000		2,000	0 0 0	4,000
7. Additional Basis (Sub 550)					0
Casinghead, Tubinghead, Christmas tree				5 0 4	0
Tubing Accessories				5 0 6	0
Artificial Lift Accessories				5 0 7	0
Well Protective Structures				5 0 8	0
TOTAL TANGIBLES	47,500	0	2,000		159,500
Intangible Costs - SUB 600					
8. Contract Engineering/Technical				0 1 3	0
9. Boat Operations				0 5 3	0
10. Minor Supplies				0 7 8	0
11. Electric Power and Light				2 4 1	0
12. Diesel Fuel				2 4 2	0
13. Natural Gas				2 4 3	0
14. Water	13,000		5,000	2 4 6	18,000
15. Property and Equipment Rentals				2 4 8	0
16. Security, Safety, and Firefighting	2,000		1,000	2 5 0	3,000
17. Tubular Testing, and Inspection	3,000		2,500	5 0 3	5,500
18. Trucking Tubulars	5,000		6,000	5 0 9	11,000
19. Casing Accessories	5,000		5,000	5 1 2	10,000
20. Site Preparation and Maintenance	30,000		5,000	5 1 4	35,000
21. Permits, Insurance, and Damages	10,000			5 1 5	10,000
22. Rig Moving Expense				5 1 7	0
23. Shorebases				5 2 1	0
24. Camp Housekeeping	1,000		1,000	5 2 2	2,000
25. Reclamation	1,000		1,000	5 3 5	2,000
26. Air Freight and Transportation				5 2 8	0
27. Disposal and Cleanup	8,000		3,000	5 3 1	11,000

Well name Cedar Lake State 36-1	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement		Original/Revision Indicator 1=Original <input type="checkbox"/> 2=Revision <input type="checkbox"/>		
Location Lea County, New Mexico	<div style="border: 2px solid black; padding: 5px; display: inline-block;">AFC No.</div>				
District ARCO Permian					
Intangible Costs (Cont'd) - SUB 600	Drilling	Evaluation	Completion	Item	Total Gross Dollars
28. Contract Footage Drilling 11,500 ft. @ \$ 22.00 per foot	253,000			5 3 2	253,000
29. Contract Drilling Daywork Drilling 2.5 days @ \$ 4,400.00 per day	2,200		2,200	5 3 3	4,400
30. Mobilization, Demobilization & Rig Mod.				5 3 4	0
31. Roads and Airstrips				5 3 6	0
32. Completion/Workover Daywork 21 days @ \$ 2,000.00 per day			42,000	5 4 2	42,000
33. Drill String & BHA Rental			7,000	5 4 3	7,000
34. Well Control Equipment	5,500		1,500	5 4 7	7,000
35. Bits, Underreamers, & Hole Openers				5 4 8	0
36. Drilling Mud and Transportation	20,000			5 5 1	20,000
37. Drilling Mud Equipment and Services	1,000			5 5 2	1,000
38. Completion Fluids			5,000	5 5 3	5,000
39. Open Hole Surveys	18,000			5 5 7	18,000
40. Wireline Work				5 5 9	0
41. Formation Monitoring	9,000			5 6 0	9,000
42. Cased Hole Surveys and perf. Fees			18,000	5 6 1	18,000
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46. Fracturing, Acidizing, and Gravel Pack			135,000	5 7 7	0
47. Divers				5 7 8	0
48. Fishing Tool Rental				5 8 0	0
49. Directional Drilling Tool Rental				5 8 1	0
50. Telecommunications & Navigational Needs				5 8 2	0
51. Material Losses				5 8 8	0
52. Capitalized Overhead	38,200		30,800	6 0 4	69,000
53. Cement Running Fees for Casing & Tubing					
13 3/8" * OD 600 Sacks	6,000				6,000
8 5/8" * OD 2000 Sacks	16,000				16,000
5 1/2" * OD 2000 Sacks			20,000		20,000
49. Directional Drilling Tool Rental					0
54. Cementing - Spacers & Plugs				6 9 9	0
55. Unclassified	5,000		5,000	0 0 0	10,000
					0
					0
TOTAL INTANGIBLES	469,400	0	170,000		639,400
TOTAL COST (Tangibles & Intangibles)	516,900	0	282,000		798,900

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 Fee will provide you the signature of the person delivered to and the date of delivery.

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:

Camterra Resources Partners, Ltd.
Attn: Mr. Gary L. Pitts
306 W. Wall, Suite 500
Midland, Texas 79701

4a. Article Number

P 429 446 170

4b. Service Type

- Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

3-7-94

5. Signature (Addressee)**6. Signature (Agent)**

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

March 2, 1994

El Paso Production Company
c/o Meridian Oil, Inc.
P.O. Box 51810
Midland, Texas 79701

Certified Mail - Return Receipt Requested

Attn: Mr. Larry Crowder

Re: **ARCO Cedar Lake State 36-1 Well**
1980' FSL & 660' FWL of Section 36
Township 17 South, Range 30 East
Eddy County, New Mexico

Gentlemen:

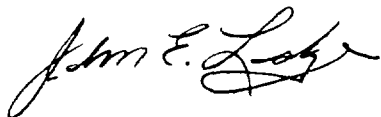
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Sincerely,

ARCO Permian



John E. Lodge
Land Director

ARCO Cedar Lake State 36-1 Well
March 2, 1994
Page 2

Elect TO participate in the drilling of the ARCO Cedar Lake State 36-1 Well

El Paso Production Company

By: _____

Date: _____

Elect NOT to participate in the drilling of the ARCO Cedar Lake State 36-1 Well

El Paso Production Company

By: _____

Date: _____

Supplement Original

Well name Cedar Lake State 36-1						ID 11,500'		
Location 1980' FSL. 660' FWL. Section 36. T17S. R30E. Eddy County, New Mexico								
District ARCO Permian			Area or Group		Field Cedar Lake (Morrow)			
Objective Morrow @ Ft. @ Ft.								
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1 3/8" * OD from 0 ft. to 550				10,000				10,000
3 5/8" * OD from 0 ft. to 550				18,000				28,000
5 1/2" * OD from 0 ft. to 550						50,000		50,000
2 7/8" * OD from 0 ft. to 11,000						35,000		35,000
" OD from ft. to								0
" OD from ft. to								0
" OD from ft. to								0
2. Casinghead, Tubinghead, Christmas Tree				7,500		5,000	5 0 4	12,500
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5. Well Protective Structures							5 0 8	0
6. Unclassified				2,000		2,000	0 0 0	4,000
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Artificial Lift Accessories							5 0 7	0
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TOTAL TANGIBLES				47,500	0	112,000		159,500
Intangible Costs - SUB 600								
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9. Boat Operations							0 5 3	0
10. Minor Supplies							0 7 8	0
11. Electric Power and Light							2 4 1	0
12. Diesel Fuel							2 4 2	0
13. Natural Gas							2 4 3	0
14. Water				13,000		5,000	2 4 6	18,000
15. Property and Equipment Rentals							2 4 8	0
16. Security, Safety, and Firefighting				2,000		1,000	2 5 0	3,000
17. Tubular Testing, and Inspection				3,000		2,500	5 0 3	5,500
18. Trucking Tubulars				5,000		6,000	5 0 9	11,000
19. Casing Accessories				5,000		5,000	5 1 2	10,000
20. Site Preparation and Maintenance				30,000		5,000	5 1 4	35,000
21. Permits, Insurance, and Damanges				10,000			5 1 5	10,000
22. Rig Moving Expense							5 1 7	0
23. Shorebases							5 2 1	0
24. Camp Housekeeping				1,000		1,000	5 2 2	2,000
25. Reclamation				1,000		1,000	5 3 5	2,000
26. Air Freight and Transportation							5 2 8	0
27. Disposal and Cleanup				8,000		3,000	5 3 1	11,000

Well name		Location		District		Original/Revision Indicator	
Cedar Lake State 36-1		Lea County, New Mexico		ARCO Permian		<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement AFC No. 1 1=Original 2=Revision	
Intangible Costs (Cont'd) - SUB 600		Drilling	Evaluation	Completion	Elem	Total Gross Dollars	
28. Contract Footage Drilling 11500 ft. @ \$ 22.00 per foot		253,000			5 3 2	253,000	
29. Contract Drilling Daywork Drilling 0.5 days @ \$ 4,400.00 per day		2,200		2,200	5 3 3	4,400	
30. Mobilization, Demobilization & Rig Mod.					5 3 4	0	
31. Roads and Airstrips					5 3 6	0	
32. Completion/Workover Daywork 21 days @ \$ 2,000.00 per day				42,000	5 4 2	42,000	
33. Drill String & BHA Rental				7,000	5 4 3	7,000	
34. Well Control Equipment		5,000		2,500	5 4 7	7,500	
35. Bits, Underreamers, & Hole Openers					5 4 8	0	
36. Drilling Mud and Transportation		20,000			5 5 1	20,000	
37. Drilling Mud Equipment and Services		1,000			5 5 2	1,000	
38. Completion Fluids				5,000	5 5 3	5,000	
39. Open Hole Surveys		18,000			5 5 7	18,000	
40. Wireline Work					5 5 9	0	
41. Formation Monitoring		9,000			5 6 0	9,000	
42. Cased Hole Surveys and perf. Fees				18,000	5 6 1	18,000	
43. Surface Well Test Equipment				8,000	6 5 3	8,000	
44. Coring and Analysis		18,000			5 6 6	18,000	
45. Drill Stem Test Equipment					5 7 2	0	
46. Fracturing, Acidizing, and Gravel Pack				135,000	5 7 7	0	
47. Divers					5 7 8	0	
48. Fishing Tool Rental					5 8 0	0	
49. Directional Drilling Tool Rental					5 8 1	0	
50. Telecommunications & Navigational Needs					5 8 2	0	
51. Material Losses					5 8 8	0	
52. Capitalized Overhead		38,200		30,800	6 0 4	69,000	
53. Cement Running Fees for Casing & Tubing							
13 3/8" OD 600 Sacks		6,000				6,000	
8 5/8" OD 2000 Sacks		16,000				16,000	
5 1/2" OD 2000 Sacks				20,000		20,000	
49. Directional Drilling Tool Rental						0	
54. Cementing - Squeezes & Plugs					6 9 9	0	
55. Unclassified		5,000		5,000	0 0 0	10,000	
TOTAL INTANGIBLES		469,400	0	170,000		639,400	
TOTAL COST (Tangibles & Intangibles)		516,900	0	282,000		798,900	
EVALUATED COST		516,900					

P 429 446 167



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse) **JEL 110 15**

Sent to	El Paso Production Co.
Street and No	P.O. Box 51810
P.O. State and Zip Code	Midland, Texas 79701
Postage	\$2.75
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom Delivered	
Return Receipt Showing to Whom, Date, and Address	
TOTAL Postage & Fees	\$2.75
Postmark or Date	

Form 3800, June 1991

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 Fee will provide you the signature of the person delivered to and the date of delivery.

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:

El Paso Production Company
c/o Meridian Oil, Inc.
Attn: Mr. Larry Crowder
P.O. Box 51810
Midland, Texas 79701

5. Signature (Addressee)

6. Signature (Agent)

4a. Article Number

P 429 446 167

4b. Service Type

Registered - Insured

Certified - COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery

3-7-94

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

MIDLAND TEXAS 79701

March 2, 1994

Coastal Management Corporation
200 North Loraine, Suite 700
Midland, Texas 79702-2726

Certified Mail - Return Receipt Requested

Attn: Mr. Larry Snyder

Re: **ARCO Cedar Lake State 36-1 Well**
1980' FSL & 660' FWL of Section 36
Township 17 South, Range 30 East
Eddy County, New Mexico

Gentlemen:

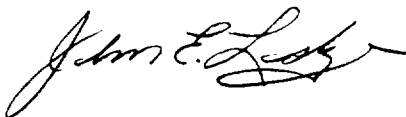
Please be advised that ARCO Permian, a unit of Atlantic Richfield Company, hereinafter referred to as "ARCO", hereby proposes the drilling of an 11,500' Morrow test well at a location approximately 1980' FSL & 660' FWL of Section 36, Township 17 South, Range 30 East, Eddy County, New Mexico. It is currently anticipated that the drilling and proration unit for this well would be the W/2 of said Section 36. Attached hereto for your perusal, you will find a copy of our drilling cost estimate for this well which indicates a dry hole cost of \$516,900 and total completed well costs set forth as \$798,900.

Please indicate your election below of either to participate or not to participate in the drilling of this well and return one (1) copy of this letter to the undersigned. In the event that you desire to participate in the drilling of this well, or upon your prior written request, I will be happy to submit an Operating Agreement to you for your review and execution. In the event that you do not desire to participate in the drilling of this well, we would be willing to discuss the possibilities of acquiring your interest under mutually acceptable terms.

Should you have any questions or problems concerning this matter, please do not hesitate to contact me by telephone at (915) 688-5237.

Sincerely,

ARCO Permian



John E. Lodge
Land Director

ARCO Cedar Lake State 36-1 Well
March 2, 1994
Page 2

Elect TO participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Coastal Management Corporation

By: _____

Date: _____

Elect NOT to participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Coastal Management Corporation

By: _____

Date: _____

cc: Burns Operating
P.O. Box 97525
Wichita Falls, Texas 76307
Attn: Mr. Steve Hanger

Supplement Original

Well name Cedar Lake State 36-1		TD 11,500'			
Location 1980' FSL, 660' FWL, Section 36, T17S, R30E, Eddy County, New Mexico					
District ARCO Permian	Area or Group	Field Cedar Lake (Morrow)			
Objective Morrow @ Ft. @ Ft.					
<input checked="" type="checkbox"/> Development 9171 <input type="checkbox"/> Single <input type="checkbox"/> Exploratory 9172 <input type="checkbox"/> Dual <input type="checkbox"/> Workover/ 9171 <input type="checkbox"/> Multiple Recompletion	Data Processing Information AFC No. Original/Revision Indicator 1=Original <input type="checkbox"/> 1 2=Revision <input type="checkbox"/>				
Tangible Costs - SUB 500 and 550					
1. Tubular goods	Drilling	Evaluation	Completion	Elem	Total Gross Dollars
3 3/8" OD from 0 ft. to 550	3,000				10,000
3 5/8" OD from 0 ft. to 700	3,000				28,000
5 1/2" OD from 0 ft. to 500			20,000		60,000
2 7/8" OD from 0 ft. to 1,000			35,000		35,000
" OD from ft. to					0
" OD from ft. to					0
" OD from ft. to					0
2. Casinghead, Tubinghead, Christmas Tree	7,500		5,000	5 0 4	12,500
3. Tubing Accessories			10,000	5 0 6	10,000
4. Artificial Lift Accessories				5 0 7	0
5. Well Protective Structures				5 0 8	0
6. Unclassified	2,000		2,000	0 0 0	4,000
7. Additional Basis (Sub 550)					0
Casinghead, Tubinghead, Christmas Tree				5 0 4	0
Tubing Accessories				5 0 6	0
Artificial Lift Accessories				5 0 7	0
Well Protective Structures				5 0 8	0
TOTAL TANGIBLES	47,500	0	112,000		159,500
Intangible Costs - SUB 600					
8. Contract Engineering Technical				0 1 3	0
9. Boat Operations				0 5 3	0
10. Minor Supplies				0 7 8	0
11. Electric Power and Light				2 4 1	0
12. Diesel Fuel				2 4 2	0
13. Natural Gas				2 4 3	0
14. Water	13,000		5,000	2 4 6	18,000
15. Property and Equipment Rentals				2 4 8	0
16. Security, Safety, and Firefighting	2,000		1,000	2 5 0	3,000
17. Tubular Testing, and Inspection	3,000		2,500	5 0 3	5,500
18. Trucking Tubulars	5,000		6,000	5 0 9	11,000
19. Casing Accessories	5,000		5,000	5 1 2	10,000
20. Site Preparation and Maintenance	30,000		5,000	5 1 4	35,000
21. Permits, Insurance, and Damanges	10,000			5 1 5	10,000
22. Rig Moving Expense				5 1 7	0
23. Shorebases				5 2 1	0
24. Camp Housekeeping	1,000		1,000	5 2 2	2,000
25. Reclamation	1,000		1,000	5 3 5	2,000
26. Air Freight and Transportation				5 2 8	0
27. Disposal and Cleanup	8,000		3,000	5 3 1	11,000

Well name Cedar Lake State 36-1		<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement		Original/Revision Indicator		
Location Lea County, New Mexico		AFC No.		1=Original 2=Revision 1		
District ARCO Permian						
Intangible Costs (Cont'd) - SUB 600		Drilling	Evaluation	Completion	Elem	Total Gross Dollars
28. Contract Footage Drilling 11500 ft. @ \$ 22.00 per foot		253,000			5 3 2	253,000
29. Contract Drilling Daywork Drilling 2.5 days @ \$ 4,400.00 per day		2,200		2,200	5 3 3	4,400
30. Mobilization, Demobilization & Rig Mod.					5 3 4	0
31. Roads and Airstrips					5 3 6	0
32. Completion/Workover Daywork 21 days @ \$ 2,000.00 per day				42,000	5 4 2	42,000
33. Drill String & BHA Rental				7,000	5 4 3	7,000
34. Well Control Equipment		5,000		2,500	5 4 7	7,500
35. Bits, Underreamers, & Hole Openers					5 4 8	0
36. Drilling Mud and Transportation		20,000			5 5 1	20,000
37. Drilling Mud Equipment and Services		1,000			5 5 2	1,000
38. Completion Fluids				5,000	5 5 3	5,000
39. Open Hole Surveys		18,000			5 5 7	18,000
40. Wireline Work					5 5 9	0
41. Formation Monitoring		9,000			5 6 0	9,000
42. Cased Hole Surveys and perf. Fees				18,000	5 6 1	18,000
43. Surface Well Test Equipment				8,000	6 5 3	8,000
44. Coring and Analysis		18,000			5 6 6	18,000
45. Drill Stem Test Equipment					5 7 2	0
46. Fracturing, Acidizing, and Gravel Pack				135,000	5 7 7	0
47. Divers					5 7 8	0
48. Fishing Tool Rental					5 8 0	0
49. Directional Drilling Tool Rental					5 8 1	0
50. Telecommunications & Navigational Needs					5 8 2	0
51. Material Losses					5 8 8	0
52. Capitalized Overhead		38,200		30,800	6 0 4	69,000
53. Cement Running Fees for Casing & Tubing						
13 3/8" CD 600 Sacks		6,000				6,000
8 5/8" CD 2000 Sacks		16,000				16,000
5/1/02" CD 2000 Sacks				20,000		20,000
49. Directional Drilling Tool Rental						0
54. Cementing - Squeezes & Plugs					6 9 9	0
55. Unclassified		5,000		5,000	0 0 0	10,000
						0
						0
TOTAL INTANGIBLES		469,400	0	170,000		639,400
TOTAL COST (Tangibles & Intangibles)		516,900	0	282,000		798,900
EVALUATED COST		516,900				
ESTIMATED WELL COST		\$708,000				

PS Form 3800, June 1991

P 429 446 168



Receipt for Certified Mail

UNITED STATES POSTAL SERVICE
 No Insurance Coverage Provided
 Do not use for International Mail
 (See Reverse) JEL M10 15

Postmark or Date	
TOTAL Postage & Fees	\$2.75
Return Receipt Showing to Whom, Date, and Addressee's Address	
Return Receipt Showing to Whom & Date Delivered	
Restricted Delivery Fee	
Special Delivery Fee	
Certified Fee	
Postage	\$2.75
P.O. State and ZIP Code	Midland, Texas 79702-2726
Street and No.	200 N. Loraine, Ste. 700
Sent to	Coastal Mgmt. Corp.

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 Fee will provide you the signature of the person delivered to and the date of delivery.

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:
 Coastal Mgmt. Corp.
 Attn: Mr. Larry Snyder
 200 N. Loraine, Ste. 700
 Midland, Texas 79702-2726

4a. Article Number
 P 429 446 168

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 2/14

5. Signature (Addressee)

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

6. Signature (Agent)

Angie J. Brown

March 2, 1994

Camterra Resources Partners, Ltd.
Five Post Oak Park, Suite 1500
Houston, Texas 77027

Certified Mail - Return Receipt Requested

Attn: Mr. Gary L. Pitts

Re: **ARCO Cedar Lake State 36-1 Well**
1980' FSL & 660' FWL of Section 36
Township 17 South, Range 30 East
Eddy County, New Mexico

Gentlemen:

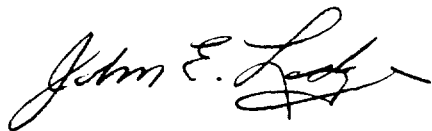
Please be advised that ARCO Permian, a unit of Atlantic Richfield Company, hereinafter referred to as "ARCO", hereby proposes the drilling of an 11,500' Morrow test well at a location approximately 1980' FSL & 660' FWL of Section 36, Township 17 South, Range 30 East, Eddy County, New Mexico. It is currently anticipated that the drilling and proration unit for this well would be the W/2 of said Section 36. Attached hereto for your perusal, you will find a copy of our drilling cost estimate for this well which indicates a dry hole cost of \$516,900 and total completed well costs set forth as \$798,900.

Please indicate your election below of either to participate or not to participate in the drilling of this well and return one (1) copy of this letter to the undersigned. In the event that you desire to participate in the drilling of this well, or upon your prior written request, I will be happy to submit an Operating Agreement to you for your review and execution. In the event that you do not desire to participate in the drilling of this well, we would be willing to discuss the possibilities of acquiring your interest under mutually acceptable terms.

Should you have any questions or problems concerning this matter, please do not hesitate to contact me by telephone at (915) 688-5237.

Sincerely,

ARCO Permian



John E. Lodge
Land Director

ARCO Cedar Lake State 36-1 Well
March 2, 1994
Page 2

Elect TO participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Camterra Resources Partners, Ltd.

By: _____

Date: _____

Elect NOT to participate in the drilling of the ARCO Cedar Lake State 36-1 Well

Camterra Resources Partners, Ltd.

By: _____

Date: _____

Well name Cedar Lake State 36-1		TD 11,500'				
Location 1980' FSL, 660' FWL, Section 36, T17S, R30E, Eddy County, New Mexico						
District ARCO Permian		Area or Group	Field Cedar Lake (Morrow)			
Objective Morrow @ Ft.		@ Ft.				
<input checked="" type="checkbox"/> Development 9171 <input type="checkbox"/> Single <input type="checkbox"/> Exploratory 9172 <input type="checkbox"/> Dual <input type="checkbox"/> Workover/ 9171 <input type="checkbox"/> Multiple Recompletion		Data Processing Information AFC No. Original/Revision Indicator 1=Original <input type="checkbox"/> 1 2=Revision <input type="checkbox"/>				
Tangible Costs - SUB 500 and 550						
1. Tubular goods		Drilling	Evaluation	Completion	Elem	Total Gross Dollars
3 3/8" OD from 0 ft. to 550		12,000				12,000
3 5/8" OD from 0 ft. to 600		13,000				25,000
5 1/2" OD from 0 ft. to 11,500				50,000		63,000
2 7/8" OD from 0 ft. to 11,000				35,000		35,000
" OD from ft. to						0
" OD from ft. to						0
" OD from ft. to						0
" OD from ft. to						0
2. Casinghead, Tubinghead, Christmas Tree		7,500		5,000	5 0 4	12,500
3. Tubing Accessories				10,000	5 0 6	10,000
4. Artificial Lift Accessories					5 0 7	0
5. Well Protective Structures					5 0 8	0
6. Unclassified		2,000		2,000	0 0 0	4,000
7. Additional Basis (Sub 550)						0
Casinghead, Tubinghead, Christmas Tree					5 0 4	0
Tubing Accessories					5 0 6	0
Artificial Lift Accessories					5 0 7	0
Well Protective Structures					5 0 8	0
TOTAL TANGIBLES		47,500	0	12,000		159,500
Intangible Costs - SUB 600						
8. Contract Engineering Technical					0 1 3	0
9. Boat Operations					0 5 3	0
10. Minor Supplies					0 7 8	0
11. Electric Power and Light					2 4 1	0
12. Diesel Fuel					2 4 2	0
13. Natural Gas					2 4 3	0
14. Water		13,000		5,000	2 4 6	18,000
15. Property and Equipment Rentals					2 4 8	0
16. Security, Safety, and Firefighting		2,000		1,000	2 5 0	3,000
17. Tubular Testing, and Inspection		3,000		2,500	5 0 3	5,500
18. Trucking Tubulars		5,000		6,000	5 0 9	11,000
19. Casing Accessories		5,000		5,000	5 1 2	10,000
20. Site Preparation and Maintenance		30,000		5,000	5 1 4	35,000
21. Permits, Insurance, and Damages		10,000			5 1 5	10,000
22. Rig Moving Expense					5 1 7	0
23. Shorebases					5 2 1	0
24. Camp Housekeeping		1,000		1,000	5 2 2	2,000
25. Reclamation		1,000		1,000	5 3 5	2,000
26. Air Freight and Transportation					5 2 8	0
27. Disposal and Cleanup		8,000		3,000	5 3 1	11,000

Well name Cedar Lake State 36-1	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement		Original/Revision Indicator 1=Original <input type="text" value="1"/> 2=Revision		
Location Lea County, New Mexico	AFC No.				
District ARCO Permian					
Intangible Costs (Cont'd) - SUB 600	Drilling	Evaluation	Completion	Elem	Total Gross Dollars
28. Contract Footage Drilling <u>11500</u> ft. @ \$ <u>22.00</u> per foot	253,000			5 3 2	253,000
29. Contract Drilling Daywork Drilling <u>0.5</u> days @ \$ <u>4,400.00</u> per day	2,200		2,200	5 3 3	4,400
30. Mobilization, Demobilization & Rig Mod.				5 3 4	0
31. Roads and Airstrips				5 3 6	0
32. Completion/Workover Daywork <u>21</u> days @ \$ <u>2,000.00</u> per day			42,000	5 4 2	42,000
33. Drill String & BHA Rental			7,000	5 4 3	7,000
34. Well Control Equipment	5,000		2,500	5 4 7	7,500
35. Bits, Underreamers, & Hole Openers				5 4 8	0
36. Drilling Mud and Transportation	20,000			5 5 1	20,000
37. Drilling Mud Equipment and Services	1,000			5 5 2	1,000
38. Completion Fluids			5,000	5 5 3	5,000
39. Open Hole Surveys	18,000			5 5 7	18,000
40. Wireline Work				5 5 9	0
41. Formation Monitoring	9,000			5 6 0	9,000
42. Cased Hole Surveys and perf. Fees			18,000	5 6 1	18,000
43. Surface Well Test Equipment			8,000	6 5 3	8,000
44. Coring and Analysis	18,000			5 6 6	18,000
45. Drill Stem Test Equipment				5 7 2	0
46. Fracturing, Acidizing, and Gravel Pack			135,000	5 7 7	0
47. Divers				5 7 8	0
48. Fishing Tool Rental				5 8 0	0
49. Directional Drilling Tool Rental				5 8 1	0
50. Telecommunications & Navigational Needs				5 8 2	0
51. Material Losses				5 8 8	0
52. Capitalized Overhead	38,200		30,800	6 0 4	69,000
53. Cement Running Fees for Casing & Tubing <u>13 3/8</u> " OD <u>600</u> Sacks	6,000				6,000
<u>8 5/8</u> " OD <u>2000</u> Sacks	16,000				16,000
<u>5/1/02</u> " OD <u>2000</u> Sacks			20,000		20,000
49. Directional Drilling Tool Rental					0
54. Cementing - Squeezes & Plugs				6 9 9	0
55. Unclassified	5,000		5,000	0 0 0	10,000
					0
					0
TOTAL INTANGIBLES	469,400	0	170,000		639,400
TOTAL COST (Tangibles & Intangibles)	516,900	0	282,000		798,900
EVALUATED COST	516,900				

1 427 446 366



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse) JEL MIO 15

Sent to	Camterra Resources Partners, Ltd
Street and No	Five Post Oak Park, Suite 1501
P. O., State, and ZIP Code	Houston, Texas 77027
Postage	\$2.75
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt (if any) for Whom & Date	
Return Receipt (if any) to Whom, Date, and Post Office Address	
TOTAL Postage & Fees	\$2.75
Postmark or Date	