

Memorandum



Union Texas Petroleum

4000 N. Big Spring, Ste 400
Midland, TX 79705

Date: January, 1990

To: Whom it may concern

From: Union Texas Petroleum/Karen Friday

Subject: Change of operator

BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 4

Case No. 9898

Union Texas Petroleum has sold its interest in the wells listed below. December, 1989 will be the last month we will report production as operator of these wells. Also listed for your information are the appropriate new operators of these properties.

Field

<u>Well</u>	<u>Operator</u>
<u>Eumont</u>	Amerada Hess Corporation
Britt A #2	Attn: Roy Wheeler
Britt B #2	P. O. Box D
<u>Eunice Monument</u>	Monument, NM 88265
Britt A #3	(505) 393-2144
Britt A #5	
Britt B #2	
State A #2	
<u>Monument Paddock</u>	
Britt A #4	

<u>Eunice Monument</u>	Doyle Hartman
Britt #1	P. O. Box 10426
Britt #2	Midland, TX 79702
Britt #4	
<u>Monument Blinebry</u>	
Britt #1	

DOYLE HARTMAN
OIL OPERATOR
RECEIVED

JAN 24 1990

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10428

MIDLAND, TEXAS 79702

(915) 684-4011

May 2, 1990

VIA TELEFAX

CERTIFIED RETURN RECEIPT REQUESTED

Union Texas Petroleum
1330 Post Oak Boulevard
Houston, Texas 77252

Attention: Mr. Rod Cranford

Re: Britt and Britt "A" Leases
Sections 6 & 7
T-20-S, R-37-E
Lea County, New Mexico
(400 acres)

Gentlemen:

Reference is made to our letter to you of April 30, 1990 which is our most recent purchase/trade offer corresponding to Union Texas' interest in the Britt "A" and H. M. Britt leases located respectively in Sections 6 & 7, T-20-S, R-37-E, Lea County, New Mexico.

Reference is also made to the two enclosed newspaper articles that appeared in the May 1, 1990 issues of the Wall Street Journal and the Midland Reporter Telegram pertaining to Union Texas Petroleum Holdings, Inc. being offered for sale.

In light of Union Texas' indicated financial problems, it appears that Union Texas personnel may be more concerned with internal politics and the possible sale of the company rather than closely monitoring the operations of the subject Britt leases in the best interest of all working and royalty interest owners. We have a considerable amount of our hard-earned dollars invested in these leases and with the additional interest in the Britt leases that Phillips Petroleum Company has already agreed to assign to us, on a composite basis, we are the majority working interest owner in the Britt "A" and H. M. Britt leases; i.e., following consummation of the Phillips purchase, we will own 200 net working interest acres (50% working interest), while Union Texas will own only 100 net working interest acres (25% working interest) with the remaining 100 net working interest acres (25% working interest) being owned by the NMFU partners, in and under the 400-acre portion of the Britt leases consisting of the E/2 SW/4 Section 6, E/2 W/2 and W/2 E/2 Section 7, T-20-S, R-37-E (H. M. Britt and Britt "A" leases).

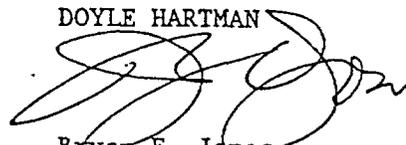
For over 15 years, we have operated almost exclusively in the Eumont and Jalmat Gas Pool areas of Lea County, New Mexico and with our continuing

acquisition program, we plan to remain active in this area for the long-run. Because of our majority ownership in the Britt leases, our expertise in this area as compared to Union Texas' very minor holdings and lack of experience in the Eumont/Jalmat Gas Pool area, and after learning of Union Texas' impending sale, we believe that it is imperative that we immediately be made operator of the Britt "A" and H. M. Britt leases so that the value of the subject leases can be optimized for all owners. Or, in the alternative, we believe that it is imperative Union Texas select either Option 1, 2, or 3, as described in our letter to you of April 30, 1990.

Again, it is requested that you give your immediate attention to this matter.

Very truly yours,

DOYLE HARTMAN



Bryan E. Jones,
Landman

BEJ/ps
1862:UTX0502

cc: Mr. James A. Davidson
Post Office Box 494
Midland, Texas 79702

Mr. J. E. Gallegos
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Mr. William P. Aycock
1207 West Wall
Midland, Texas 79701

Mr. Dan Nutter
105 East Alicante
Santa Fe, New Mexico 87501

Mr. A. C. Johnson
Chairman & Chief Executive Officer
Union Texas Petroleum Holdings
1330 Post Oak Boulevard
Houston, Texas 77056

Union Texas Petroleum

May 2, 1990

Page 3

Mr. Henry R. Kravis
Partner
Kolberg, Kravis & Roberts
20 West 55th Street
New York, New York 10019

Mr. Edward L. Hennessey, Jr.
Chairman & Chief Executive Officer
Allied Signal, Inc.
Columbia Road & Park Avenue
Morristown, New Jersey 07960

Mr. Bruce Hamilton
Union Texas Petroleum
Post Office Box 2120
Houston, Texas 77252

Mr. Kent Woolley, Land Manager
Union Texas Petroleum
4000 North Big Spring, Suite 400
Midland, Texas 79705

Mr. N. W. Wilson, III
Vice President/General Counsel/Secretary
Union Texas Petroleum
1330 Post Oak Boulevard
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Mr. J. M. McKinney
Vice President/General Manager/
Exploration/Production Onshore
Union Texas Petroleum
1330 Post Oak Boulevard
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Mr. Bruce Black
Campbell and Black
Post Office Box 2208
Santa Fe, New Mexico 87504

Mr. Dave Lindroos
Conoco, Inc.
Post Office Box 460
Hobbs, New Mexico 88240

Mr. Dave Messer
Chevron USA, Inc.
Post Office Box 1635
Houston, Texas 77001

Union Texas Petroleum

May 2, 1990

Page 4

Mr. Mike Giglio

ARCO

Post Office Box 1610

Midland, Texas 79702

Mr. William T. Hale

Amoco Production Inc.

Post Office Box 3092

Houston, Texas 77253

BUSINESS & OIL

Section E
Midland Reporter-Telegram
Wednesday, May 2, 1990

Union Texas Petroleum may be for sale

■ Following Kohlberg Kravis Roberts & Co.'s announcement that it was selling its holdings in Union Texas Petroleum, the company's board voted to seek ways to enhance the company's stock, including a possible sale.

HOUSTON (AP) — Union Texas Petroleum Holdings Inc., the nation's second largest independent oil company, may be going on the block and analysts say it

could sell for as much as \$2.25 billion. The Houston-based company's board of directors, meeting Sunday in a telephone conference call, authorized company officials to explore a sale or other alternatives to enhance the value of the company's shares.

If it decides to sell the company, Union Texas said it does not expect the sale to be consummated before November.

A sale could mean lost jobs for many of the company's 1,000 employees, including 600 in Houston, if a major oil company buys it and consolidates operations or if Union Texas assets are sold in pieces.

The sale announcement Monday came after Kohlberg Kravis Roberts & Co., a

leverage buyout specialist, surprised Wall Street with news that it may sell its 40 percent holdings in Union Texas.

The news of the announcement boosted the company's stock Monday on the New York Stock Exchange, closing at \$20.50, up \$2.62 from Friday.

If Union Texas is sold for \$25 a share, Kohlberg Kravis & Roberts could earn a profit of about \$750 million on stock bought five years ago for \$7.50 a share. Analysts speculated that Kohlberg Kravis agreed to the sale because it needs to shore up some souring investments.

Kohlberg Kravis owns Safeway, Duracell and RJR-Nabisco, which it took private last year in a \$25 billion leveraged buyout.

Thomas Daley, a spokesman for Kohlberg Kravis in New York, offered no additional information on why the company is seeking to sell its share of Union Texas.

Allied Signal Inc., the aerospace and automotive parts conglomerate that owns 40 percent of Union Texas, has previously said it wanted to sell its Union Texas holdings.

"I think it might not be a surprise, that one could have expected that sooner or later the two main owners were going to cash in on the strength of the market and cash in on their investment," said George Gaspar, energy analyst with Robert W. Baird & Co.

Union Texas On Sale; Owners To Get \$2 Billion

By CALEB SOLOMON

Staff Reporter of THE WALL STREET JOURNAL
HOUSTON — Union Texas Petroleum Holdings Inc. said it is putting itself up for sale, a step that industry experts say could yield its owners about \$2 billion if all its pieces are sold.

The company, just a step below the nation's major oil companies in size, owns considerable natural gas and crude oil reserves in Indonesia, the British North Sea and the Gulf of Mexico. It also has an interest in large petrochemical operations in Louisiana.

Union Texas is 40% owned by Kohlberg Kravis Roberts & Co. and 40% owned by Allied-Signal Inc.

The company said directors have authorized executives "to explore a sale of the company and other alternatives."

Union Texas said that a transaction isn't guaranteed, recalling the difficulty the company had in its initial public offering in September 1987, when the two controlling shareholders pulled out of the sale at the last minute. The result was a drastically reduced offering in both price and size. The company added that any sale probably wouldn't be completed before November.

The current outlook for oil companies is more bullish than a few years ago, however, and Union Texas's assets are viewed favorably. "This is a quality company," said Ronald J. Barone, an oil analyst at Kidder, Peabody & Co. in New York.

Wall Street experts yesterday valued the company at \$1.85 billion to \$2.01 billion, though many energy properties sold in the past two years have exceeded their appraised values. The estimates work out to a range of \$22 to \$24.50 a share. Union Texas shares rose \$2.625 yesterday to \$20.50 in New York Stock Exchange composite trading.

Allied appears to be somewhat more optimistic, setting a target of about \$1 billion for the sale of its 40% stake in Union Texas. "That's in the ballpark of what we think we might be able to get," a company spokesman said in Morris Township, N.J.

Edward L. Hennessy Jr., chairman of Allied and a Union Texas director, told shareholders at the annual meeting yesterday that the aerospace and automotive products company would use proceeds to reduce debt and buy back stock.

In New York, KKR declined to comment on the planned sale.

While Allied has wanted to sell its stake for some time, it isn't clear what triggered yesterday's announcement. Some on Wall Street believe that Allied was prepared to sell even if KKR wasn't, and that may have prompted KKR to go along to avoid either a partner it wouldn't like or a minority position.

Commenting on the timing, a Union Texas spokesman said "There con-

Union Texas Seeks Buyer; Sale May Yield \$2 Billion to Owners

Continued From Page A3

tinues to be a lot of interest in oil and gas properties. The Huffco sale is an example of that," she said, referring to the sale of Huffington Corp. to Taiwan's national oil company last month.

Huffington's primary asset was a 20% interest in an Indonesian joint venture in which Union Texas has a stake almost double that size. The venture supplies natural gas to one of the world's largest liquefied natural gas facilities. A sale price wasn't disclosed but oil industry speculation puts it roughly at \$500 million to \$700 million.

Mr. Barone of Kidder Peabody values Union Texas's Indonesian interest at \$1.1 billion. It accounts for 1.24 trillion feet of the company's 2.01 trillion cubic feet of natural gas reserves. U.S. operations, at 581 billion cubic feet at year-end 1989, represent the second-biggest portion of the company's gas reserves. Along with 30 million barrels of oil reserves, combined U.S. reserves are valued by Mr. Barone at about \$688 million.

Union Texas's total world-wide crude reserves are 140 million barrels, the biggest part of which—79 million barrels—lie in the British North Sea.

The company also holds a 42% interest in a Geismar, La., chemical plant that produces ethylene, valued by one industry expert at about \$300 million.

Union Texas reported first-quarter earnings of \$31 million, or 23 cents a share, on revenue of \$311 million, and has maintained an aggressive capital spending program, raising its budget 41% this year to \$361 million.

Despite Union Texas's disappointing initial offering in 1987, a sale this year could be profitable for KKR, which bought its stake in Union Texas from Allied for \$250 million in 1985. Allied acquired Union Texas in 1962, though the company's growth accelerated only in the late 1960s. Union Texas began as a sulfur company in Sulphur, La., in 1896 and entered the oil business in 1926.



Union Texas Petroleum

1330 Post Oak Boulevard
P. O. Box 2120
Houston, Texas 77002-2120
(713) 623-6544

April 24, 1990

Doyle Hartman
500 North Main
P.O. Box 10426
Houston, Texas 79702

Attention: Mr. Bryan E. Jones

RE: Eumont Gas Pool -- Monument Field

Dear Mr. Jones:

This is in response to your letter dated March 23, 1990 offering to purchase UTP's interest in the subject property for \$650,000.00. We appreciate your interest, however, we are currently conducting an evaluation of these properties which will require several months to complete.

As you may be aware, currently producing Eumont horizons are not fully representative of productive potential in the area. We have in progress a development plan which is expected to enhance value of the subject properties through field operations. Results of this field evaluation may require up to 6 months or more to fully evaluate at which time we will be in a better position to assess the merits of your offer. We are willing to reopen discussions with you at that time should you continue to have an interest.

Sincerely,

Rod R. Cranford
Landman

RRC/mh

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

March 5, 1990

VIA TELEFAX/FEDERAL EXPRESS

Union Texas Petroleum
1330 Post Oak Boulevard
Houston, Texas 77252

Attention: Mr. Rod Cranford

Re: Britt-Laughlin Gas Com
Eumont Gas Pool
SE/4, SE/4 SW/4 Section 5
NE/4 NW/4, NE/4 NE/4 Section 8
T-20-S, R-37-E
Lea County, New Mexico
(280-acres)

Gentlemen:

Reference is made to our letter to you of February 6, 1990 (copy enclosed) offering to purchase Union Texas Petroleum's 41.667% working interest in the presently non-producing non-dedicated 40-acre Eumont tract consisting of the SE/4 SW/4 Section 5, T-20-S, R-37-E. Reference is also made to your letter to us of February 27, 1990 (copy enclosed) declining our purchase offer of February 6, 1990.

As you were previously given notice on a number of occasions in late 1989, Doyle Hartman, in settlement of any and all presently existing claims and disputes between Phillips Petroleum and Doyle Hartman arising out of the interpretation of Article XXII of that certain Drilling and Farming Out Agreement dated February 13, 1935, is in the final process of being assigned by Phillips Petroleum all of Phillips' Eumont rights corresponding to the H. M. Britt, Britt "A", and Britt "B" leases situated respectively in Sections 7, 6, and 5, T-20-S, R-37-E, Lea County, New Mexico. It is our understanding that a final closing between Phillips and Hartman should be fully consummated by March 16, 1990. After our final closing with Phillips, Doyle Hartman and James A. Davidson will own 58.0078% of the working interest in the 40-acre Eumont tract consisting of the SE/4 SW/4 Section 5, T-20-S, R-37-E. The remaining Eumont ownership in the SE/4 SW/4 Section 5 is owned by Union Texas Petroleum with a 41.6667% working interest and James E. Burr et. al. with a 0.3255% working interest.

In addition, Doyle Hartman is also in the final stages of closing with both OXY and Oryx as to 100% of the Eumont rights in the SE/4 Section 5 and the NE/4 NE/4 Section 8, and Doyle Hartman already owns 100% of the working interest as to the Eumont interval in the NE/4 NW/4 Section 8, T-20-S, R-37-E. Therefore, because of our nearly total ownership, as to the Eumont interval, of the 280 contiguous acres consisting of the SE/4 and SE/4 SW/4 Section 5 and NE/4 NW/4 and NE/4 NE/4 Section 8, and in light of the urgent need for additional development work to be performed as to the Eumont interval corresponding to the subject 280-acre parcel, we have recently filed an application with the New Mexico Oil Conservation Division (NMOCD) for permission to form a new 280-acre Eumont proration unit consisting of the SE/4 and SE/4 SW/4 Section 5 and the NE/4 NW/4 and NE/4 NE/4 Section 8, T-20-S, R-37-E. Our newly proposed 280-acre Britt-Laughlin Eumont proration unit will initially have dedicated to it our Britt-Laughlin Com No. 1 well (formerly Britt "B-8" No. 1) located 660' FNL and 1980' FWL Section 8, T-20-S, R-37-E and our Britt-Laughlin Com No. 5 well (formerly Laughlin "B" No. 5) situated 330' FSL and 2310' FEL Section 5, T-20-S, R-37-E. In addition to simultaneously dedicating our Britt-Laughlin Com No. 1 and No. 5 wells to the proposed proration unit, we have also asked the NMOCD for permission to drill a new infill Eumont well on the proposed 280-acre proration unit at a location approximately in the center of the SE/4 Section 5, T-20-S, R-37-E.

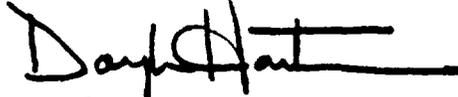
With Union Texas' recent decision not to sell its 16.6667 Eumont acres in the SE/4 SW/4 Section 5, Union Texas presently still holds a 5.9525% working interest in our proposed 280-acre Eumont proration unit and as a result, it is important that we promptly ascertain in what manner Union Texas plans to cooperate with our proposed redevelopment of the subject Eumont acreage. The obvious options available to Union Texas are:

1. Participate as a joint working interest participant and pay its proportional share of all redevelopment costs.
2. Farmout to us, on mutually agreeable terms, its interest in the proposed 280-acre Eumont proration unit.
3. Sell to us, on mutually agreeable terms, its interest in the proposed 280-acre proration unit.

Since our compulsory pooling application corresponding to our newly proposed 280-acre Eumont proration unit has been set for hearing before the NMOCD on March 21, 1990, we respectfully request that you promptly notify us of the manner in which Union Texas plans to cooperate. In order to assist you with your decision, we are enclosing (along with a copy of our 280-acre Eumont proration unit application), an Authorization For Expenditure and Detail Well Estimate corresponding to our proposed Britt-Laughlin Com No. 6 infill Eumont well.

Your prompt attention to this matter will be most appreciated.

Very truly yours,


Doyle Hartman

DH/ps

1862:UTX0305

cc: Mr. J. E. Gallegos
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Mr. James A. Davidson
Post Office Box 494
Midland, Texas 79702

Mr. William P. Aycock
1207 W. Wall
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✓ Mr. Dan Nutter
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Union Texas Petroleum
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Mr. Kent Woolley, Land Manager
Union Texas Petroleum
4000 North Big Spring, Suite 400
Midland, Texas 79705

Mr. N. W. Wilson, III
Vice President/General Counsel/Secretary
Union Texas Petroleum
1330 Post Oak Boulevard
Houston, Texas 77252

Mr. J. M. McKinney
Vice President/General Manager/
Exploration/Production Onshore
Union Texas Petroleum
1330 Post Oak Boulevard
Houston, Texas 77252

Mr. Larry Woodard, State Director
Bureau of Land Management
Post Office Box 1449
Santa Fe, New Mexico 87501

Mr. Gil Lockwood, Deputy State Director
for the Division of Mineral Resources
Bureau of Land Management
Post Office Box 1449
Santa Fe, New Mexico 87501

Francis Cherry, District Manager
Bureau of Land Management
Post Office Box 1397
Roswell, New Mexico 88202-1397

Mr. Frank Hulse
Senior Landman
Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Union Texas Petroleum

March 5, 1990

Page 5

Mr. P. K. Crawford
Land Manager
Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Mr. C. R. Jolley
OXY Petroleum, Inc.
Post Office Box 50250
Midland, Texas 79710

Mr. Charles Dickenson
OXY Petroleum, Inc.
Post Office Box 50250
Midland, Texas 79710

Ms. Joyce Hagar
Oryx Energy Company
Post Office Box 2880
Dallas, Texas 75221/2880

Mr. Chuck Carpenter
Oryx Energy Company
Post Office Box 2880
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DOYLE HARTMAN
OIL OPERATOR
500 N. MAIN STREET
MIDLAND, TEXAS

Revised 5-15-82

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Britt-Laughlin Com WELL NO. 6 W.I. 100%
COUNTY Lea STATE New Mexico FIELD Eumont (Gas)
LOCATION: SE/4 Section 5, T-20-S, R-37-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	3750 Feet @ \$11.50 Per Foot	43125	43125
2. Day Work	2 days @ \$3500/day		
		7000	7000
3. Coring Service	Well Surveys OH Logs	10200	10200
4. Bits and Reamers			
5. Testing			
6. Directional Drilling			
7. Fuel	Water	8000	5500
8. Mud	4700 Mud Logging 1800	6500	6500
9. Cementing Service	Cement Floats	12000	3200
10. Company Labor	Contract Labor	1500	1500
11. Surface Damages and Right-of-Way		2500	2500
12. Digging Pits	Filling Pits	500	500
13. Pit Lining		800	800
14. Roads & Bridges	4500 Dredging & Grading 7500	12000	
15. Acidizing	6500 Fracturing 13500 Perforating 2000	143500	--
16. Plugging			4500
17. Trucking Cost		3000	1500
18. Development Superintendence	12/7 days @ \$ 500 /day	6000	3500
19. Rental Equipment	Mud cleaner, BOP, frac tanks	5300	1300
20. Swabbing and Testing		6500	--
21. Legal and Professional Expenses:			
	Product Price Determination NGPA file	750	
	Regulatory Hearings State filings Location Stake	1200	1200
22. Abstracts and Title Opinions		7500	7500
23. Geological, Geophysical and Land Support		2200	2200
24. Other Costs			
25. Contingency @ 10% %		28008	10253
	Total Intangibles	308083	112778
WELL EQUIPMENT:			
26. Casing	475 Ft. of 9-5/8" @ 12.00 Per Ft. (Used)		
	3750 Ft. of 7" @ 6.20 Per Ft. (Used)		
		28950	5700
27. Tubing	3700 Ft. of 2-3/8" @ 2.30 Per Ft.	8510	
28. Casing Head		1350	1350
29. Xmas Tree or Pumping Connections		5600	--
30. Pumping Unit		15000	
31. Engine/Motor Controller and Power System		7800	
32. Sucker Rods		4000	
33. Pump		1800	
34. Tank Battery		3500	
35. Separator or Dehydration Equip.		3300	
36. Metering Equipment			
37. Flow Lines		2100	
38. Guards and Fences		800	
39. Other Costs	Anchors	600	
40. Contingency @ 10% %		8331	705
	Total Tangibles	91641	7755
	TOTAL COST OF WELL	399724	120533
	Union Texas Petroleum Share at 5.9525 %	23794	7175

REMARKS: _____

Originated by Mike Stewart Title Engineer Date 3-5-90

Approved _____ Title _____ Date _____