



Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996

June 1, 1990

To: Working Interest Owners  
Addressee List Attached

RE: CERTIFIED LETTER  
T19S-R-33E  
Section 14:E/2  
Lea County, New Mexico

Dear Working Interest Owners:

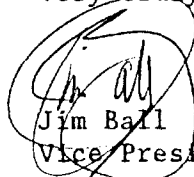
Manzano Oil Corporation plans to drill an approximate 13,700 foot Morrow test located at 1980 feet FNL and 2310 feet FEL of the captioned tract on or before July 15, 1990. This unorthodox well location is named the Texaco Federal Com #2.

Manzano respectfully requests that you elect one of the following:

- 1) Participate to the extent of your leasehold interest in the drilling of the said well by executing and returning both copies of the enclosed duplicate AFEs. You will also be required to execute a mutually acceptable standard A.A.P.L. Joint Operating Agreement. Manzano will then prebill you for your proportionate share of dry hole costs.
- 2) Sell your leasehold interest to Manzano for \$150.00 per net acre delivering an 80% net revenue interest lease.
- 3) Farmout your leasehold interest to Manzano delivering 75% net revenue interest lease. The farmout would be limited as to only those rights found below a depth of 4950 feet from the surface of the earth.

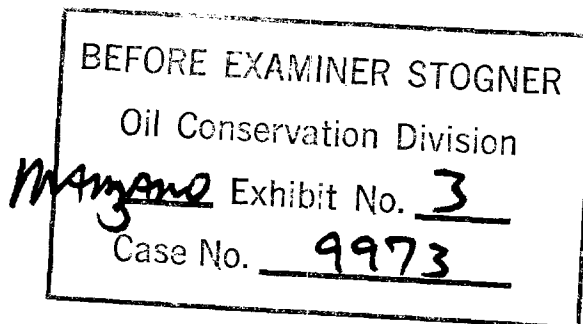
Please review the above and contact the undersigned as to your position and/or election. Manzano will need your written election on or before June 22, 1990.

Very truly yours,

  
Jim Ball

Vice President, Land

JBkn  
AFE encl.



Addressee List for Texaco Federal Com #2  
June 1, 1990

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T T SANDERS JR  
P.O. BOX 550  
ROSWELL, NM 88201

BARBARA HANNIFIN  
P.O. DRAWER 2588  
ROSWELL, NM 88202-2588

DANIEL W. VAREL  
P.O. BOX 540157  
DALLAS, TX 75354-0157

ELOY S. DURAN  
BOX 1854  
ROSWELL, NM 88201

HAROLD KIOUS  
P.O. DRAWER L  
ALBUQUERQUE, NM 87103

STEPHEN T. MITCHELL  
648 PETROLEUM BLDG.  
200 WEST FIRST  
ROSWELL, NM 88201

KENNETH D. REYNOLDS  
907 WEST TEXAS AVE.  
ARTESIA, NM 88210

SEALY H. CAVIN JR  
3235 CALLE DE DEBORAH NW  
ALBUQUERQUE, NM 87104

G DEE WILLIAMSON  
P.O. BOX 2206  
ROSWELL, NM 88201

SCOTT EXPLORATION INC.  
648 PETROLEUM BLDG.  
200 WEST FIRST  
ROSWELL, NM 88201

ARNOLD NEWKIRK  
2601 SHERRILL LANE  
ROSWELL, NM 88201

THOMAS ALDEN RITCH, MD  
200 E. COUNTRY CLUB ROAD  
ROSWELL, NM 88201

DAVID SORENSON  
P.O. BOX 1452  
ROSWELL, NM 88201

ROBERT W. EATON  
2505 DON JUAN NW  
ALBUQUERQUE NM 87104

CARL A. SCHELLINGER  
P.O. BOX 447  
ROSWELL, NM 88201

SEALY HUTCHINGS CAVIN INC.  
P.O. BOX 1125  
ROSWELL, NM 88201

MOROILCO INC.  
P.O. DRAWER I  
ARTESIA NM 88210

SUSAN SCOTT MURPHY  
706 BRAVO ST.  
ROSWELL, NM 88201

S.H. CAVIN  
P.O. BOX 1125  
ROSWELL, NM 88201

RED OAK CATTLE COMPANY  
P.O. BOX 998  
ARDMORE, OK 73402

GEORGE L. SCOTT III  
648 PETROLEUM BLDG  
200 WEST FIRST  
ROSWELL, NM 88201

PATRICK J. ROGERS  
P.O. BOX 2168  
ALBUQUERQUE, NM 87103

WARREN SCOTT  
648 PETROLEUM BLDG.  
200 WEST FIRST  
ROSWELL, NM 88201

JOHN HEER  
5019 CALLE DE LUNA NE  
ALBUQUERQUE, NM 87111

FRANK S. & ROBIN L. MORGAN  
P.O. DRAWER I  
ARTESIA, NM 88211-0269

MANZANO OIL CORPORATION  
P.O. BOX 2107  
ROSWELL, NEW MEXICO 88202-2107

AUTHORIZATION FOR EXPENDITURE

Date: June 1, 1990

Lease/Well Texaco Federal Com #2 Location 1980'FNL & 2310'FEL Sec 14-19S-33E  
County Lea State NM Prospect Bridgeman Proposed TD 13,700'  
Objective Zones Morrow, Atoka, Wolfcamp Type Well WC Est. Start Date 7-16-90

ITEM	DRY HOLE	COMPLETION	TOTAL
<u>Intangible Costs:</u>			
Surveying.....	\$ 1,000	\$	\$ 1,000
Location & Roads.....	13,000		13,000
Drilling-Footage:Depth <u>12,500</u> @ \$ <u>15.00</u> /ft	191,000		191,000
Drilling-Daywork: <u>14</u> days @ \$ <u>4,000</u> /day	56,000		56,000
Completion Rig: <u>25</u> days @ \$ <u>1,300</u> /day..	0	33,000	33,000
Mud Logging.....	12,000		12,000
Drill Stem Tests:No <u>4</u> .....	20,000		20,000
Roustabouts & Trucking.....	4,000	2,000	6,000
Mud Chemicals.....	50,000		50,000
Cement & Services-Surface.....	7,000		7,000
-Intermediate.....	25,000		25,000
-Production.....		18,000	18,000
Open Hole Logging.....	27,000		27,000
Tie-In Logging & Perforation.....		16,000	16,000
Acidizing & Fracturing.....		16,000	16,000
Engineering & Geological Services.....	12,000	10,000	22,000
Well Supervision.....	5,000	9,000	14,000
Administrative Overhead.....	12,000	5,000	17,000
Rental Tools & Equipment.....	20,000	15,000	35,000
Permits, Title & Damages.....	5,000	2,000	7,000
Water.....	18,000		18,000
Miscellaneous & Contingencies.....	25,000	10,000	35,000
Gross Receipts Tax.....	30,000	9,000	39,000
TOTAL INTANGIBLE COSTS:	<u>\$533,000</u>	<u>\$145,000</u>	<u>\$678,000</u>
<u>TANGIBLE COSTS:</u>			
Casin -Surface <u>500'</u> of <u>13-3/8"</u> @\$ <u>24.00</u> /ft	\$ 12,000	\$	\$ 12,000
-Inter. <u>5400'</u> of <u>8-5/8"</u> @\$ <u>12.41</u> /ft	67,000		67,000
-Prod. <u>13,700'</u> of <u>5-1/2"</u> @\$ <u>10.58</u> /ft		145,000	145,000
Tubing <u>13,600'</u> of <u>2-7/8"</u> @\$ <u>4.78</u> /ft		65,000	65,000
Wellhead Equipment.....	6,000	20,000	26,000
Sucker Rods.....			
Packer & Sleeves.....		15,000	15,000
Down Hole Pump.....			
Pumping Unit & Prime Mover.....			
Float & Other Equipment.....	2,000	5,000	7,000
Tanks, Flow Lines & Fittings.....		15,000	15,000
Separator/Heater-Treater.....		20,000	20,000
Gas Lines & Meters.....		4,000	4,000
Miscellaneous - .....	15,000	10,000	25,000
Gross Receipts Tax.....	6,000	18,000	24,000
TOTAL TANGIBLE COSTS	<u>\$108,000</u>	<u>\$317,000</u>	<u>\$425,000</u>
TOTAL WELL COSTS:	<u>\$641,000</u>	<u>\$462,000</u>	<u>\$1,103,000</u>

IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THAT SET OUT HEREIN.

MANZANO OIL CORPORATION  
APPROVED BY: \_\_\_\_\_

COMPANY \_\_\_\_\_  
APPROVED BY: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_