



P. O. BOX 2267, MIDLAND, TEXAS 79702 (915) 683-4871

#71

1) How
2) LCM
3) How
4) LCM

January 11, 1985

Getty Oil Company (Texaco Inc.)
P. O. Box 1231
Midland, Texas 79702

Attn: Woody Woods

Applicant 2
CASE 8580
TTL 316 710-001

RE: Fort "18" Com #1
1980' FSL & 660' FWL Section 18,
T-24-S, R-29-E
Eddy County, New Mexico
N.E. Malaga Area

Gentlemen:

F/D
HNG Oil Company would like to invite you to participate in the drilling of the captioned well to a depth of approximately 12,400 feet or to adequately test the Atoka formation. We would like to form a west-half proration unit. According to our records, you own the E/2 SW/4 of Section 18 comprising 80 acres, thus, this would give you approximately a 25% working interest in said well. Dry hole costs would be approximately \$1,000,000.00 and completed well costs of approximately \$1,500,000.00. We will spud this well on or before March 30, 1985.

In lieu of participating in this well, HNG would accept a farm-in from you with Getty (Texaco) reserving an overriding royalty interest equal to the difference between present leasehold burdens and 25%, with the option to convert said overriding royalty interest to a 25% working interest after payout. If you do decide to farmout, HNG would also like the option within 180 days from completion of the initial test, to start a well at a legal location of our choice in the E/2 Section 18 with Getty (Texaco) farming out its ownership in the SE/4 of said section on all the same terms and conditions as set out above.

Upon notifying us of your intent to either join or farmout, we will forward to you for your approval an AFE and Joint Operating Agreement.

Your earliest consideration of this proposal would be greatly appreciated. If you have any questions concerning this matter, please feel free to contact the undersigned.

Yours very truly,

HNG OIL COMPANY

B. Craig Duke

BCD/jw