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Nearburg Exploration Company

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

February 3, 1994

Mr. Tom Kellahin
117 North Guadalupe
Santa Fe, New Mexico 87504

FAK 505/982-2047

Re Operating Agreement;
SE/4 Section 29,
T-19-S, R-25-E
Eddy County, New Mexico
Boyd 'X' State Com #3 Well

Dear Kellahin:

By letter dated January 3, 1994, Ms. Janet Richardson of Yates Petroleum Corporation re-proposed the Boyd 'X' State Com #3 well, furnishing Nearburg Exploration Company a supplemental AFE and a revised page 4 to the previously submitted January 15, 1993 Operating Agreement. No other revisions to the Operating Agreement were made other than the revised page 4 which has the effect of changing the well commencement date to May 1, 1994. The original overhead rates in the proposed Operating Agreement were \$4,500 drilling well rate and \$450 producing well rate. I now understand that Yates is requesting a further amendment to the Operating Agreement providing for a drilling well rate of \$5,400 and a producing well rate of \$540.

While this rate has not been proposed previously, and all other joint operations under which Yates has been designated the operator are currently at a \$4,500/\$450 rate, Nearburg Exploration Company will, in a spirit of cooperation and to avoid continued controversy, agree to the rates as now proposed by Yates Petroleum Corporation

We appreciate your cooperation.

Very truly yours,


Bob Shelton
Consulting Landman

BS:kg