



February 1, 1985

Texaco Inc.
P.O. Box 3109
Midland, Texas 79702

Re: Pooling of Mineral Interests SW/4 Sec. 25 T-16S R-36E Lea County, NM

Dear Mr. John Clark,

Lynx Petroleum et. al. has recently drilled the Geraldine Doughty #1 to a depth of 6360' at a location 2100' FWL and 1650' FSL in Sec. 25 T-16S R-36E Lea County, NM. The subject well was completed in the Paddock formation and has stabilized with production of 16 BOPD, 14 BWPD and gas TSTM. Although the Paddock was the primary target of the subject well, the Queen was considered an excellent secondary target. Lynx Petroleum is now proposing to form a 160 acre proration unit consisting of the SW/4 of Section 25 for dedication to a Queen test in the Geraldine Doughty #1. Depending on production tests in the Queen, the well would either become a single Queen producer, dualled with the Paddock, or returned to single Paddock producer.

Attached you will find a lease map indicating the dedicated acreage and copies of the mud log and open-hole logs on the subject well. Although the nearest established Queen production is two miles to the south in the Amoco St. E #5, other wells in the immediate vicinity have shown Queen potential. The Velma Petroleum Sinclair St. #1 located in the SE/4 SE/4 Sec. 26 T-16S R-36E blew out while drilling through the Queen from 4020-40 at a rate of 750 MCFPD. The well was plugged and abandoned in 1965 after producing in the Paddock because of a lack of gas market. Two other wells in Sec. 26 also tested the Queen. The Holder-Ross #1 (NW/4 SE/4) DST'ed the interval from 4078-4120 and recovered 1116' gas in the drill pipe and 163' heavily gas and oil cut mud. The Shell St. #1 (SE/4 SW/4) tested at an interval from 4098-4138 and produced 2% oil. It should be noted that the Geraldine is significantly upstructure from all these wells.

Attached are two AFE's on the subject well. The first is actual cost to set casing and cement to a depth of 4075'. The second AFE is estimated cost to test the Queen. If the well is productive, a third AFE would be issued for tubing and surface

facilities as required, depending on if the well was dualled or a single. If the Queen is non-productive Lynx would squeeze the zone and return the well to production in the Paddock at its sole cost and risk.

If you wish to participate, please sign both AFE's and return a copy to Lynx Petroleum. A standard operating agreement will then be issued for your approval.

If you do not want to participate, Lynx would agree to lease or farmout your acreage if you would deliver a 75% NRI to Lynx et. al. Please inform us of your decision at your earliest convenience as this work is planned for late February of this year.

Sincerely,

Gary W. Fonay
Vice-President

GWF/bw