

**Nearburg Producing Company**

Acquisition and Production  
4000 North 1st Street  
Suite 4100  
Midland, Texas 79701  
Midland 4095  
Midland 4095

December 7, 1993

Mr. David Glass  
Bureau of Land Management  
1717 West 2nd  
Roswell, New Mexico 88201-2019

Re: BLM Lease 53219, Chama Federal Com #1 Well  
N/2 Section 11, T-22-S, R-24-E  
Eddy County, New Mexico  
M-H Area

Dear Mr. Glass:

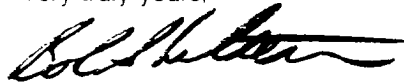
Thank you for the opportunity of discussing the status of the captioned lease with you by telephone this date. As you requested, I have enclosed a copy of our completion report on the Chama Federal Com #1 well which was filed on November 24, 1993. As a result of this completion, I now understand that you will write the required first production memorandum and our lease will be transferred to a producing status. This lease was to have terminated December 31, 1993, and you have now advised that the lease will be maintained by production unless and until the subject well becomes uncommercial and we have received a 60-day letter requiring that commercial production be re-established.

The acreage upon which the well is located is subject to an approved Communitization Agreement, and it is our understanding that should the well become non-commercial and a 60-day letter be issued without production being re-established, the Com Agreement will then terminate and our lease will be automatically granted a two-year extension.

We appreciate you confirming the above facts and your preparing the first production letter. Royalty payments on production to date have been paid the MMS as evidenced by the enclosed statement. If our understanding as stated above is not correct, we would appreciate your immediate response.

Thank you for your cooperation.

Very truly yours,



Bob Shelton  
Consulting Landman

xc: Mr. Armando Lopez, Bureau of Land Management, Roswell  
Mr. Shannon Shaw, Bureau of Land Management, Carlsbad

000-21glass.01m

