

TEXMEX SEVEN LTD
OIL AND GAS EXPLORATION

150 WASHINGTON AVENUE, SUITE 202
SANTA FE, NEW MEXICO 87501
505-982-6199

April 7, 1989

Oil Conservation Division
State Land Office
Santa Fe, NM 87501

Attn: Michael Stogner

Re: TEXMEX SEVEN LTD
Pretty Bird Unit, Well No. 1
Chaves County, NM

Gentlemen:

My letter of March 16th requested approval of the unorthodox location for the captioned well, 660'fs&el of Section 6 19S 18E, based on topographical reasons.

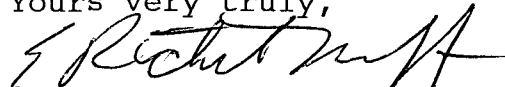
My archaeologist, Bob Martin with Pecos Archaeoloigsts of Carlsbad advised me earlier this week that the proposed drillsite was located within an archaeological site.

I met with the surveyors, the BLM representative, the surface lessee, my archaeologist and dirt contractor to resolve the problem yesterday. They pinned me down to a small area between the solid dolomite hillsides and the relatively flat archaeological site (660'fn & 330'fel of Section 7 19S 18E and on the same lease, approximately 1320 feet from the previous stake.

Enclosed is a copy of the USGS topo sheet showing the archaeological site in red and the area of topographical problem areas in green.

The two other leasehold owners within the proposed 11,782.54 acre unit are aware of the unorthodox location problem and do not object its location.

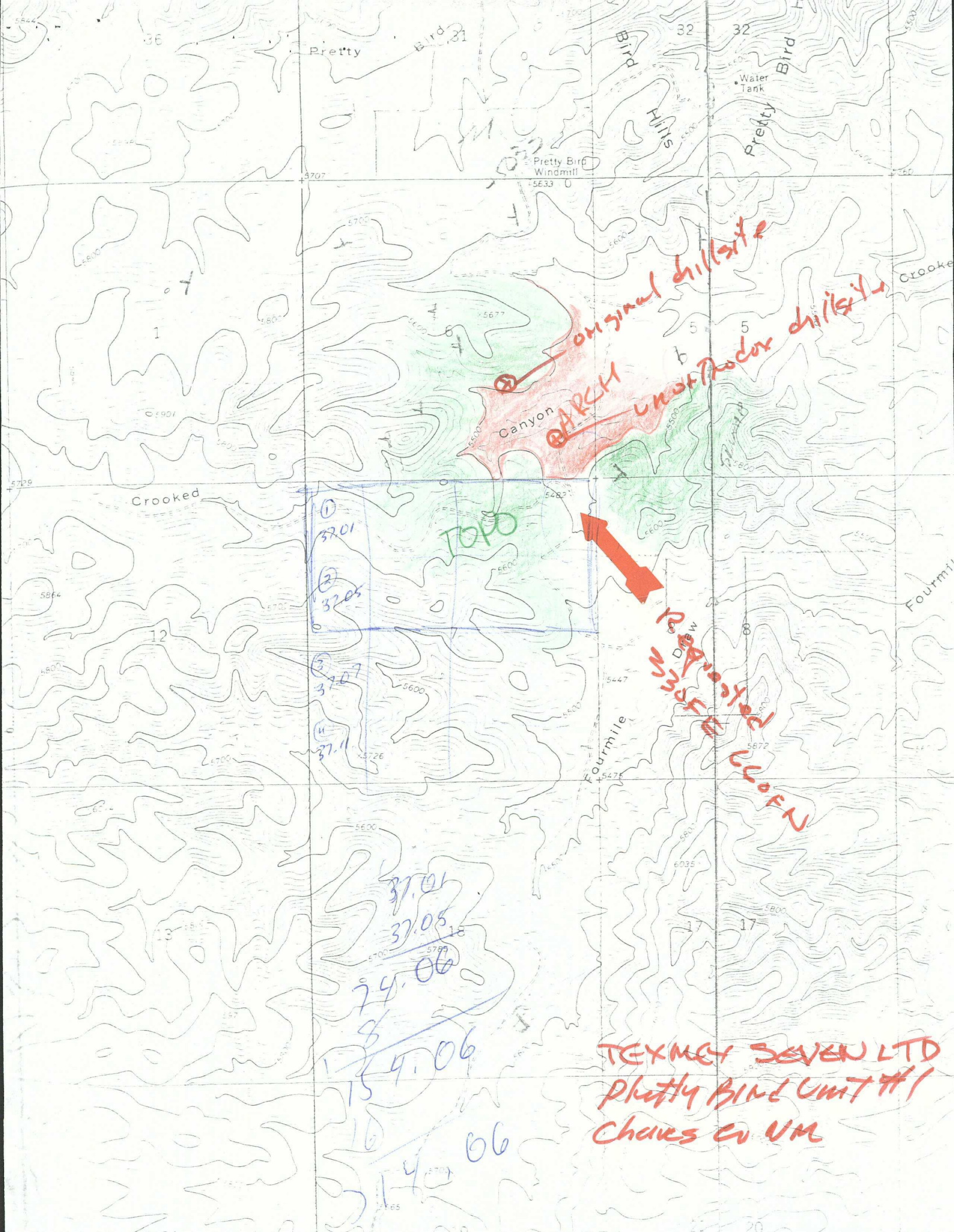
Yours very truly,



E. Richard Neff
General Partner

enclosed plat

See 1



March 16, 1989

Oil Conservation Division
State Land Office
Santa Fe, NM 87501

Attn: Michael Stogner

Re: TEXMEX SEVEN LTD
Pretty Bird Unit, Well No. 1
Chaves County, NM

Gentlemen:

This hand delivered letter is written to request Oil Conservation Division administrative approval of an unorthodox wildcat location, for topographic reasons.

John West Engineering (Surveyors) and myself attempted to stake the captioned well for an orthodox 320 acre spacing unit wildcat drillsite at 1,650' fs & 1,650' fel of Section 6 19-S 18-E. We encountered a steeply sloping solid dolomite outcrop on which a drilling pad could not be constructed without great effort which would require considerable destruction of local terrain by blasting.

After reviewing alternate locations, I decided to move the drillsite stake to 660' fs & el of Section 6 19-S 18-E, one of the few level spots in section 6. At this time I thought this would be an orthodox location for a 160 acre spacing unit for the 2,600 foot Lower Pennsylvanian target zone. I am now aware that 320 acres is required for Lower Pennsylvanian, regardless of depth.

Enclosed is a copy of the USGS Topographic map of the area, indicating very rugged terrain. I have also indicated the original proposed drillsite and the present stake location.

A copy of this letter and plat is being sent by certified mail to the two other leasehold owners within the proposed 11,782.54 acre unit.

Yours very truly,

E. Richard Neff
General Partner

cc: Maralo
B J Brown

enclosed plat

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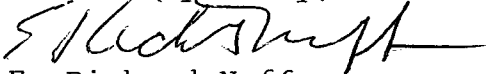
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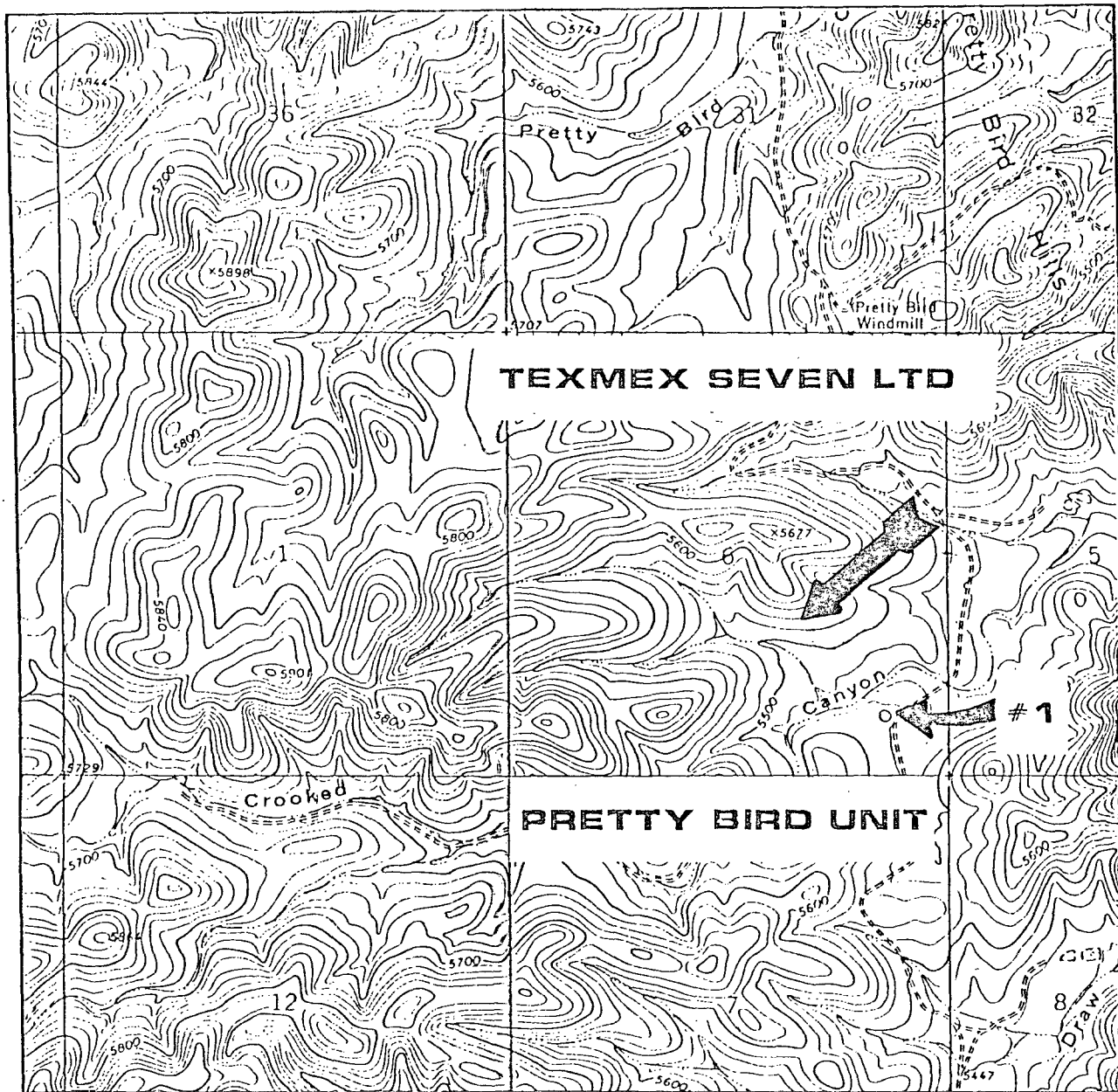


E. Richard Neff
General Partner

cc: Maralo
B J Brown

enclosed plat

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL 20'

SEC. 6 TWP. 19S RGE. 18E

SURVEY N.M.P.M.

COUNTY Chaves STATE NM

DESCRIPTION 660' FEL & 660' FSL

ELEVATION 5477.9

OPERATOR TEXMEX SEVEN LTD.

LEASE Pretty Bird Unit #1

U.S.G.S. TOPOGRAPHIC MAP

Lewis Peak, NM

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9620
ORDER NO. R-8894

APPLICATION OF TEXMEX SEVEN, LTD.
FOR A UNIT AGREEMENT, CHAVES COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 15, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of March, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Texmex Seven Ltd., seeks approval of the Pretty Bird Unit Agreement for all oil and gas in any and all formations underlying those lands described in Exhibit "A" attached hereto and made a part hereof.

(3) No interested party appeared and objected to the proposed unit area.

(4) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Pretty Bird Unit Agreement is hereby approved for all oil and gas in any and all formations underlying those lands described in Exhibit "A" attached hereto and made a part hereof.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation

Case No. 9620
Order No. R-8894
Page No. 2

measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

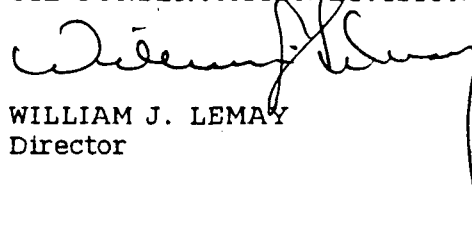
(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

Case No. 9620
Order No. R-8894
Page No. 3

EXHIBIT "A"
CASE NO. 9620
ORDER NO. R-8894
PRETTY BIRD UNIT AREA

TOWNSHIP 18 SOUTH, RANGE 17 EAST, NMPM

Sections 25 and 26: All

Sections 35 and 36: All

TOWNSHIP 18 SOUTH, RANGE 18 EAST, NMPM

Sections 31 and 32: All

TOWNSHIP 19 SOUTH, RANGE 17 EAST, NMPM

Section 1: All

Sections 12 and 13: All

TOWNSHIP 19 SOUTH, RANGE 18 EAST, NMPM

Sections 4 through 9: All

Sections 16 through 18: All

Section 19: N/2

Containing 11,782.54 acres, more or less, of State and Federal Lands
in Chaves County, New Mexico.