

AUG 17 '90 15:44 FROM PEPCO 713-546-6495

PAGE.004

Nearburg Producing Company

Western Field

Exploration and Production
401 E. Illinois, Suite 300
Midland, Texas 79701
915 686-8235

August 15, 1990

Mr. Lonnie L. Whitfield
Pennzoil Exploration & Development Company
700 Milam
Houston, Texas 77002

Re: Western "F" No. 1 State
Well, 2130' FNL & 2130'
FWL of Section 17,
Township-16-South, Range-
37-East
Lee County, New Mexico
Western Prospect

Dear Mr. Whitfield:

Nearburg Producing Company proposes to drill the captioned 11,200' Strawn test at the above location, which is approximately 50' outside the radius of 150' from the center of the quarter quarter section as required by New Mexico Oil Conservation Division rules. The reason for the non-standard location is the existence of a 1000 lb. LPG pipeline and a county road, both shown on the attached plat. At a standard location, the well would be on their right-of-way. We have moved the location the least amount considering safety and its proximity to both the road and the pipeline. Pennzoil Exploration & Production Company is an offset leasehold owner and to receive approval from the New Mexico Oil Conservation Division for this location, we request your waiver of objection to the unorthodox location.

If you agree to the captioned location, we request that you execute one (1) copy of this waiver letter in the space provided for below and return to the undersigned by facsimile to area code 915-686-7806. We currently have a well drilling 1320' north of this location and we would like to utilize this rig for the captioned well. Therefore, we would appreciate your immediate response.

Thank you for your cooperation.

Yours very truly,

Bob Shelton
Bob Shelton
Land Manager

BS/my

'90 15:44 FROM PEPCO 713-546-6495
LEA COUNTY, NEW MEXICO
PAGE 2

PAGE 005

AGREED AND ACCEPTED THIS
17th DAY OF August, 1990.

PENNZOIL EXPLORATION & PRODUCTION COMPANY

* BY: Michael L. McCullough
its: Michael L. McCullough, Agent and Attorney-in-Fact

APPROVED	
LAND	<input checked="" type="checkbox"/>
LAND	<input checked="" type="checkbox"/>
EXPL	<input checked="" type="checkbox"/>
PROD	<input checked="" type="checkbox"/>

*Subject to the terms and conditions of that certain Letter Agreement dated August 17, 1990 by and between Pennzoil Exploration and Production Company and Nearburg Producing Company.



PENNZOIL EXPLORATION AND PRODUCTION COMPANY

PENNZOIL PLACE • P.O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

August 17, 1990

Nearburg Producing Company
401 E. Illinois, Suite 300
Midland, Texas 79701

Attention: Mr. Bob Shelton

FAX NO.: 915-686-7806

RE: Request for Waiver of Objection to
Unorthodox Location
Western "F" No. 1 State Well
2130' FNL and 2130' FWL, Section
17, T16S, R37E
Lea County, New Mexico
Lovington, N.E. Area

Dear Mr. Shelton:

Pursuant to your letter dated August 15, 1990, wherein Nearburg Producing Company (Nearburg) requested that Pennzoil Exploration and Production Company (Pennzoil) grant a Waiver of Objection to Unorthodox Location affecting the referenced well, please be advised that Pennzoil has executed said waiver subject to the following terms and conditions:

1. Nearburg agrees to grant Pennzoil a waiver pursuant to a similar unorthodox location which Pennzoil may propose in the future in the S/2, Section 17, T16S, R37E.
2. Nearburg grants Pennzoil permission to conduct seismic operations across their lease covering the W/2/NW/4 and SE/4NW/4 of Section 17, T16S, R37E.
3. Nearburg agrees to provide Pennzoil with copies of all logs performed under the Western "F" No. 1 State well within one (1) month of reaching the total depth thereunder.

L11790RB

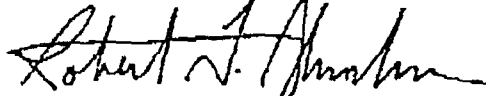
PENNZOIL EXPLORATION AND PRODUCTION COMPANY

Nearburg Producing Company
Mr. Bob Shelton
August 17, 1990
Page Two

If Nearburg is in agreement with the above terms and conditions, please so indicate by signing both copies of this letter and forward one (1) copy hereof to the undersigned on or before August 24, 1990.

Very truly yours,

PENNZOIL EXPLORATION AND
PRODUCTION COMPANY



Robert F. Blucher
Landman

RFB:ls

cc: A. Bell G. Kornegay
R. Burton M. McCullough
J. Butler G. SanFilippo
Pennzoil Lease File No. 017599-000

AGREED TO AND ACCEPTED THIS _____ DAY OF AUGUST, 1990.

NEARBURG PRODUCING COMPANY



By:
Its:

Executed subject to Letter Agreement dated August 20, 1990.

L11790RB

AUG. 22 '90 16:25 FROM PEPCO 713-546-6495

PAGE.003

Nearburg Exploration Company

Oil and Gas Exploration
401 E. Wingo, Suite 300
Midland, Texas 79701
915-686-8235
FAX 915-686-7806

August 20, 1990

Faxed to 713-546-6495

Mr. Robert F. Blucher
Pennzoil Exploration and Production Company
P.O. Box 2967
Houston, Texas 77252-2967

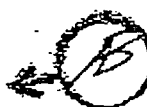
Re: Waiver for unorthodox
location; Western "F" #1
State well, Section 17,
Township-16-South, Range-
37-East
Lee County, New Mexico

Dear Mr. Blucher:

We are in receipt of your letter dated August 17, 1990 responding to Nearburg's letter of August 15, 1990 wherein we requested Pennzoil waive objection to an unorthodox location for the Western "F" #1 State well located 2130' FN & WL of Section 17, Township-16-South, Range-37-East, Lee County, New Mexico. Nearburg is in agreement with the terms and conditions of said letter subject to the following:

- 1) Nearburg agrees to furnish the requested well information to Pennzoil pursuant to Pennzoil's August 17, 1990 and this Letter Agreement if Nearburg commences operations at the captioned location.
- 2) Nearburg agrees to grant Pennzoil a waiver of one (1) unorthodox location in the S/2 of Section 17, Township-16-South, Range-37-East, Lee County, New Mexico insofar as same may apply during the term of the currently effective Pennzoil lease so long as any such location is no closer than 510' from Nearburg's current leasehold position in the NW/4 of said Section 17.
- 3) Nearburg grants Pennzoil permission to conduct geophysical operations on the W/2 NW/4 and SE/4 NW/4 of said Section 17 subject to Pennzoil staying at least 300' 600' away from any production well while conducting vibrator operations only.

If the above clarification to Pennzoil's August 17, 1990 Letter Agreement meets with your approval, we request you execute and return by facsimile one (1) copy of this Letter Agreement.



AUG 22 '90 16:26 FROM PEPCO 713-546-6495

PAGE.004

Thank you for your cooperation.

Yours very truly,



Bob Shelton
Land Manager

AGREED TO AND ACCEPTED THIS
22 DAY OF August, 1990

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

BY:



its: Andy Bell, Division Geophysicist

Nearburg Producing Company

Exploration and Production
401 E. Illinois, Suite 300
Midland, Texas 79701
915 686-8235

August 21, 1990

Mr. C. Robert Crawford
BTA Oil Producers
104 S. Pecos
Midland, Texas 79701

Re: Request for Waiver of
Objection to Unorthodox
Location-Western "F" No.
1 State Well, 2130' FNL &
2130' FWL, Section 17,
Township-16-South, Range-
37-East,
Lea County, New Mexico
Western Prospect

Dear Mr. Crawford:

We are in receipt of your letter dated August 20, 1990 wherein you have responded to our August 15, 1990 request for a waiver by BTA of objection to unorthodox location as captioned. We are in agreement with the terms and conditions of your August 20, 1990 letter providing that, 1) Nearburg commences the captioned well at the above location; 2) Item 4, Page 1, any waiver granted BTA by Nearburg for a similar unorthodox location will be granted so long as your location is not closer to Nearburg's lease line than 510' and, 3) that Item 5, Page 1, your geophysical operations in the NW/4 of Section 17 are not conducted closer than 600' from any producing well.

If the above clarifications to your August 20, 1990 letter meet with your approval, please so signify by executing one (1) copy of this letter agreement in the space provided for below. We appreciate your cooperation in this matter and BTA's granting the waiver of objection.

Yours very truly,



Bob Shelton
Land Manager

AGREED TO AND ACCEPTED THIS
22nd DAY OF August, 1990.

BTA OIL PRODUCERS

BY: 
C. ROBERT CRAWFORD



MIDLAND PARTNERS
CARLTON BEAL
CARLTON BEAL, JR.
BARRY BEAL
SPENCER BEAL
KELLY BEAL

DENVER PARTNER
BARRY BEAL, JR.

BTA OIL PRODUCERS

104 SOUTH PECOS
MIDLAND, TEXAS 79701
AC 915-682-3753

ROCKY MOUNTAIN DIVISION
555-17TH STREET
SUITE 835
DENVER, CO 80202
AC 303-292-9299

August 20, 1990

In re: Request for Waiver of Objection
to Unorthodox Location
Western "F" No. 1 State Well
2130' FNL and 2130' FWL
Section 17, T-16-S, R-37-E
Lea County, New Mexico

Nearburg Producing Company
401 E. Illinois
Suite 300
Midland, TX 79701

Attention: Mr. Bob Shelton

Gentlemen:


Pursuant to your letter of August 15, 1990, wherein Nearburg Producing Company requested that BTA Oil Producers grant a Waiver of Objection to Unorthodox Location concerning the captioned well, please be advised that BTA will agree to said Waiver subject to the following terms and conditions:

- 1) Nearburg agrees to provide BTA copies of all logs (including mud logs) on any well drilled in the NW/4 of said Section 17 within 24 hours from the time said logs are run. This would include logs from your Maddux "17-C" No. 1 well and, of course, the Western "F" No. 1 State well.
- 2) Nearburg agrees to notify BTA as to all proposed testing of the Western "F" No. 1 State well in order that same may be witnessed by BTA personnel should we so choose. The DST information would be provided to BTA whether or not we witness the test.
- 3) Nearburg agrees to provide BTA daily drilling reports on the Western "F" No. 1 State well from 11,000' to total depth drilled. These reports would be provided on a daily basis and would be the current daily report.
- 4) Nearburg agrees to grant BTA a Waiver pursuant to a similar unorthodox location on any well that BTA may propose in the future on any acreage adjacent or contiguous to the NW/4 of said Section 17.
- 5) Nearburg grants BTA permission to conduct seismic operations across their lease covering the NW/4 of said Section 17.

Nearburg Producing Company
August 20, 1990
Page Two

If Nearburg is in agreement with the above terms and conditions, please so indicate by signing a copy of this letter and returning same to the undersigned on or before August 24, 1990. Upon receipt of said signed letter, BTA will approve the Waiver of Objection to Unorthodox Location.

Yours truly,



C. ROBERT CRAWFORD
Land/Legal Manager

CRC/sm

AGREED TO AND ACCEPTED THIS 21st DAY OF AUGUST, 1990.

NEARBURG PRODUCING COMPANY

By:

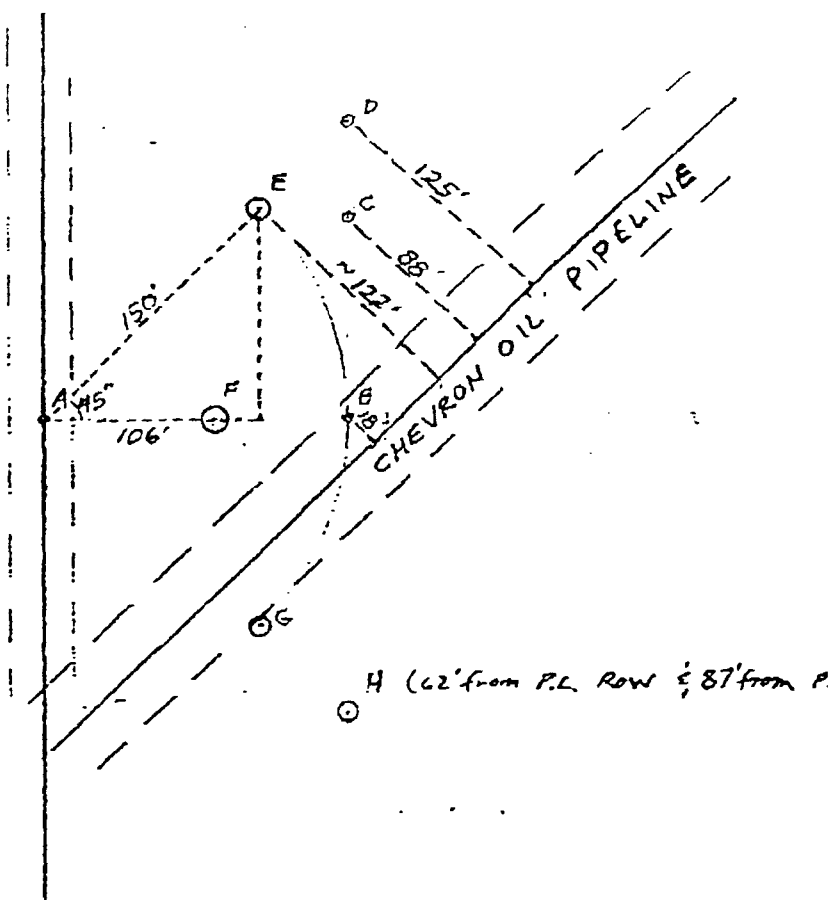

Bob Shelton
Land Manager

*Executed subject to that certain Letter Agreement dated August 21, 1990.

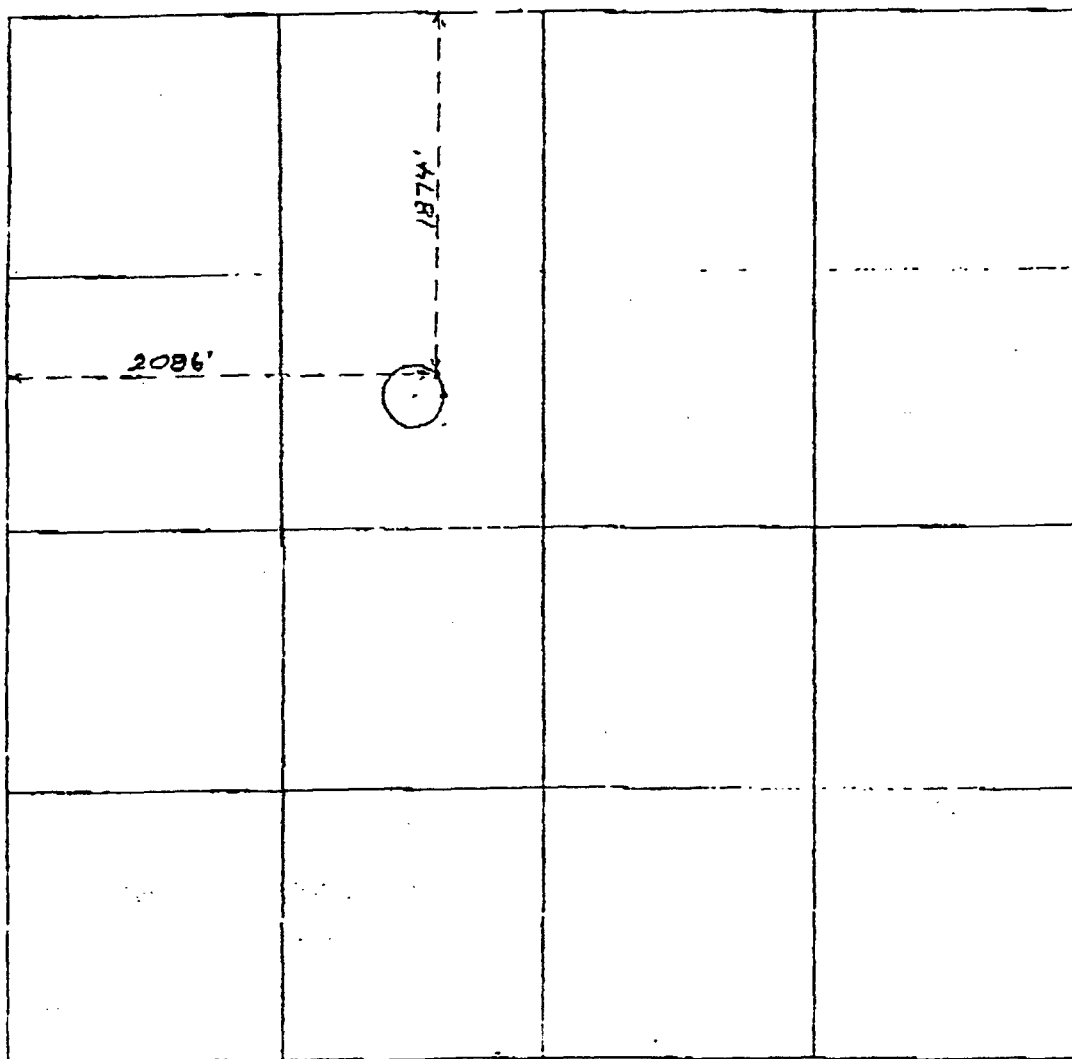
xc: Mr. Pete Wilkinson
BTA - Midland

LOYINGSTON

A = 1980' FNL & 1980' FNL (NORMAL LOCATION)
 B = 1980' FNL & 2130' FNL (AS STAKED)
 C = 1880' FNL & 2130' FNL (ALTERNATE-STAKED)
 D = 1830' FNL & 2130' FNL (ALTERNATE-STAKED)
 E = 1874' FNL & 2086' FNL (PROPOSED DRILLSITE)
 F = 1980' FNL & 2065' FNL (UNACCEPTABLE)
 G = 2086' FNL & 2086' FNL (PROPOSED ALTERNATE)
 H = 2130' FNL & 2130' FNL (TERRY DURHAM'S Rec.)



Note: Field rules require well to
 be located within 150' of center
 of quarter-quarter section.



NEARBURG PRODUCING COMPANY
 - WESTERN 17-F STATE NO. 1
 LEA COUNTY, N.M.

8-8-90 KWH

