

DATE IN 2/12/98	SUSPENSE 3/4/98	ENGINEER MS	LOGGED BY MW	TYPE NSL
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
- Engineering Bureau -

**ADMINISTRATIVE APPLICATION COVER SHEET**

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

**Application Acronyms:**

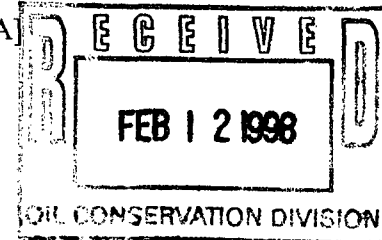
**[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]**  
**[DD-Directional Drilling] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling  
☒ NSL    ☐ NSP    ☐ DD    ☐ SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement  
☐ DHC    ☐ CTB    ☐ PLC    ☐ PC    ☐ OLS    ☐ OLM  
  
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX    ☐ PMX    ☐ SWD    ☐ IPI    ☐ EOR    ☐ PPR



[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply**

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
  
 [B] ☒ Offset Operators, Leaseholders or Surface Owner  
  
 [C] ☐ Application is One Which Requires Published Legal Notice  
  
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
  
 [F] ☐ Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

**Note: Statement must be completed by an individual with supervisory capacity.**

Debbi Jeffers  
Print or Type Name

*Debbi Jeffers*  
Signature

Land Records  
Title

2/10/98  
Date



Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

February 10, 1998

Mr. Michael L. Stogner  
Oil Conservation Division  
Department of Energy  
Minerals & Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Application for Administrative Approval  
of Unorthodox Well Location  
Esperanza #1  
Eddy County, New Mexico

Dear Mr. Stogner:

Manzano Oil Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 for the drilling of Manzano's Esperanza #1 as a Morrow well located 660' FSL and 990' FEL, Section 4, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico.

Manzano Oil Corporation is seeking approval for an unorthodox location in the South Carlsbad area Eddy County, New Mexico, based on geologic reasons. The proposed unorthodox location for the Esperanza #1 (S/2 proration unit / 660' FSL & 990' FEL, Section 4, 22S-27E) is targeting the Upper Strawn C carbonate and the Morrow B sand as primary objectives with the Delaware sands and Wolfcamp carbonate as secondary objectives. The Upper Strawn C interval consists of isolated carbonate mounds oriented in a SW-NE direction (see Upper Strawn C porosity map). In the southwest quarter of Section 4 (W/2 of proposed S/2 proration unit), Belco Petroleum Corporation drilled and completed the Union Mead Com. #2 in January 1973. This well encountered 47 feet of gross Strawn C limestone with no porosity >4%. Belco attempted a completion on the Strawn C recovering only 72 MCFGPD. While the "Upper Strawn C Carbonate Net Feet of Porosity Map" shows possible porosity development at a regular location, a well at the proposed unorthodox location should penetrate a thicker better developed portion of the Strawn C mound (provided that a mound even exists) than a well drilled at a standard gas well location, thereby increasing the likelihood of encountering porosity significant enough to make a commercial producer within the Strawn C.

Page 2  
February 10, 1998

As with the Strawn C, the Morrow B sand was perforated and tested tight in the Belco Union Mead Com. #2 resulting in an uncommercial completion (the Belco Union Mead Com. #2 was ultimately plugged back to the Wolfcamp where a successful completion was made). The greatest risk to drilling a Morrow B well in the SE/4 of Section 4 is whether or not sands of adequate porosity and permeability will be encountered. Given that the sands in the Belco Union Mead (E/2SW/4) were tight and unproductive, Manzano believes that drilling a well only one location to the east (a standard gas well location) would be extremely risky at best. If a Morrow B sand channel does cross the SE/4 of Section 4, it would be best developed in the E/2SE/4. As with the Upper Strawn C, a well drilled at the proposed unorthodox location has an increased likelihood of making a commercial producer in the Morrow B than a well at a regular gas well location.

By separate letters (copies attached) Manzano has sent notification letters via certified return receipt mail to the affected parties. Also attached is a copy of a letter from Matador Petroleum Corporation to Manzano agreeing to not protest our location. Matador got their interest from Unocal by assignment filed January 22, 1998.

Your consideration to this Application is most appreciated. Should you have any questions, please feel free to call me at 505/623-1996.

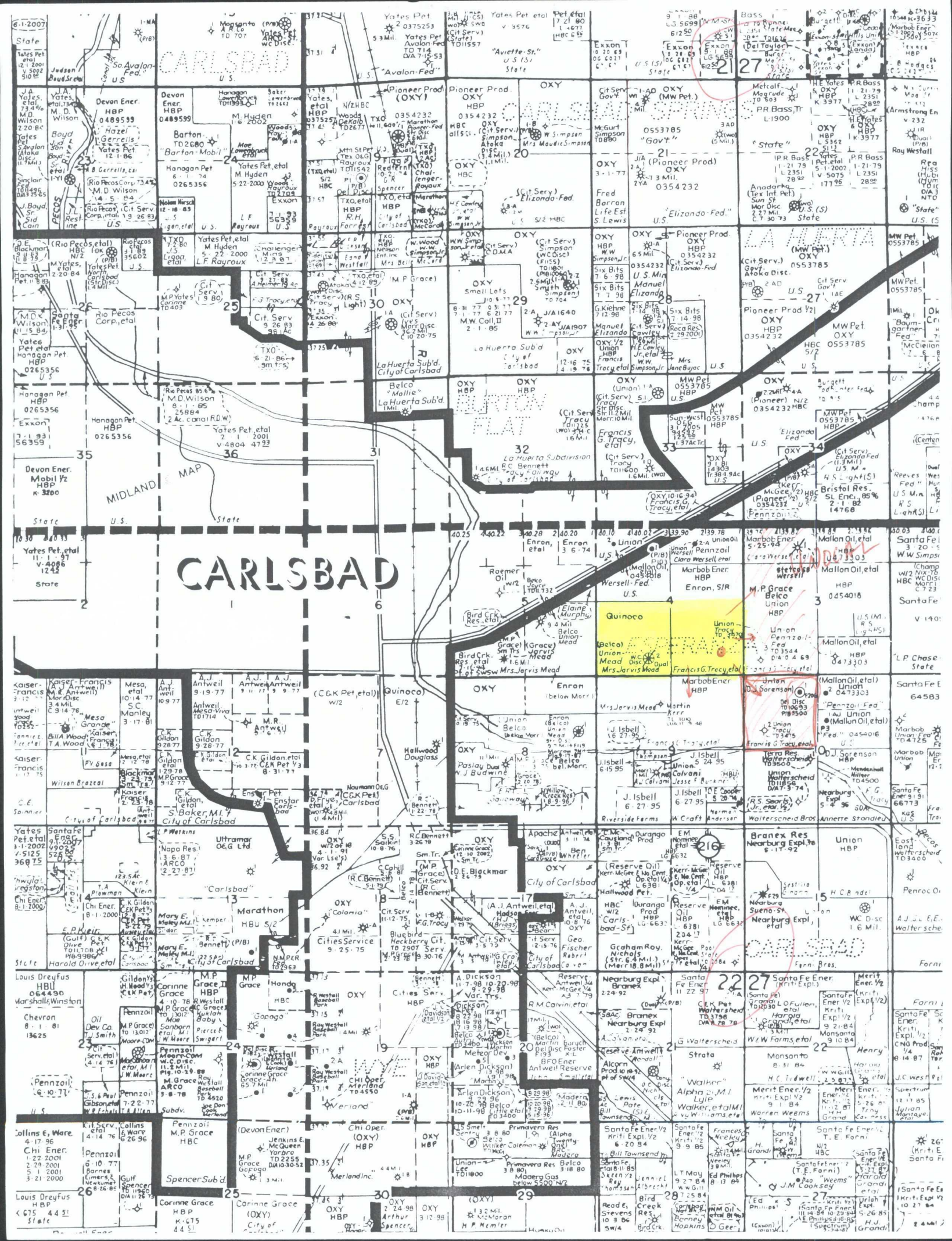
Sincerely,



Debbi Jeffers

Enclosures







District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Manzano Oil Corporation P.O. Box 2107 Roswell, NM 88202-2107		Operator Name and Address.	
		OGRID Number 013954	
		API Number 30 - 0	
Property Code	Property Name Esperanza		Well No. 1

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
P	4	22S	27E		660	South	990	East	Eddy

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1 Morrow	Proposed Pool 2 Wildcat
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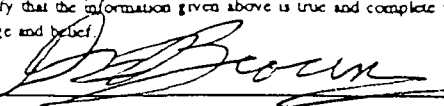
Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3112'
Multiple No	Proposed Depth 11,900'	Formation Morrow	Contractor WEK Drlg. Co.	Spud Date 3/25/98

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	54.5#	400'	375	Circl
12-1/4"	9-5/8"	36 & 40#	5,100'	11000	1800'
8-3/4"	7 or 5-1/2"	17, 20 & 26#	11,900'	To be designed	600' above
					uppermost pay

<sup>11</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill hole to approximately 11,900' to test the Atoka/Morrow. DST any zones of interest along the way. At TD run open hole logs. If any zones are commercial, will run production casing.

<sup>12</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 		OIL CONSERVATION DIVISION	
Printed name: D.E. Brown		Approved by:	
Title: VP Engineering		Title:	
Date: 1/20/98		Approval Date:	Expiration Date:
Phone: (505) 623-1996		Conditions of Approval: Attached <input type="checkbox"/>	

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies  
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
Property Code	Property Name		Well Number
	ESPERANZA		1
OGRID No.	Operator Name		Elevation
013954	MANZANO OIL CORPORATION		3112.

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	4	22-S	27-E		660	SOUTH	990	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

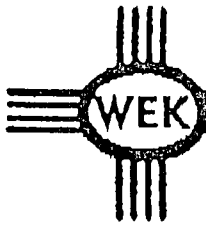
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>D.E. Brown</i></p> <p>Signature D.E. Brown Printed Name VP Engineering Title 1/16/98 Date</p> <p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was placed from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JANUARY 7, 1998 Date of Survey</p> <p>Signature and Seal of Professional Surveyor: <i>[Signature]</i></p> <p>5412 REGISTERED LAND SURVEYOR ENGINEER Certificate Number NM P.E.S.P.G. NO. 5412</p>

660' 990'



KEN REYNOLDS—PRESIDENT  
ARNIE NEWKIRK—VICE-PRESIDENT

DRILLING CO., INC. — OIL WELL DRILLING CONTRACTORS

P. O. Box 1498 ROSWELL, NEW MEXICO 80200-1498

505/623-3070

ROSWELL, NM

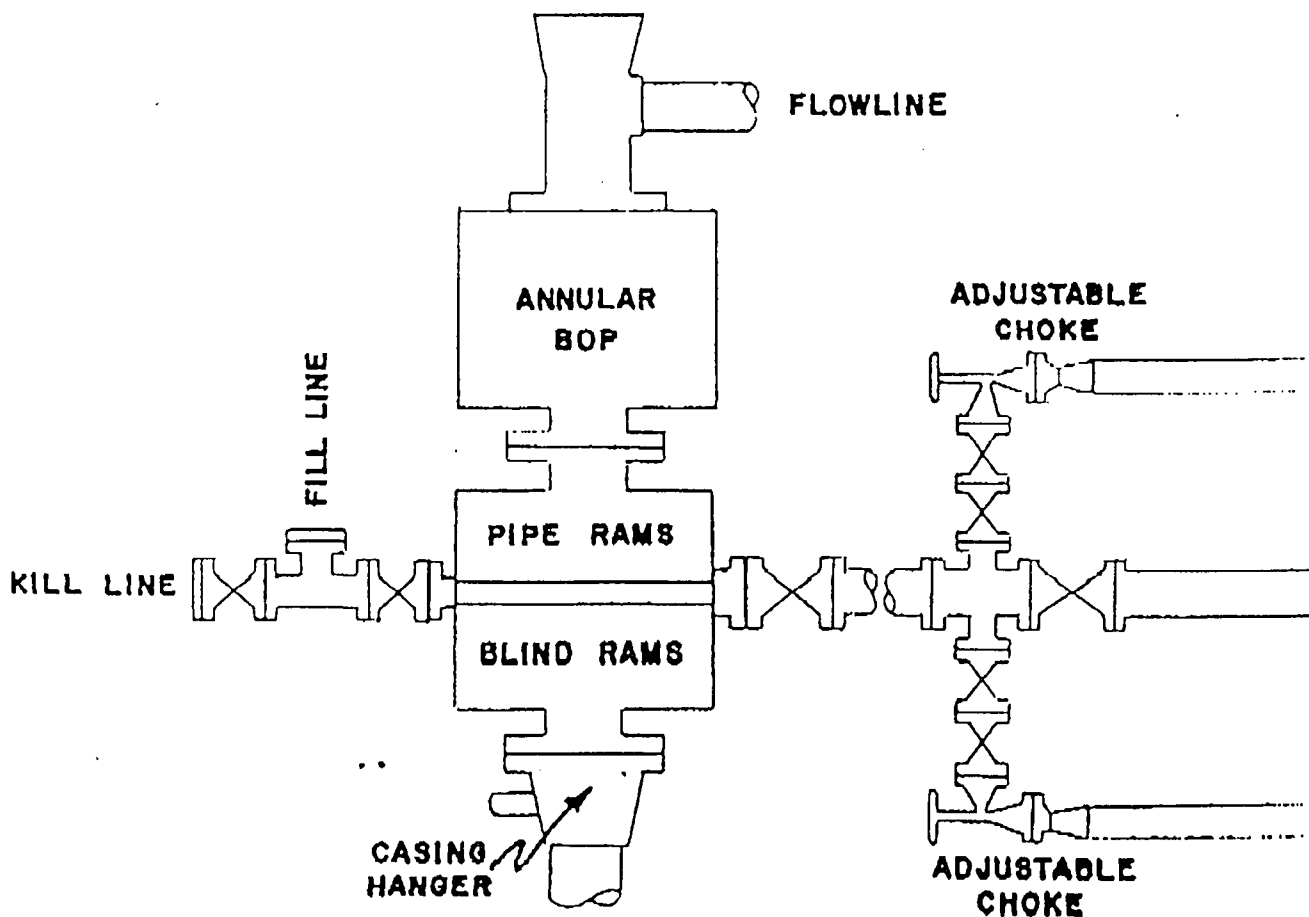
505/746-3719

ARTESIA, NM

## RIG #2

### BLOWOUT PREVENTOR ARRANGEMENT

11" SHAFFER TYPE LWS, 5000 psi WP  
11" CAMERON SPHERICAL, 5000 psi WP  
120 GALLON, 5 STATION KOOMEY ACCUMULATOR  
5000 psi WP CHOKE MANIFOLD









**MATADOR PETROLEUM CORPORATION**

SUITE 158, PECAN CREEK  
8340 MEADOW ROAD  
DALLAS, TEXAS 75231-3751  
(214) 987-3650  
FAX: (214) 691-1415

February 4, 1998

Section 3, T-22-S, R-27-E  
Eddy County, New Mexico

Mr. Ken Barbe  
Manzano Oil Corporation  
P.O. Box 2107  
Roswell, NM 88202

Dear Ken:

Reference is made to your letter dated January 14, 1998 proposing to drill the Esperanza #2 well located in the West Half of Section 3. Pursuant to our phone conversation, it is our understanding that this proposal has been delayed until such time as you have completed your well in Section 4, T-22-S, R-27-E.

Although the well you plan to drill in Section 4 is an unorthodox location, Matador has agreed not to protest your proposed location. We feel that the information from the well in Section 4 will be a valuable tool for evaluating the future development in Section 3 for both of our companies. As a matter of reference, we are enclosing our well requirements letter for your use in providing Matador with the well data from the well drilled in Section 4.

Additionally, although we do not presently have all of Spirit's files in our possession, we understand that the S/2 Section 4 was originally committed to a farmout to Belco. However, the well drilled pursuant to that Agreement, the Union Mead Com #2 well, has since been plugged and abandoned. We are researching this matter to determine whether or not the farmout acreage should be reassigned to Matador (Spirit). If you have any information regarding this matter, we would appreciate you sharing it with us.

As we discussed, with regard to the well to be proposed in Section 3, our records indicate that the November 4, 1968 Joint Operating Agreement remains in effect and the well should therefore be proposed under the existing contract. If you need a copy of the Agreement, please feel free to give me a call. We appreciate your assistance in this matter and look forward to the opportunity to work together in this project.

Sincerely,



Mona D. Ables  
(1) 987-7129



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Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

January 9, 1998

EM Nominee Partnership Company ✓  
Hallwood Consolidated Partners, L.P.  
4582 South Ulster Street Parkway  
Suite 1700  
Denver, CO 80237

Attn: Robin Benko

Re: Manzano Oil Corporation's Esperanza #1  
S/2 Section 4, Township 22 South, Range 27 East  
Eddy County, New Mexico

Gentlemen:

Per earlier conversation with Robin Benko of your offices, Manzano Oil corporation ("Manzano") is proposing to drill a Morrow test well at a legal location 660'FSL & 990'FEL of Section 4 above. Other possible commercial pays in this area include the Strawn, Atoka, Wolfcamp and Delaware formations.

You have leasehold interests in this area arising out of your interest in the Union Mead Com No. 2 well (located in the SW/4 of this section and P&A'd in 1990 by Quinoco). Although the majority of the leasehold in the S/2 of Section 4 was lost by the plugging of this and subsequent well(s) by UNOCAL, mineral interests covering in the aggregate an undivided 25.00% interest in the SE/4 of this section continue to be held by production from UNOCAL's Tracy No. 1 well, located in the NW/4 of Section 10 on lands still owned by UNOCAL et al.

We ask that you join with us in the drilling of this well which we anticipate commencing on or before April 30th and we have enclosed an AFE and Operating Agreement for your review. Your interests are as set forth on the Exhibit "A" to the Operating Agreement. Should you not wish to participate, we offer to take an Assignment of your leasehold interest(s) for \$200.00 per net acre or a (2 year) Term Assignment for \$100.00 per net acre. Again, your net acres are as shown on Exhibit "A". We cannot offer to farm in this leasehold as it already has royalty and overriding royalty burdens totaling 25.00%, and is further encumbered by a 25.00% "back-in" after payout reserved by UNOCAL et al in assignments to your predecessors in title (Belco).

As noted above in Paragraph 1, our location for this well is unorthodox. No matter which option you choose to elect, we ask that you waive any objection to this location in order to assure us of administrative approval by the New Mexico Oil Conservation Division in a hearing set for the third week in February in Santa Fe. This location has been chosen to maximize our potential for the multiple possible pays on this acreage. We control (approximately 81.25%) the balance of the acreage in the proration unit to the east (Section 3) for

EXECUTE AND RETURN

EM Nominee Partnership Company/Hallwood Consolidated Partners, L.P.  
January 9, 1998  
Page Two

another possible Morrow/Strawn test, which we have also staked and would also like to drill, hopefully as early as the third quarter of this year.

Should there be any objections to this location, they must be filed with the OCD within twenty (20) days from the date notice was mailed.

If the foregoing meets with your approval, please indicate your acceptance and option in the spaces provided hereinbelow and return one copy to our offices at the letterhead address. Should you wish to join with us in the drilling of this well, also please return the signed AFE and an executed copy of the signature page to the Joint Operating Agreement. An invoice of your estimated dry hole cost will be sent to you thirty days before our spud date. If you elect to assign your interest, an assignment and payment, depending on your choice of option chosen, will be forthcoming in the near future. Please feel free to call me should you have any questions.

Very truly yours,

Kenneth Barbe, Jr.

**AGREED TO AND ACCEPTED** this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

(Company/Individual): \_\_\_\_\_

By: \_\_\_\_\_

We elect to: \_\_\_\_\_ participate.  
\_\_\_\_\_ assign our interest.  
\_\_\_\_\_ assign our interest for a two (2) year term assignment.

Enc: AFE  
Joint Operating Agreement  
Land Plat

cc: G-Oil, L.P.  
Frits-Oil, L.P.  
Therese Gadomski  
Robert M. Beren, L.P.  
Matzliach, L.P.



Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Matlach AP  
1801 California Street  
Denver, CO 80202

4a. Article Number

P 382 741 506

4b. Service Type

☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JAN 16 1998

5. Received By: (Print Name)

Diana Dole

6. Signature: (Addressee or Agent)

X Diana Dole

8. Addressee's Address (Only if requested and fee is paid)

Domestic Return Receipt

PS Form 3811, December 1994

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Robert M. Berens AP  
970 South Main Street  
Wichita, KS 67202

4a. Article Number

P 382 741 505

4b. Service Type

☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

1-20-98

5. Received By: (Print Name)

3. P. P. P. 1/20/98

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Domestic Return Receipt

PS Form 3811, December 1994

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I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Hollywood Cons. Partners  
4582 S. West St Phwp  
Suite 1700  
Denver, CO 80237

4a. Article Number

P 382 741 496

4b. Service Type

☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JAN 16 1998

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Domestic Return Receipt

PS Form 3811, December 1994

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**SENDER:**

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Pharmaceutical Partnership  
4582 S. Ulster St. Hwy.  
Suite 1700  
Denver, CO 80237

4a. Article Number

P 382 741 494

4b. Service Type

☐ Registered ☒ Certified

☐ Express Mail ☐ Insured

☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X *[Signature]*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Shere Dodemski  
c/o Marshall Steiman  
660 White Plains Rd  
Suite 450  
Sampson, NY 10591

4a. Article Number

P 382 741 504

4b. Service Type

☐ Registered ☒ Certified

☐ Express Mail ☐ Insured

☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

1/20/98

5. Received By: (Print Name)

L. Rooney

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X *[Signature]*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 382 741 503

US Postal Service  
**Receipt for Certified Mail**  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to		Direct - Direct	
Street & Number	405 Mark Ave Apt 3B		
Post Office, State, & ZIP Code	Chattanooga, TN 37407		
Postage	\$	1.35	
Certified Fee			
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to Whom & Date Delivered		1.10	
Return Receipt Showing to Whom, Date, & Addressee's Address			
TOTAL Postage & Fees	\$	1.35	
Postmark or Date			

P 382 741 502

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Serial Number	5 - Oil of
Street & Number	405 Park Ave Apt BB
Post Office, State, & ZIP Code	Rutherford NJ 07070
Postage	\$ 1.35
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	ELK 1.16
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	2.70
Postmark or Date	APR 16 1995

PS Form 3800, April 1995



---

Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

January 14, 1998

Union Oil Company of California  
P.O. Box 3100  
Midland, Texas 79702-3100

Attn: Linda Hicks

Re: Manzano Oil Corporation's Esperanza #2  
W/2 of Section 3, Township 22 South, Range 27 East  
Eddy County, New Mexico

Gentlemen:

Manzano Oil Corporation ("Manzano") is proposing to drill a Morrow test well at a legal location 1650'FSL & 990'FWL of Section 3 above. We have also staked, and are planning on drilling first, a Morrow test to the West, in Section 4, at a location 660'FSL & 990'FEL.

You have leasehold interests in the W/2 of this section covering in the aggregate an undivided 25.00% interest in the SW/4 and the S/2NW/4 of Section 3, held by production from UNOCAL's Tracy No. 1 well, located in the NW/4 of Section 10. This leasehold interest is apparently subject to Operating Agreement dated November 4, 1968 between Union Oil Company of California, as Operator, and J.M. Huber Corporation, et al, as Non-Operators (Carlsbad Drilling Block).

We ask that you join with us in the drilling of this well which we anticipate commencing on or before June 15th and we have enclosed an AFE and Operating Agreement for your review. Your interests are as set forth on the Exhibit "A" to the Operating Agreement. Should you not wish to participate, we offer to take an Assignment of your leasehold interest(s) for \$500.00 per net acre or a (2 year) Term Assignment for \$200.00 per net acre, reserving the difference between existing lease burdens and 25.00% (delivering a 75.00% NRI).

As noted above in Paragraph 1, our location for our first well is unorthodox. No matter which option you choose to elect, we ask that you waive any object to this location in order to assure us of administrative approval by the New Mexico Oil Conservation Division in a hearing set for the third week in February in Santa Fe.

Should there be any objections to this location, they must be filed with the OCD within twenty (20) days from the date notice was mailed.

EXECUTE AND RETURN

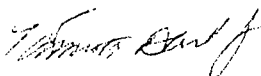


If the foregoing meets with your approval, please indicate your acceptance and option in the spaces provided hereinbelow and return one copy to our offices at the letterhead address. Should you wish to join with us in the drilling of this well, also please return the signed AFE and an executed copy of the signature page to the Joint Operating Agreement. An invoice for your estimated dry hole costs will be sent to you thirty days before our spud date. If you elect to assign your interest, an assignment and payment, depending on your choice of option chosen, will be forthcoming in the near future.

As noted above, the leasehold interest owned by UNOCAL et al in Section 3 is apparently still subject to the November 4, 1968 Carlsbad Drilling block Working Interest Unit and we are unable to verify the current ownership through preliminary land checks of this area. We ask for your assistance as Operator of this Working Interest Unit in notifying the respective current owners as reflect in your internal files of our proposal.

Please feel free to call should you have any questions.

Very truly yours,



Kenneth Barbe, Jr.

AGREED TO AND ACCEPTED this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

(Company/Individual): \_\_\_\_\_

By: \_\_\_\_\_

We elect to: \_\_\_\_\_ participate.  
\_\_\_\_\_ assign our interest.  
\_\_\_\_\_ assign our interest for a two (2) year term assignment.

Enc: AFE  
Joint Operating Agreement  
Land Plat

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Unocal  
P.O. Box 3100  
Midland, TX  
79702-3100

4a. Article Number

P 382 741 507

4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X Betty Hark

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.



Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

February 2, 1998

Beren Corporation  
970 Fourth Financial Center  
Wichita, Kansas 67202

Re: G-Oil, LP & Frits-Oil, LP Paperwork  
Espernanza Prospect  
Eddy County, New Mexico

Gentlemen:

Enclosed per Hallwood's instruction are the certified letters containing the paperwork for the captioned. This paperwork was previously sent to the last address of record and was returned undeliverable.

If you have any questions, please contact Ken Barbe.

Sincerely,

*Allison Hernandez*

Allison Hernandez

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Beren Corporation  
970 Fourth Financial Center  
Wichita, KS 67202

4a. Article Number

P 382 741 508

4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

2/04/98

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

*X C Morlat*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

CLASS  
FIRST

CLASS  
FIRST

FIRST CLASS MAIL

FIRST CLASS MAIL

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete Items 1 and/or 2 for additional services.
- Complete Items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

G. Diehl  
405 Park Avenue  
Apt BB  
Rutherford, NJ 07070

4a. Article Number

7 382 741 502

4b. Service Type

- |   |   |
|---|---|
| <input type="checkbox"/> Registered                     | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail                   | <input type="checkbox"/> Insured              |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD                  |

7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.



CLASS

CERTIFIED

P 382 741 502

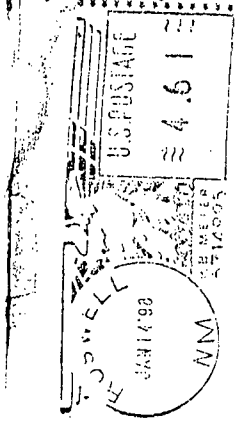
MAIL

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS



# FIRST CLASS MAIL

RETURN RECEIPT  
REQUESTED

MANZANO OIL CORPORATION  
P.O. Box 2107  
Roswell, New Mexico 88202-2107

JAN 27 AM

TO:  
G-Oil, LP  
Mr. & Mrs. David S. Gottesman  
405 Park Avenue, Apt BB  
Rutherford, NJ 07070

NOT DELIVERABLE AS ADDRESSED  
UNABLE TO FORWARD  
RUTHERFORD NJ 07070

FIRST CLASS MAIL

FIRST CLASS MAIL

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Dr. D. Diehl  
405 Park Avenue  
Apt BB  
Rutherford, NJ 07070

**4a. Article Number**

P 382 741 503

**4b. Service Type**

- |   |   |
|---|---|
| <input type="checkbox"/> Registered                     | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail                   | <input type="checkbox"/> Insured              |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD                  |

**7. Date of Delivery**

**5. Received By: (Print Name)**

**6. Signature: (Addressee or Agent)**

X

**8. Addressee's Address (Only if requested and fee is paid)**

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

FIRST CLASS

FIRST CLASS

FIRST CLASS

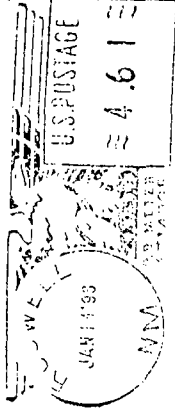
FIRST CLASS

CERTIFIED

P 382 741 503

MAIL

FIRST CLASS



# FIRST CLASS MAIL

RETURN RECEIPT  
REQUESTED

MANZANO OIL CORPORATION  
P.O. Box 2107  
Roswell, New Mexico 88202-2107

TO:

Frits-Oil, LP  
Mr. & Mrs. Frits Markus  
405 Park Avenue, Apt. BB  
Rutherford, NJ 07070

RETURNED TO  
SENDER  
UNDELIVERABLE AS ADDRESS IS  
UNABLE TO FORWARD  
RUTHERFORD NJ 07070

JAN 27 AM