

Nearburg Exploration Company, L.L.C.

Oil and Gas Exploration
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

February 15, 2012

See Attached Addressee List

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: LYNCH 23 PROSPECT
Lea County, New Mexico
LAGUNA 23 FED COM No 2H WELL
330' FSL & 660' FWL (SHL)
330' FNL & 660' FWL (EOL)
Section 23, T-20-S, R-34-E, N.M.P.M.

Gentlemen:

Please refer to my letter dated February 8, 2012 proposing the captioned well, which contained errors in the location description. Please disregard such letter and replace it with the following revised proposal.

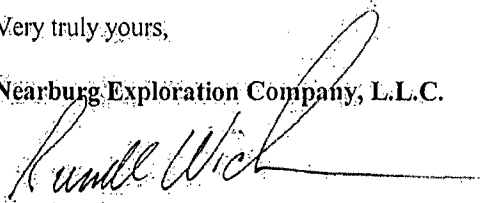
According to the records of Lea County, New Mexico, you own an interest in a certain oil and gas lease covering a portion of the lands comprising the spacing/drilling unit for the subject well. Nearburg Exploration Company, L.L.C. also owns oil and gas leases covering a portion of such lands, and believes it is in the best interest of all parties to cooperate in developing such lands and the corresponding leases. Accordingly, Nearburg hereby proposes the drilling of the captioned horizontal well to test the 3rd Bone Spring formation at the above surface location (SHL); with the horizontal portion of the well drilled due West at a TVD of $\pm 11,150'$ to the captioned terminus (EOL), with a TMD of $\pm 15,900'$, which will create a drilling/spacing unit consisting of the W/2W/2 of said Section 23. I have attached for your review an AFE for the proposed well.

In addition, Nearburg proposes the formation of a working interest unit covering of the W/2 of Section 23, T-20-S, R-34-E, N.M.P.M.. In connection with such proposed working interest unit and upon your election to participate in the drilling of the proposed well, I will provide for your review and your execution a 1982 AAPL Form operating agreement naming Nearburg Producing Company as the operator. A full description of the oil and gas leases and the contractual interests that would be owned by each party under this proposal will be shown on Exhibit "A" to such operating agreement.

Nearburg believes this proposal is beneficial to all parties in that it allows for the prudent development of the lands and the preservation of the oil and gas leases involved. Accordingly, we ask that you respond to this proposal at your earliest convenience.

Very truly yours,

Nearburg Exploration Company, L.L.C.


Russell Wickman
Senior Landman

Attachment

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by:
NEARBURG EXPLORATION COMPANY, LLC
Hearing Date: June 7, 2012

Working Interest Owners
Laguna 23 Fed Com № 2H Well
330' FSL & 660' FWL Section 23 – SHL
330' FNL & 660' FWL Section 23 – EOL
T-20-S, R-34-E, N.M.P.M.
Lea County, New Mexico

<u>Working Interest Owner</u>	<u>Working Interest</u>
Nearburg Exploration Company, L.L.C. P. O. Box 823085 Dallas, Texas 75382-3085	50.00000%
Cimarex Energy Co. 600 N. Marienfeld Street, Suite 600 Midland, Texas 79701	25.00000%
Read & Stevens, Inc. P. O. Box 1518 Roswell, New Mexico 88202	15.24629%
Rottman Oil Partners 308 E. Carrillo Street Santa Barbara, California 93101	1.87500%
Bean Family Limited Co. P. O. Box 1738 Roswell, New Mexico 88202-1738	1.25000%
HHB Limited Partnership 6823 S. Florence Avenue Tulsa, Oklahoma 74136	1.31250%
Westway Petro Two, a Texas Joint Venture 4514 Cole Ave. Suite 600 Dallas, Texas 75205	1.12500%
CBR Oil Properties, LLC P. O. Box 1518 Roswell, New Mexico 88202	0.50000%
H. W. Allen Co. 4835 S. Peoria Avenue #20 Tulsa, Oklahoma 74105	0.46030%
Betty Read Young P.O. Box 811 Roswell, New Mexico 88202	0.40958%
Union Hill Oil & Gas 1201 Elm, Suite 3500 Dallas, Texas 75270	0.28458%

<u>Working Interest Owner</u>	<u>Working Interest</u>
Watson Properties, LLC 3905 Futura Drive Roswell, New Mexico 88201	0.12500%
Luna Resources, LLC 1006 Le Ann Dr. Roswell, New Mexico 88202	0.12500%
William V. Palmer, LLC 3226 Anderson Drive Lovington, New Mexico 88260	0.12500%
CLM Production Co. P.O. Box 881 Roswell, New Mexico 88202	0.12500%
Elida Gas Group, LLC P. O. Box 1213 Roswell, New Mexico 88202	0.12500%
Carolyn R. Beall 1414 Country Club Rd. Midland, Texas 79702	0.12500%
Diamond Star Production Co., LLC P. O. Box 638 Ardmore, Oklahoma 73402-0638	0.12500%
J&L Exploration, LLC 4221 Timberglen Place Midland, Texas 79707 Attn: Jim Brannigan	0.12500%
Dr. Alfred J. Rodriguez 6200 W Parker Rd, Suite 215 Plano, Texas 75093	0.11385%
First Century Oil, Inc. P. O. Box 1518 Roswell, New Mexico 88202	0.09486%
Merry L. Christiansen P.O. Box 856 Rogersville, Missouri 65742	0.09486%
CSA Petroleum Corp. P. O. Box 318 Hunt, Texas 78024	0.09486%
Calvin C. Desmond Trust C/O First American Bank P.O. Box 1857 Roswell, New Mexico 88202-1857	0.09486%

<u>Working Interest Owner</u>	<u>Working Interest</u>
V. C. Desmond Trust C/O First American Bank P.O. Box 1857 Roswell, New Mexico 88202-1857	0.09486%
DHB Partnership 8144 Walnut Hill Lane Suite 982, LB 51 Dallas, Texas 75231	0.09486%
Jack C. Holland 180 Mooring Buoy Hilton Head Island, SC 29928	0.09486%
Phillip G. Huey 6330 E. University Dallas, Texas 75214	0.09486%
M.P.S., Inc. 17103 Preston Road LB 112, Suite 185 Dallas, Texas 75248	0.09486%
New Mexico Western Minerals, Inc. P.O. Box 1738 Roswell, New Mexico 88202-1738	0.09486%
Ralph E. Peacock 4818 South Zuni Ave. Tulsa, Oklahoma 74105	0.09486%
Reserve Management, Inc. P.O. Box 4469 Longview, Texas 75606	0.09486%
Donald E. or Glenda L. Richter #9 Willow Wood Street Dallas, Texas 75205	0.09486%
The Sharon Stone Trolinger Revocable Trust 6026 Meadowcreek Drive Dallas, Texas 75248	0.09486%
Marion V. Turner, Trustee 31 Brass Horse Road Santa Fe, New Mexico 78508-9474	0.09486%
TOTAL	<u>100.00000%</u>