

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

July 29, 1997

**CERTIFIED MAIL -
RETURN RECEIPT REQUESTED**

Mr. Bill Chalfant
Chalfant Properties
P. O. Box 3123
Midland, Texas 79702

RE: Well Proposal - Gandy #1-19
660' FNL and 660' FEL
Section 19, T-16-S, R-36-E
Lea County, New Mexico

Dear Bill:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of an 11,800' Strawn test at a location of 660' FNL and 660' FEL of Section 19, T-16-S, R-36-E, Lea County, New Mexico. Also enclosed herewith is Nearburg Producing Company's AFE estimating the cost of the well. NEC owns a 54.1656% working interest in the E/2 NE/4 of Section 19 and proposes the well pursuant to the enclosed Operating Agreement designating Nearburg Producing Company as the operator. The proposed spacing unit will be the E/2 NE/4 of said Section 19.

If Chalfant Properties desires to participate in the proposed operation please execute and return, to my attention both the AFE and the signature pages to the Operating Agreement and Exhibit "F". If you do not desire to participate in the drilling of the well, Nearburg desires to acquire Chalfant Properties's interest under mutually acceptable terms.

We look forward to your response.

Yours very truly,



Bob Shelton
Land Manager

BS/dw
Encl.

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11861 Exhibit No. 4

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 9, 1997

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Gandy 19

WELL NUMBER: 1

TOTAL DEPTH: 11,800'

LOCATION: 660'FNL and 660' FEL of Section 19, T16S, R36E, Lea County, New Mexico

FIELD: Lovington Strawn Prospect

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Strawn oil well

DATE PREPARED: 7/21/97

EST. START DATE: 10/97

EST. COMPLETION DATE: 11/97

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 11,800 Ft @ 24.00 \$/Ft	1514.100	283,200	1514.100		283,200
Drilling Daywork 2/2days @ 6,000\$/day	1514.101	12,800	1514.101	12,800	25,600
Drilling Turnkey	1514.102		1514.102		0
Rig Mobilization and Demobilization	1514.103		1514.103		0
Road & Location Expense	1514.104	18,000	1514.104		18,000
Damages	1514.105	5,000	1514.105		5,000
Directional Drilling - Tools and Service	1514.106		1514.106		0
Drilling Fluids	1514.107	30,000	1514.107	3,000	33,000
Fuel, Power, and Water	1514.108	5,000	1514.108	3,000	8,000
Supplies - Bits	1514.109		1514.109	1,000	1,000
Supplies - Casing Equipment	1514.110	3,000	1514.110	8,000	11,000
Supplies - Liner Equipment	1514.111		1514.111		0
Supplies - Miscellaneous	1514.112	500	1514.112		500
Cement and Cmt. Services - Surface Csg	1514.113	5,000	1514.113		5,000
Cement and Cmt. Services - Int. Csg	1514.114	15,000	1514.114		15,000
Cement and Cmt. Services - Prod. Csg	1514.115		1514.115	30,000	30,000
Cement and Cmt. Services - Other	1514.116		1514.116		0
Rental - Drilling Tools and Equipment	1514.117	15,000	1514.117		15,000
Rental - Miscellaneous	1514.118	1,000	1514.118	5,000	6,000
Testing - 2 Drill Stem Tests/ Production	1514.119	3,500	1514.119		3,500
Open Hole Logging	1514.120	25,000	1514.120		25,000
Mudlogging Services	1514.121	10,000	1514.121		10,000
Special Services	1514.122		1514.122		0
Plug and Abandon	1514.123	15,000	1514.123	(15,000)	0
Pulling and/or Swabbing Unit	1514.124		1514.124	12,000	12,000
Reverse Equipment	1514.125		1514.125	2,000	2,000
Wireline Services(includes Perforating)	1514.126		1514.126	10,000	10,000
Stimulation	1514.127		1514.127	5,000	5,000
Pump / Vacuum Truck Services	1514.128		1514.128		0
Transportation	1514.129	500	1514.129	2,000	2,500
Tubular Goods - Inspection & Testing	1514.130		1514.130		0
Unclassified	1514.131		1514.131		0
Telephone and Radio Expense	1514.132	700	1514.132	300	1,000
Engineer / Geologist / Landman	1514.133	2,000	1514.133		2,000
Company Labor - Field Supervision	1514.134	10,000	1514.134	5,000	15,000
Contract Labor / Roustabout	1514.135	4,000	1514.135		4,000
Legal and Professional Service	1514.136	2,500	1514.136		2,500
Insurance	1514.137	10,000	1514.137		10,000
Overhead	1514.138	10,000	1514.138	2,000	12,000
SUBTOTAL		486,700		86,100	572,800
Contingencies (10%)		48,670		8,610	57,280
ESTIMATED TOTAL INTANGIBLES		535,370		94,710	630,080

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Gandy 19 WELL NUMBER: 1 TOTAL DEPTH: 11,800'
LOCATION: 660'FNL and 660' FEL of Section 19, T16S, R36E, Lea County, New Mexico
FIELD: Lovington Strawn Prospect EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Strawn oil well
DATE PREPARED: 7/21/97 EST. START DATE: 10/97 EST. COMPLETION DATE: 11/97
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing					0
Surface Csg 450 Ft @ 24.44 \$/Ft		11,000			11,000
Intermediate Csg 4,500 Ft @ 12.00 \$/Ft		54,000			54,000
Protection Csg Ft @ \$/Ft					0
Production Csg 11,800 Ft @ 10.00 \$/Ft				118,000	118,000
Protection Liner Ft @ \$/Ft					0
Production Liner Ft @ \$/Ft					0
Tubing : 2-3/8", 11,500 Ft @ 3.25 \$/Ft				38,000	38,000
Rods Ft @ \$/Ft					0
Artificial Lift Equipment				60,000	60,000
Tank Battery				20,000	20,000
Separators/Heater Treater/Gas Units/FWKO				20,000	20,000
Well Head Equipment & Christmas Tree		1,500		5,000	6,500
Subsurface Well Equipment				5,000	5,000
Flow Lines				2,000	2,000
Saltwater Disposal Pump					0
Gas Meter					0
Lact Unit					0
Vapor Recovery Unit					0
Other Well Equipment					0
ROW and Damages					0
Surface Equipment Installation Costs				5,000	5,000
Elect. Installation				5,000	5,000
ESTIMATED TOTAL TANGIBLES		66,500		278,000	344,500
ESTIMATED TOTAL WELL COSTS		601,870		372,710	974,580

MP-100 (Rev. 1-90)	DATE
PREPARED BY: <i>E. Scott Kimbrough</i>	7/21/97
REVIEWED BY: <i>E. Scott Kimbrough</i>	7/21/97
APPROVED BY: <i>[Signature]</i>	7/28/97
APPROVED BY: <i>[Signature]</i>	7/28/97

WI APPROVAL:	COMPANY	Chalfant Properties	W.I. 1.5625%
	BY		
	TITLE		
	DATE		

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete this form for additional services.
- Complete sections 3, 4a, and 4b.
- Postmark 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.

3. Article Addressed to:

Mr. Bill Chalfant
Chalfant Properties, Inc.
P. O. Box 3123
Midland, Texas 79702

4a. Article Number

P 497 370 283

4b. Service Type

- ☐ Registered
- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ COD

☒ Certified⁺
☐ Insured

7. Date of Delivery

JUL 31 1997

5. Received By: (Print Name)

Rose Lee Underwood

6. Signature: (Addressee or Agent)

Rose Lee Underwood

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

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
Chalfant	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
Gandy #1-19	

PS Form 3800 April 1995

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

July 29, 1997

**CERTIFIED MAIL –
RETURN RECEIPT REQUESTED**

Mr. Mike Hazlip
Chesapeake Operating, Inc.
P. O. Box 18496
Oklahoma City, OK 73154-0496

RE: Well Proposal – Gandy #1-19
660' FNL and 660' FEL
Section 19, T-16-S, R-36-E
Lea County, New Mexico

Dear Mike:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of an 11,800' Strawn test at a location of 660' FNL and 660' FEL of Section 19, T-16-S, R-36-E, Lea County, New Mexico. Also enclosed herewith is Nearburg Producing Company's AFE estimating the cost of the well. NEC owns a 54.1656% working interest in the E/2 NE/4 of Section 19 and proposes the well pursuant to the enclosed Operating Agreement designating Nearburg Producing Company as the operator. The proposed spacing unit will be the E/2 NE/4 of said Section 19.

If Chesapeake desires to participate in the proposed operation please execute and return, to my attention both the AFE and the signature pages to the Operating Agreement and Exhibit "F". If you do not desire to participate in the drilling of the well, Nearburg desires to acquire Chesapeake's interest under mutually acceptable terms.

We look forward to your response.

Yours very truly,



Bob Shelton
Land Manager

BS/dw
Encl.

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Gandy 19

WELL NUMBER: 1

TOTAL DEPTH: 11,800'

LOCATION: 660'FNL and 660' FEL of Section 19, T16S, R36E, Lea County, New Mexico

FIELD: Lovington Strawn Prospect

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Strawn oil well

DATE PREPARED: 7/21/97

EST. START DATE: 10/97

EST. COMPLETION DATE: 11/97

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<u>INTANGIBLE COSTS:</u>	TO CSG PT	COMPLETION	TOTAL WELL
Drilling Footage 11,800 Ft @ 24.00 \$/Ft	283,200		283,200
Drilling Daywork 2/2days @ 8,000\$/day	12,800	12,800	25,600
Drilling Turnkey			0
Rig Mobilization and Demobilization			0
Road & Location Expense	18,000		18,000
Damages	5,000		5,000
Directional Drilling - Tools and Service			0
Drilling Fluids	30,000	3,000	33,000
Fuel, Power, and Water	5,000	3,000	8,000
Supplies - Bits		1,000	1,000
Supplies - Casing Equipment	3,000	8,000	11,000
Supplies - Liner Equipment			0
Supplies - Miscellaneous	500		500
Cement and Cmt. Services - Surface Csg	5,000		5,000
Cement and Cmt. Services - Int. Csg	15,000		15,000
Cement and Cmt. Services - Prod. Csg		30,000	30,000
Cement and Cmt. Services - Other			0
Rental - Drilling Tools and Equipment	15,000		15,000
Rental - Miscellaneous	1,000	5,000	6,000
Testing - 2 Drill Stem Tests/ Production	3,500		3,500
Open Hole Logging	25,000		25,000
Mudlogging Services	10,000		10,000
Special Services			0
Plug and Abandon	15,000	(15,000)	0
Pulling and/or Swabbing Unit		12,000	12,000
Reverse Equipment		2,000	2,000
Wireline Services(includes Perforating)		10,000	10,000
Stimulation		5,000	5,000
Pump / Vacuum Truck Services			0
Transportation	500	2,000	2,500
Tubular Goods - Inspection & Testing			0
Unclassified			0
Telephone and Radio Expense	700	300	1,000
Engineer / Geologist / Landman	2,000		2,000
Company Labor - Field Supervision	10,000	5,000	15,000
Contract Labor / Roustabout	4,000		4,000
Legal and Professional Service	2,500		2,500
Insurance	10,000		10,000
Overhead	10,000	2,000	12,000
SUBTOTAL	486,700	86,100	572,800
Contingencies (10%)	48,670	8,610	57,280
ESTIMATED TOTAL INTANGIBLES	535,370	94,710	630,080

Exploration and Production
Dallas, Texas

<u>TANGIBLE COSTS:</u>				<u>CODE</u>	<u>TO CSG PT</u>	<u>CODE</u>	<u>COMPLETION</u>	<u>TOTAL WELL</u>
Conductor Casing								0
Surface Csg	450	Ft @	24.44 \$/Ft		11,000			11,000
Intermediate Csg	4,500	Ft @	12.00 \$/Ft		54,000			54,000
Protection Csg		Ft @	\$/Ft					0
Production Csg	11,800	Ft @	10.00 \$/Ft			118,000		118,000
Protection Liner		Ft @	\$/Ft					0
Production Liner		Ft @	\$/Ft					0
Tubing : 2-3/8",	11,500	Ft @	3.25 \$/Ft			38,000		38,000
Rods		Ft @	\$/Ft					0
Artificial Lift Equipment						60,000		60,000
Tank Battery						20,000		20,000
Separators/Heater Treater/Gas Units/FWKO						20,000		20,000
Well Head Equipment & Christmas Tree					1,500	5,000		6,500
Subsurface Well Equipment						5,000		5,000
Flow Lines						2,000		2,000
Saltwater Disposal Pump								0
Gas Meter								0
Lact Unit								0
Vapor Recovery Unit								0
Other Well Equipment								0
ROW and Damages								0
Surface Equipment Installation Costs						5,000		5,000
Elect. Installation						5,000		5,000
<u>ESTIMATED TOTAL TANGIBLES</u>					66,500	278,000		344,500
<u>ESTIMATED TOTAL WELL COSTS</u>					601,870	372,710		974,580

APPROVAL		DATE
PREPARED BY:	<i>E. Scott Kimbrough</i>	7/21/97
REVIEWED BY:	<i>E. Scott Kimbrough</i>	7/21/97
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	<u>Chesapeake Operating Inc.</u>	<u>W.I. 44.2708%</u>
	BY	_____	
	TITLE	_____	
	DATE	_____	

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:



Mr. Mike Hazlip
Chesapeake Operating, Inc.
P. O. Box 18496
Oklahoma City, OK 73154-0496

4a. Article Number

P 497 370 284

Service Type

Registered

Express Mail

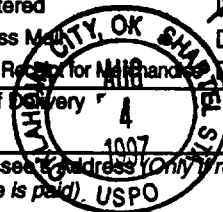
Return Receipt for Merchandise

Date of Delivery

☒ Certified

☐ Insured

☐ COD



5. Received By: (Print Name)

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

6. Signature: (Addressee or Agent)

X *Mike Hazlip*

PS Form 3811, December 1994

102595-97-8-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 497 370 284

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
<i>Chesapeake op.</i>	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
<i>Handy #1-19</i>	

PS Form 3800, April 1995