



**The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company**

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FACSIMILE COVER SHEET

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Date: 11/18/97

To: Name Michael Stogner
Company NM OCC
Department Ph 505/827-7131
FAX Number FX 505/827-8177

Confirmation requested (Y/N)

Note To Recipient:

Michael: Please see attached location plat.

Home-Stake is drilling the Republic #1-5 and will TD tonite at 7400'. It is located 1650'
FN&EL (330' from 40 acre lease lines.) It is possible that we may need to plug back and
directionally drill eastward to get into our target sand. If so, we will be closer than 330'
from the lease line - possibly as close as 100' (from east line.) We need to know:

1. If we choose to directionally drill to an unorthodox location can we get an amended
drilling permit knowing that offset operators Texaco and Arch have refused to waive their
right to protest?

2. Assuming the results of such a protest will be a penalty - what is a "Normal" penalty?
Is it based on the "Depth Bracket Allowable" - in this case 187 BOPD? Are there other
stipulations?

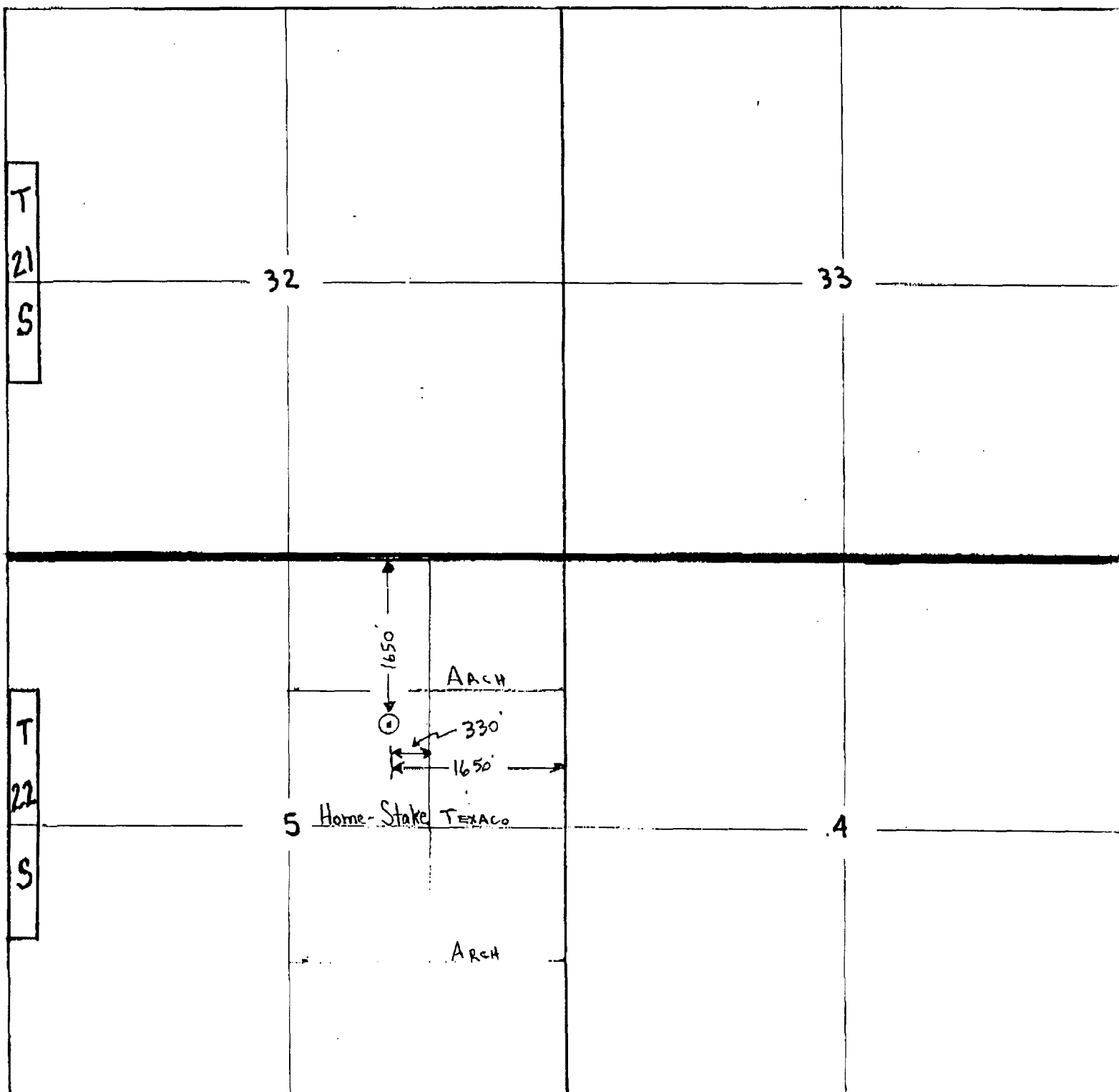
Please call to discuss. Thanks.

From: Larry Tarwater
Production Engineer
The Home-Stake Companies

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THE HOME-STAKE ROYALTY CORPORATION

REPUBLIC # 1-5
1650' FNL & 1650' FEL
Sec 5 - 22S - R37E
Lea County, N M



R 37 E