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



December 1, 1998

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

ATTN: Randy Patterson

RE: NOTIFICATION OF ELECTION

Compulsory Pooling

Eagle Creek '11" Well No. 1

BHL: estimated 660' FSL and 1,980' FEL

SHL: 460' FEL and 1,120' FSL Eddy County, New Mexico

NMOCD Case #12073 Order R—11089

Gentlemen:

On behalf of Nearburg Exploration Company, L.L.C. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11089, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Our records indicate that you have a working interest ownership in this 320 acre spacing unit for all formation from the surface to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Nearburg Exploration Company, L.L.C. must receive a cashier's check for your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well. Please note that while the bottom hole target is within the same drilling and producing interval approved in the referenced order, Nearburg has been required to relocate the surface location because Yates Petroleum Corporation has refused to grant us surface access for the original surface location.

Yates Petroleum Corporation December 1, 1998 Page Two

If you decide not to participate, then you need do nothing further. In that event, Nearburg Exploration Company, L.L.C. will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

cc:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street

Santa Fe, New Mexico 87505

EXHIBIT "A"

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Randy Patterson

ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

MYCO Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210

S. P. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates, P. R. of the Estate of Peggy A. Yates 105 South Fourth Street Artesia, New Mexico 88210

Sharbro Oil Ltd. Co. P. O. Box 840 Artesía, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE TO CSG PT	CODE COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/Ft		844	0
Drilling Daywork D/C/\$/day 25 2 520	130,000	1515 105 10,400	140,400
Drilling Turnkey	1514.110	1515 110	0
Rig Mobilization and Demobilization	1514 115 25,000	1915.115	25,000
Road & Location Expense	#### 120 15,000	3,000	18,000
Damages	1514 125 6,000	1515,126	6,000
Directional Drilling - Tools and Service	\$\$\$4.530 80,000	1515 130	80,000
Drilling Fluids	#\$#4.13\$ 20,000	1515 132 2,000	22,000
Fuel, Power, and Water	1514.140 12,000	1,500	13,500
Supplies - Bits	1514 145 45,000		45,750
Supplies - Casing Equipment	1914 150 2,000	2575,150 7,000	9,000
Supplies - Liner Equipment	1514.135	1815.163	0
Supplies - Miscellaneous	±\$±4,180 500	1515 160 500	1,000
Cement and Cmt. Services - Surface Csg	1514.185 4,000	- (XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	4,000
Cement and Cmt, Services - Int, Csg	1514 179 12,000	664	12,000
Cement and Cmt. Services - Prod. Csg	NA .	3515,172 17,000	17,000
Cement and Cmt. Services - Other	1514.175	1816.175	0
Rental - Drilling Tools and Equipment	1514.186 10,000	1,000	11,000
Rental - Miscellaneous	15,000	#5#£185 1,000	16,000
Testing - Drill Stem / Production	1511:183 10,000	\$515.186	10,000
Open Hole Logging	1914 200 25,000	564.	25,000
Mudlogging Services	x5x4.216 8,000	864	8,000
Special Services	1514.180	5515 190	0
Plug and Abandon	f8f4:2f5 10,000	19152(5 (10,000)	0
Pulling and/or Swabbing Unit	NA	####2#7 12,000	12,000
Reverse Equipment	NA.	#5#\$21# 3,000	3,000
Wireline Services	1514.205	1515.209 7,500	7,500
Stimulation	A/A	15,000	15,000
Pump / Vacuum Truck Services	£524.220 1,000	\$515.220 2,500	3,500
Transportation	1514.225 1,500	3515.226 2,500	4,000
Tubular Goods - Inspection & Testing	1514 230	£515.230 6,000	6,000
Unclassified	1914 245	1414.245	0
Telephone and Radio Expense	1514,246 500	5515 Sets 500	1,000
Engineer / Geologist / Landman	1514.250 3,150	ssss 250 1,000	4,150
Company Labor - Field Supervision	1814.265 10,000	1818.256 4,500	14,500
Contract Labor / Roustabout	1554 265 10,000	2525,265 8,000	18,000
Legal and Professional Service	1,000	1,000	2,000
Insurance	1514,276 6,000	2515 275	6,000
Overhead	1514.280 6,000	1,000	7,000
SUBTOTAL	468,650	98,650	567,300
Contingencies (10%)	46,865	4,933	51,798
ESTIMATED TOTAL INTANGIBLES	515,515	103,583	619,098

Exploration and Production Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

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of Section 11-17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	<u>s:</u>			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing				#520.305		NA L		0
Surface Csg	400 F	t@ 24	4.00 \$/Ft	1520,310	9,600	NA _		9,600
Intermediate Csg	1,200 F	t@ 14	4.00 \$/Ft	1520.315	16,800	NA		16,800
Protection Csg	F	't @	\$/Ft	1320 320	0	NA		0
Production Csg	8,400 F	t @ 9	9.00 \$/Ft	NA		*532,395	75,600	75,600
Protection Liner	F	t @	\$/Ft	- 1880000000000000 .	0	A/A		0
Production Liner	F	t @	\$/Ft	NA _		1522,335	0	0
Tubing	8,000 F	t @ 3	3.45 \$/Ft	NA .		1522.340	27,600	27,600
Rods	F	't @	\$/Ft	A/A		1522 343	0	0
Artificial Lift Equipm	ent			NA.		1522,350		0
Tank Battery				N/A		1522,355	10,000	10,000
Separators/Heater 1	Freater/Gas	Units/F\	WKO	NA		1522,360	15,000	15,000
Well Head Equipme	ent & Christm	nas Tree	e	1520.365	2,500	1522,365	12,000	14,500
Subsurface Well Eq	juipment			AA		1822 370	5,000	5,000
Flow Lines				NA		1522.376	7,500	7,500
Saltwater Disposal F	⊃ump			NA		1522.301		0
Gas Meter				NA		1527.383	3,000	3,000
Lact Unit				NA		1072,367		0
Vapor Recovery Uni	it			44		1523 369		0
Other Well Equipme	ent			MA		1522.390		0
ROW and Damages	\$			TLA .		1522.363	2,500	2,500
Surface Equipment	Installation (Costs		35A		3,922,395	6,000	6,000
Elect. Installation				NA		1522.307		0
ESTIMATED TOTA	AL TANGIBI	LES		-	28,900		164,200	193,100
ESTIMATED TOTA	AL WELL C	osts			544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Clyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	YATES PETROLEUM CORPORATION	7.03125%
	BY		
	TITLE		·
	DATE		

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

December 1, 1998

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ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

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Compulsory Pooling

Eagle Creek '11" Well No. 1

BHL: estimated 660' FSL and 1,980' FEL

SHL: 460' FEL and 1,120' FSL Eddy County, New Mexico

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ABO Petroleum Corporation December 1, 1998 Page Two

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Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

CC:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street

Santa Fe, New Mexico 87505

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Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/Ft	1914 101	0	A/A		0
Drilling Daywork D/C/\$/day 25 2 5200	1514.105	130,000	1515 163	10,400	140,400
Drilling Turnkey	1514.110		1515 110		0
Rig Mobilization and Demobilization	1514.115	25,000	1515.115		25,000
Road & Location Expense	1514 120	15,000	1515.123	3,000	18,000
Damages	1514 125	6,000	1515.125		6,000
Directional Drilling - Tools and Service	1514.130	80,000	1818 130		80,000
Drilling Fluids	1514.135	20,000	1818132	2,000	22,000
Fuel, Power, and Water	1514.140	12,000	\$\$15.140	1,500	13,500
Supplies - Bits	1514 145	45,000	1515.145	750	45,750
Supplies - Casing Equipment	1914.150	2,000	1515,150	7,000	9,000
Supplies - Liner Equipment	1514.156		1515 165		0
Supplies - Miscellaneous	1514.180	500	1515 160	500	1,000
Cement and Cmt. Services - Surface Csg	1014.165	4,000	NA.		4,000
Cement and Cmt. Services - Int. Csg	1514 170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	17,000	17,000
Cement and Cmt. Services - Other	1514 175		1515 175		0
Rental - Drilling Tools and Equipment	1514,180	10,000	1515 160	1,000	11,000
Rental - Miscellaneous	1514,185	15,000	1915.185	1,000	16,000
Testing - Drill Stem / Production	1514 195	10,000	1515.106		10,000
Open Hole Logging	1514.200	25,000	AA		25,000
Mudlogging Services	1514.210	8,000	Jua		8,000
Special Services	1514.100		1515190		0
Plug and Abandon	tāt4.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		#\$#5.217	12,000	12,000
Reverse Equipment	NA		1515,219	3,000	3,000
Wireline Services	1514.205		fāfā.205	7,500	7,500
Stimulation	NA.		1515.821	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	¥5¥5.220	2,500	3,500
Transportation	1514 225	1,500	1515.225	2,500	4,000
Tubular Goods - Inspection & Testing	1514.230		# 5#5.23 0	6,000	6,000
Unclassified	7574.245		1515.265		0
Telephone and Radio Expense	1514,240	500	1515 240	500	1,000
Engineer / Geologist / Landman	1514.250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision	1514 265	10,000	\$\$\$\$.256	4,500	14,500
Contract Labor / Roustabout	1514.265	10,000	1515.285	8,000	18,000
Legal and Professional Service	1514.270	1,000	151A.270	1,000	2,000
Insurance	1514.275	6,000	1518 275		6,000
Overhead	1514.280	6,000	1515-280	1,000	7,000
SUBTOTAL		468,650	************	98,650	567,300
Contingencies (10%)	Ī	46,865		4,933	51,798
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ESTIMATED TOTAL INTANGIBLES		515,515		103,583	619,098

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

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EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	S:		CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing			1520,305		NA		0
Surface Csg	400 Ft@	24.00 \$/F	t #320,210	9,600	N/A		9,600
Intermediate Csg	1,200 Ft @	14.00 \$/F	t 1520.315	16,800	NA.		16,800
Protection Csg	Ft @	\$/F	t 1520.320	0	NA.		0
Production Csg	8,400 Ft@	9.00 \$/F	t sua		1527,326	75,600	75,600
Protection Liner	Ft @	\$/F	100000000000000000000000000000000000000	0	NA		0
Production Liner,	Ft @	\$/F	t na		2522 335	0	0
Tubing	8,000 Ft @	3.45 \$/F	t aa		1522.340	27,600	27,600
Rods	Ft @	\$/F	t aa		1872 345	0	0
Artificial Lift Equipm	ent		MA		1522.350		0
Tank Battery			NA		1522,356	10,000	10,000
Separators/Heater 1	reater/Gas Unit	s/FWK0	NA.		1527.350	15,000	15,000
Well Head Equipme	nt & Christmas	Tree	F520.305	2,500	f522.365	12,000	14,500
Subsurface Well Eq	uipment		AAA		1522 370	5,000	5,000
Flow Lines			56A		1522.376	7,500	7,500
Saltwater Disposal F	ump		8/A		1527.361		0
Gas Meter			N.A		1527.365	3,000	3,000
Lact Unit			NA.		1522.367		0
Vapor Recovery Uni	it		A/A		1522 369		0
Other Well Equipme	ent		NA		1522.380		0
ROW and Damages	i		34A		3522.393	2,500	2,500
Surface Equipment	Installation Cost	s	N/A		1522.305	6,000	6,000
Elect. Installation			NA.		1522,392		0
ESTIMATED TOTA	AL TANGIBLES	:		28,900		164,200	193,100
ESTIMATED TOTA	L WELL COST	rs		544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Clyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	ABO PETROLEUM CORPORATION	4.6875%
	BY		
	TITLE		
	DATE		

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

December 1, 1998

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MYCO Industries, Inc. December 1, 1998 Page Two

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Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

CC:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street Santa Fe, New Mexico 87505

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Dallas, Texas

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INTANGIBLE COSTS:	-	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @	\$/Ft	1514 101	0	NA		
Drilling Daywork D/C/\$/day 25 2	5200	1514.106	130,000	1515 105	10,400	140,400
Drilling Turnkey		1314,110		1515 110		
Rig Mobilization and Demobilization		1514 115	25,000	4575.115		25,000
Road & Location Expense		1514 120	15,000	1515.123	3,000	18,000
Damages		1514 125	6,000	1515125		6,000
Directional Drilling - Tools and Service		1514.130	80,000	1515 130		80,000
Drilling Fluids		1514.136	20,000	1815 132	2,000	22,000
Fuel, Power, and Water		1514.140	12,000	¥5¥5.140	1,500	13,500
Supplies - Bits		1514 145	45,000	1515,145	750	45,750
Supplies - Casing Equipment		1314 150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment		1514.156		1616.165		
Supplies - Miscellaneous		1514,160	500	1315 160	500	1,000
Cement and Cmt. Services - Surface Csg		1514.185	4,000	NA.		4,000
Cement and Cmt. Services - Int. Csg		1514 170	12,000	ALA.		12,000
Cement and Cmt. Services - Prod. Csg		NA		#5#5.172	17,000	17,000
Cement and Cmt. Services - Other		1514.176		1515 175		
Rental - Drilling Tools and Equipment		1514.180	10,000	1515 160	1,000	11,000
Rental - Miscellaneous		1514.185	15,000	1515 125	1,000	16,000
Testing - Drill Stem / Production	1	1814 185	10,000	\$\$\$5.1R5		10,000
Open Hole Logging		1514 200	25,000	NA.		25,000
Mudlogging Services		1514.210	8,000	MA		8,000
Special Services		1514.180		1818 190		C
Plug and Abandon		1514 215	10,000	1515.215	(10,000)	C
Pulling and/or Swabbing Unit		864		1515.217	12,000	12,000
Reverse Equipment		NA		1515,219	3,000	3,000
Wireline Services		1514.205		1515.205	7,500	7,500
Stimulation		NA		1515 321	15,000	15,000
Pump / Vacuum Truck Services		1514,220	1,000	1915.220	2,500	3,500
Transportation		1514.225	1,500	JSJ\$.225	2,500	4,000
Tubular Goods - Inspection & Testing		1514 230		1515.230	6,000	6,000
Unclassified		1514.245		1515.245		
Telephone and Radio Expense		1514.240	500	1515 940	500	1,000
Engineer / Geologist / Landman		1514,250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision		1814 265	10,000	1515.256	4,500	14,500
Contract Labor / Roustabout		1514 265	10,000	1515.265	8,000	18,000
Legal and Professional Service		1514.270	1,000	1515.270	1,000	2,000
Insurance		1514,276	6,000	1818 275		6,000
Overhead		1514,280	6,000	9,59,5,280	1,000	7,000
SUBTOTAL			468,650	**************	98,650	567,300
Contingencies (10%)			46,865		4,933	51,798
		İ		ļ		
ESTIMATED TOTAL INTANGIBLES			515,515	İ	103,583	619,098

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:				CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing				1520,306		NA		0
Surface Csg 400	Ft@	24.00	\$/Ft	1520.310	9,600	N/A		9,600
Intermediate Csg 1,200	Ft@	14.00	\$/Ft	1520.315	16,800	NA.		16,800
Protection Csg	Ft@		\$/Ft	1520 320	0	A/A		0
Production Csg 8,400	Ft@	9.00	•	N/A		#522.395	75,600	75,600
Protection Liner	Ft @		\$/Ft	1520 330	0	NA.		0
Production Liner	Ft @		\$/Ft	NA		#52 7.93 9	0	0
Tubing 8,000	Ft @	3.45	\$/Ft	NA		1522.340	27,600	27,600
Rods	Ft @		\$/Ft	NA		1522 345	0	0
Artificial Lift Equipment				NA		1522.350		0
Tank Battery				NA		1102.356	10,000	10,000
Separators/Heater Treater/G	as Units	s/FWK()	NA		1522.360	15,000	15,000
Well Head Equipment & Chri	stmas	Tree		152G.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment			i	MA		1522-370	5,000	5,000
Flow Lines				NA		1522.375	7,500	7,500
Saltwater Disposal Pump				NA.		1522.301		0
Gas Meter				NA		1527.388	3,000	3,000
Lact Unit				NA		1522.367		0
Vapor Recovery Unit				MA		1322.342		0
Other Well Equipment				NA		95 2 2.380		0
ROW and Damages				NA		3,522,323	2,500	2,500
Surface Equipment Installation	n Costs	5		NA .		F522.395	6,000	6,000
Elect. Installation				NA		1522.347		0
ESTIMATED TOTAL TANG	IBLES				28,900	ļ	164,200	193,100
						ļ		
ESTIMATED TOTAL WELL	COST	s			544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Cłyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	MYCO INDUSTRIES, INC.	4.6875%
	BY		
	TITLE		
	DATE		

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

December 1, 1998

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

S. P. Yates 105 South Fourth Street Artesia, New Mexico 88210

RE: NOTIFICATION OF ELECTION

Compulsory Pooling

Eagle Creek '11" Well No. 1

BHL: estimated 660' FSL and 1,980' FEL

SHL: 460' FEL and 1,120' FSL Eddy County, New Mexico

NMOCD Case #12073 Order R-11089

Gentlemen:

On behalf of Nearburg Exploration Company, L.L.C. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11089, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Our records indicate that you have a working interest ownership in this 320 acre spacing unit for all formation from the surface to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Nearburg Exploration Company, L.L.C. must receive a cashier's check for your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well. Please note that while the bottom hole target is within the same drilling and producing interval approved in the referenced order, Nearburg has been required to relocate the surface location because Yates Petroleum Corporation has refused to grant us surface access for the original surface location.

S. P. Yates December 1, 1998 Page Two

If you decide not to participate, then you need do nothing further. In that event, Nearburg Exploration Company, L.L.C. will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

cc: Ms. Lori Wrotenbery, Director

Oil Conservation Division

he Roush

2040 Pacheco Street

Santa Fe, New Mexico 87505

EXHIBIT "A"

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Randy Patterson

ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

MYCO Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210

S. P. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates, P. R. of the Estate of Peggy A. Yates 105 South Fourth Street Artesia, New Mexico 88210

Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/Ft	1514 101	0	NA		0
Drilling Daywork D/C/\$/day 25 2 5200	1514.105	130,000	1515 105	10,400	140,400
Drilling Turnkey	#514,110		1513 110		0
Rig Mobilization and Demobilization	1514 115	25,000	1515.715		25,000
Road & Location Expense	1614 120	15,000	1515.123	3,000	18,000
Damages	1514 125	6,000	1513.129		6,000
Directional Drilling - Tools and Service	1514 130	80,000	1815.130		80,000
Drilling Fluids	1514_136	20,000	1818 132	2,000	22,000
Fuel, Power, and Water	1514.140	12,000	1515 140	1,500	13,500
Supplies - Bits	1514 145	45,000	1515.146	750	45,750
Supplies - Casing Equipment	1514 150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment	1514.155		1313.165		0
Supplies - Miscellaneous	1514.180	500	1515 160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.155	4,000	NA.		4,000
Cement and Cmt. Services - Int. Csg	1514 170	12,000	NA.		12,000
Cement and Cmt. Services - Prod. Csg	N.A		1515.172	17,000	17,000
Cement and Cmt. Services - Other	1514.175		1518 175		0
Rental - Drilling Tools and Equipment	1514,180	10,000	1515 160	1,000	11,000
Rental - Miscellaneous	1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production	1514 195	10,000	1575.145		10,000
Open Hole Logging	1514 200	25,000	NA		25,000
Mudlogging Services	1814.210	8,000	MA		8,000
Special Services	1514.130		1515 190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	12,000	12,000
Reverse Equipment	NA.		1515,219	3,000	3,000
Wireline Services	1514.205		1515.205	7,500	7,500
Stimulation	NA		1515 221	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	2,500	3,500
Transportation	1514 225	1,500	1515.225	2,500	4,000
Tubular Goods - Inspection & Testing	1514.230		#5#5.230	6,000	6,000
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514,240	500	1515.240	500	1,000
Engineer / Geologist / Landman	1514.250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision	1514 265	10,000	1515.256	4,500	14,500
Contract Labor / Roustabout	1514.265	10,000	1515.265	8,000	18,000
Legal and Professional Service	1514.270	1,000	#515.27G	1,000	2,000
Insurance	1514.275	6,000	1515 275	*	6,000
Overhead	1514.280	6,000	1515.290	1,000	7,000
SUBTOTAL		468,650	P	98,650	567,300
Contingencies (10%)		46,865		4,933	51,798
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ESTIMATED TOTAL INTANGIBLES		515,515		103,583	619,098
					

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:	Ct)DE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	15.	1G.3Q6		NA.		<u> </u>
Surface Csg 400 Ft @ 24.00	\$/Ft #5	24,310	9,600	NA.		9,600
Intermediate Csg 1,200 Ft @ 14.00	\$/Ft #A	20.315	16,800	NA.		16,800
Protection Csg Ft @	\$/Ft ##	20.320	0	NA.		G
Production Csg 8,400 Ft @ 9.00	\$/Ft //	VA		1522,325	75,600	75,600
Protection Liner Ft @	\$/Ft #8	26.330	0	A/A		0
Production Liner Ft @	\$/Ft	4		1527.338	0	C
Tubing 8,000 Ft @ 3.45	\$/Ft	u		1522.340	27,600	27,600
Rods Ft @	\$/Ft	VA	· · · · · · · · · · · · · · · · · · ·	1523 345	0	0
Artificial Lift Equipment		,		1522.350		0
Tank Battery		VA _		1527.336	10,000	10,000
Separators/Heater Treater/Gas Units/FWK0)	u L		+527,350	15,000	15,000
Well Head Equipment & Christmas Tree	15	8G.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment		(A		1522 370	5,000	5,000
Flow Lines		<i>(a</i>)		1522.375	7,500	7,500
Saltwater Disposal Pump		4 4		1522.301		0
Gas Meter		LA T		1522,385	3,000	3,000
Lact Unit		ua T		1522.387		0
Vapor Recovery Unit		A.		1522 368		0
Other Well Equipment	,	,a		1522.390		0
ROW and Damages		4		\$5 2 2.3 0 3	2,500	2,500
Surface Equipment Installation Costs	,	<i>i</i> a		K\$22.325	6,000	6,000
Elect. Installation	,	,		1522.347		0
ESTIMATED TOTAL TANGIBLES		-	28,900	, 	164,200	193,100
ESTIMATED TOTAL WELL COSTS	ESTIMATED TOTAL WELL COSTS				267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Clyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	S. P. YATES	7.03125%
	ВҮ		
	TITLE		
	DATE		

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

December 1, 1998

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

John A. Yates 105 South Fourth Street Artesia, New Mexico 88210

RE: NOTIFICATION OF ELECTION

Compulsory Pooling

Eagle Creek '11" Well No. 1

BHL: estimated 660' FSL and 1.980' FEL

SHL: 460' FEL and 1,120' FSL Eddy County, New Mexico

NMOCD Case #12073 Order R—11089

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John A. Yates December 1, 1998 Page Two

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Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

cc:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street

Santa Fe, New Mexico 87505

EXHIBIT "A"

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Randy Patterson

ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

MYCO Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210

S. P. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates, P. R. of the Estate of Peggy A. Yates 105 South Fourth Street Artesia, New Mexico 88210

Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST, COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS;	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/F	t 9594 101	O	NA		0
Drilling Daywork D/C/\$/day 25 2 520	0 3574 105	130,000	1818 105	10,400	140,400
Drilling Turnkey	1514,110		1515 110		0
Rig Mobilization and Demobilization	1514.115	25,000	1515.115		25,000
Road & Location Expense	1514 120	15,000	1515.123	3,000	18,000
Damages	1514 125	6,000	1515.125		6,000
Directional Drilling - Tools and Service	1514.130	80,000	1515.130		80,000
Drilling Fluids	1514.135	20,000	1818 122	2,000	22,000
Fuel, Power, and Water	1514.140	12,000	\$575.740	1,500	13,500
Supplies - Bits	1514 145	45,000	3575.145	750	45,750
Supplies - Casing Equipment	1514 150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment	1514 155		1515 155		0
Supplies - Miscellaneous	1514.160	500	1515 162	500	1,000
Cement and Cmt. Services - Surface Csg	1514,165	4,000	NA		4,000
Cement and Cmt. Services - Int. Csg	1514 170	12,000	NA.		12,000
Cement and Cmt. Services - Prod. Csg	N.A		1512.172	17,000	17,000
Cement and Cmt. Services - Other	1514.175		1515 175		0
Rental - Drilling Tools and Equipment	1514,180	10,000	1515160	1,000	11,000
Rental - Miscellaneous	1514 185	15,000	1515.785	1,000	16,000
Testing - Drill Stem / Production	1814 195	10,000	3515.196		10,000
Open Hole Logging	1514.200	25,000	NA.		25,000
Mudlogging Services	1514.210	8,000	NA		8,000
Special Services	1514,190		1515 190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1575,217	12,000	12,000
Reverse Equipment	NA		1515.219	3,000	3,000
Wireline Services	1514.205		1515.205	7,500	7,500
Stimulation	AAA		1515 221	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	1515,220	2,500	3,500
Transportation	1514 225	1,500	1415.226	2,500	4,000
Tubular Goods - Inspection & Testing	1914 230		1515.230	6,000	6,000
Unclassified	1914.245		1515.245		0
Telephone and Radio Expense	1514,240	500	1015 240	500	1,000
Engineer / Geologist / Landman	1514.250	3,150	1515.250	1,000	
Company Labor - Field Supervision	1514 265	10,000	1875.256	4,500	14,500
Contract Labor / Roustabout	1514 265	10,000	1515.265	8,000	18,000
Legal and Professional Service	1514.270	1,000	1515.270	1,000	2,000
Insurance	1514.276	6,000	1818 975		6,000
Overhead	1514.280	6,000	1515.280	1,000	7,000
SUBTOTAL		468,650		98,650	567,300
Contingencies (10%)	_	46,865		4,933	51,798
ESTIMATED TOTAL INTANGIBLES	-	F15.51=			
ESTIMATED TOTAL INTANGIBLES		515,515		103,583	619,098

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

EXPLORATORY, DEVELOPMENT, WO: E

PROSPECT: Eagle Creek FIELD: Wildcat Morrow

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	ì:		CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing			1520.306		NA.		0
Surface Csg	400 Ft@	24.00 \$/Ft	1520,310	9,600	NA.		9,600
Intermediate Csg	1,200 Ft@	14.00 \$/Ft	1820.315	16,800	NA.		16,800
Protection Csg	Ft @	\$/Ft	1520 320	0	NA.		0
Production Csg	8,400 Ft @	9.00 \$/Ft	NA		1527,395	75,600	75,600
Protection Liner	Ft @	\$/Ft	(CONTROL CONTROL CON	0	NA.		0
Production Liner	Ft @	\$/Ft	NA		1522 335	0	0
Tubing	8,000 Ft @	3.45 \$/Ft	NA	·	1522.340	27,600	27,600
Rods	Ft @	\$/Ft	NA.		1822 345	0	0
Artificial Lift Equipme	ent		5/A		#5 2 2.350		0
Tank Battery			NA		1522.356	10,000	10,000
Separators/Heater T	reater/Gas Unit	s/FWKO	NA		1527.350	15,000	15,000
Well Head Equipmen	nt & Christmas	Tree	1520.365	2,500	1522.363	12,000	14,500
Subsurface Well Equ	uipment		MA		1822 370	5,000	5,000
Flow Lines			NA		1522.375	7,500	7,500
Saltwater Disposal P	Pump		164		1522.361		0
Gas Meter			NA.		1527.358	3,000	3,000
Lact Unit			NA.		1522.367		0
Vapor Recovery Unit	t		MA		1572 369		0
Other Well Equipmen	nt		Na		F522.300		0
ROW and Damages			NA		1522.393	2,500	2,500
Surface Equipment I	nstallation Cost	s	MA		1522.305	6,000	6,000
Elect. Installation			NA		1522.307		0
ESTIMATED TOTA	L TANGIBLES	•		28,900		164,200	193,100
ESTIMATED TOTA	L WELL COST	`S		544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Chyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	JOHN A. YATES	1.17187%
	BY		
	TITLE		
	DATE		

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

December 1, 1998

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

John A. Yates
P. R. of the Estate of Peggy A. Yates
105 South Fourth Street
Artesia, New Mexico 88210

RE:

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Our records indicate that you have a working interest ownership in this 320 acre spacing unit for all formation from the surface to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Nearburg Exploration Company, L.L.C. must receive a cashier's check for your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well. Please note that while the bottom hole target is within the same drilling and producing interval approved in the referenced order, Nearburg has been required to relocate the surface location because Yates Petroleum Corporation has refused to grant us surface access for the original surface location.

John A. Yates P. R. of the Estate of Peggy A. Yates December 1, 1998 Page Two

If you decide not to participate, then you need do nothing further. In that event, Nearburg Exploration Company, L.L.C. will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

cc:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street Santa Fe, New Mexico 87505

EXHIBIT "A"

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Randy Patterson

ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

MYCO Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210

S. P. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates 105 South Fourth Street Artesia, New Mexico 88210

John A. Yates, P. R. of the Estate of Peggy A. Yates 105 South Fourth Street Artesia, New Mexico 88210

Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @	6/Ft #594.901	0	A/A		0
Drilling Daywork D/C/\$/day 25 2	5200 3514.105	130,000	1515 195	10,400	140,400
Drilling Turnkey	1514,110		1515 110		C
Rig Mobilization and Demobilization	1514.115	25,000	1515.115		25,000
Road & Location Expense	1814 120	15,000	1515.123	3,000	18,000
Damages	1514 125	6,000	1515.125		6,000
Directional Drilling - Tools and Service	1514,130	80,000	1515 130		80,000
Drilling Fluids	1514,136	20,000	1515 122	2,000	22,000
Fuel, Power, and Water	1514 140	12,000	1515.145	1,500	13,500
Supplies - Bits	1514 145	45,000	1515.148	750	45,750
Supplies - Casing Equipment	1514 150	2,000	1515,150	7,000	9,000
Supplies - Liner Equipment	1514.156		1515 166		o
Supplies - Miscellaneous	1314.180	500	1515 160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.155	4,000	NA.		4,000
Cement and Cmt. Services - Int. Csg	151# 170	12,000	NA.		12,000
Cement and Cmt. Services - Prod. Csg	NA.		1515.172	17,000	17,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514,180	10,000	1,515 140	1,000	11,000
Rental - Miscellaneous	1514.185	15,000	1915.125	1,000	16,000
Testing - Drill Stem / Production	1514 1 9 5	10,000	1515.146		10,000
Open Hole Logging	1514 200	25,000	MA		25,000
Mudlogging Services	1514.210	8,000	MA		8,000
Special Services	1514.190		1818 190		0
Plug and Abandon	1514,215	10,000	1915.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	12,000	12,000
Reverse Equipment	NA.		1515.219	3,000	3,000
Wireline Services	3514.205		1515,205	7,500	7,500
Stimulation	NA.		1815 221	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	559.5.220	2,500	3,500
Fransportation	1514.225	1,500	1515.226	2,500	4,000
Fubular Goods - Inspection & Testing	1514 230		1515.230	6,000	6,000
Unclassified	1514.245		1515.245		0
Felephone and Radio Expense	1514.240	500	1815.240	500	1,000
Engineer / Geologist / Landman	1514.250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision	1814 265	10,000	\$\$\$\$.256	4,500	14,500
Contract Labor / Roustabout	1514.265	10,000	1515.285	8,000	18,000
egal and Professional Service	3514,270	1,000	1515.270	1,000	2,000
nsurance	1514.275	6,000	1818 275		6,000
Overhead	1514.280	6,000	1915.200	1,000	7,000
SUBTOTAL	100000000000000000000000000000000000000	468,650		98,650	567,300
Contingencies (10%)	ţ	46,865	ţ	4,933	51,798
- , .	ţ		. †	.,230	
ESTIMATED TOTAL INTANGIBLES	t	515,515	}	103,583	619,098

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS	:		CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing			1520.206		NA		0
Surface Csg	400 Ft @	24.00 \$/F	t +320,210	9,600	NA.		9,600
Intermediate Csg	1,200 Ft @	14.00 \$/F	t 182 0.3 18	16,800	NA.		16,800
Protection Csg	Ft @	\$/F	t (1820-320	0	A.A		0
Production Csg	8,400 Ft@	9.00 \$/F	t NA		1527,206	75,600	75,600
Protection Liner	Ft @	\$/F	\$35000000000000000000000000000000000000	0	N/A		0
Production Liner	Ft @	\$/F	t NA		1527,339	0	0
Tubing	8,000 Ft@	3.45 \$/F	t ava		1522.340	27,600	27,600
Rods	Ft @	\$/F	t aa		1822 345	0	0
Artificial Lift Equipme	ent		NA		1522.350		0
Tank Battery			NA		1522,356	10,000	10,000
Separators/Heater To	reater/Gas Unit	s/FWKO	NA.		1522,360	15,000	15,000
Well Head Equipmer	nt & Christmas	Tree	7520.365	2,500	15.22.365	12,000	14,500
Subsurface Well Equ	uipment		A/A		1522 370	5,000	5,000
Flow Lines			NA		1522,375	7,500	7,500
Saltwater Disposal P	ump		SVA		1522.301		0
Gas Meter			N/A		1522.355	3,000	3,000
Lact Unit			NA.		1522:367		0
Vapor Recovery Unit	:		A/A		1522-368		0
Other Well Equipmen	nt		MA		1522,380		0
ROW and Damages			NA		1522.393	2,500	2,500
Surface Equipment I	nstallation Cost	s	NA		1522.395	6,000	6,000
Elect. Installation			14A		1522.307		0
ESTIMATED TOTAL	L TANGIBLES	;		28,900		164,200	193,100
ESTIMATED TOTA	L WELL COST	s		544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Chyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	John A. Yates, P.R. of the Estate of Peggy A. Yates			
	BY				
	TITLE				
	DATE				

1.17187%

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

December 1, 1998

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

RE:

NOTIFICATION OF ELECTION

Compulsory Pooling

Eagle Creek '11" Well No. 1

BHL: estimated 660' FSL and 1,980' FEL

SHL: 460' FEL and 1,120' FSL Eddy County, New Mexico

NMOCD Case #12073 Order R-11089

Gentlemen:

On behalf of Nearburg Exploration Company, L.L.C. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11089, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

Our records indicate that you have a working interest ownership in this 320 acre spacing unit for all formation from the surface to the base of the Morrow formation in the spacing unit proposed for this well. Should you desire to participate in this well and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Nearburg Exploration Company, L.L.C. must receive a cashier's check for your percentage of the completed well costs and a letter signed by you agreeing to participate in this well pursuant to this pooling order. Enclosed is a copy of the AFE for this well. Please note that while the bottom hole target is within the same drilling and producing interval approved in the referenced order, Nearburg has been required to relocate the surface location because Yates Petroleum Corporation has refused to grant us surface access for the original surface location.

Sharbro Oil Ltd. Co. December 1, 1998 Page Two

If you decide not to participate, then you need do nothing further. In that event, Nearburg Exploration Company, L.L.C. will pay your share of the costs of the well and will recover your share out of production plus an additional 200 percent.

Yours very truly,

Duke Roush Senior Landman

DR/dw encl.

CC:

Ms. Lori Wrotenbery, Director Oil Conservation Division 2040 Pacheco Street

Santa Fe, New Mexico 87505

EXHIBIT "A"

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Randy Patterson

ABO Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

MYCO Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210

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John A. Yates, P. R. of the Estate of Peggy A. Yates 105 South Fourth Street Artesia, New Mexico 88210

Sharbro Oil Ltd. Co. P. O. Box 840 Artesia, New Mexico 88210

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage Ft @ \$/F	t 1514.101	0	NA		0
Drilling Daywork D/C/\$/day 25 2 520	3574.105	130,000	1515 105	10,400	140,400
Drilling Turnkey	1514,110		1818 110		0
Rig Mobilization and Demobilization	£514.115	25,000	\$51.5 Te5		25,000
Road & Location Expense	1514 120	15,000	1515.123	3,000	18,000
Damages	1514 125	6,000	1514.125		6,000
Directional Drilling - Tools and Service	1514.130	80,000	1515180		80,000
Drilling Fluids	1514,136	20,000	1515 122	2,000	22,000
Fuel, Power, and Water	1514 140	12,000	1515.140	1,500	13,500
Supplies - Bits	1514 145	45,000	1515.146	750	45,750
Supplies - Casing Equipment	1514 150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment	\$\$\$4.156		1515.165		0
Supplies - Miscellaneous	1514,180	500	1515 160	500	1,000
Cement and Cmt. Services - Surface Csg	1514.165	4,000	N.A.		4,000
Cement and Cmt. Services - Int. Csg	1514 170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.172	17,000	17,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	10,000	1515 160	1,000	11,000
Rental - Miscellaneous	1514.165	15,000	1515.186	1,000	16,000
Testing - Drill Stem / Production	1514 195	10,000	3534.186		10,000
Open Hole Logging	1914 200	25,000	A44		25,000
Mudlogging Services	1514.210	8,000	NA.		8,000
Special Services	1514.150		1515190		0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	12,000	12,000
Reverse Equipment	NA.		\$515,21 9	3,000	3,000
Wireline Services	1514.205	· · · · · · · · · · · · · · · · ·	1515,265	7,500	7,500
Stimulation	AA		1515.821	15,000	15,000
Pump / Vacuum Truck Services	1514.220	1,000	1515.220	2,500	3,500
Transportation		1,500	1515,225	2,500	4,000
-		1,000	1515230	6,000	6,000
Unclassified	1514.230 1514.245		1514.245	0,000	0,000
Telephone and Radio Expense		500		500	1,000
Engineer / Geologist / Landman	1514.240 1514.250	3,150	1515 240 1515 250	1,000	4,150
Company Labor - Field Supervision	1514 263	10,000	i i i i i i i i i i i i i i i i i i i		
		10,000	1515,255	4,500	14,500
		1,000	1515.265	8,000	18,000
		6,000	1515.270	1,000	2,000
		6,000	1818 273	4 000	6,000
SUBTOTAL	1514.280		1915.200	1,000	7,000
Contingencies (10%)	}	468,650	ŀ	98,650	567,300
Commigencies (1070)	-	46,865	ļ	4,933	51,798
ESTIMATED TOTAL INTANCIDLES	}-	F4F 54-	}	482 742	
ESTIMATED TOTAL INTANGIBLES		515,515		103,583	619,098

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11

WELL NUMBER: 1

PROPOSED TOTAL DEPTH: 8,000'(TVD)

LOCATION: Bottom hole location; 1,980 FEL and 660 FSL Section 11, T17S, R25E, Eddy County, NM

FIELD: Wildcat Morrow

PROSPECT: Eagle Creek

EXPLORATORY, DEVELOPMENT, WO: E

DESCRIPTION OF WORK: Directionally drill, from a surface location of approximately 460' FEL and 1,120' FSL

of Section 11- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 11/24/98

EST. SPUD DATE: 1/1/99

EST. COMPLETION DATE: 2/1/99

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	S:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing				1520.305		NA.		0
Surface Csg	400 Ft	@ 24.00	\$/Ft	1530,310	9,600	NA.		9,600
Intermediate Csg	1,200 Ft	@ 14.00	\$/Ft	1520,315	16,800	NA.		16,800
Protection Csg	Ft	@	\$/Ft	1520.320	0	NA.		0
Production Csg	8,400 Ft	@ 9.00	\$/Ft	N/A		#522,395	75,600	75,600
Protection Liner		@	\$/Ft	1520.330	0	NA		. 0
Production Liner	Ft	@	\$/Ft	NA		1527.335	0	0
Tubing	8,000 Ft	@ 3.45	\$/Ft	NA .		1522,340	27,600	27,600
Rods	Ft	@	\$/Ft	MA _		1372.345	0	0
Artificial Lift Equipm	ent			NA		1522.350		0
Tank Battery				žVA.		1522.356	10,000	10,000
Separators/Heater 7	Γreater/Gas L	Inits/FWK()	NA		1522.360	15,000	15,000
Well Head Equipme	nt & Christma	as Tree		1526.365	2,500	t822.365	12,000	14,500
Subsurface Well Eq	uipment		i	4A		1522 370	5,000	5,000
Flow Lines				NA		1522.375	7,500	7,500
Saltwater Disposal F	Pump			NA .		\$522.391		0
Gas Meter	•			NA.		‡522,385	3,000	3,000
Lact Unit				NA -		152 2. 367		0
Vapor Recovery Uni	it			MA.		1572 369		0
Other Well Equipme				MA		1522.390		
ROW and Damages				SIA		1522.363	2,500	2,500
Surface Equipment	Installation C	osts		NA -		KS22.305	6.000	6,000
Elect. Installation				344		1507.307		0
ESTIMATED TOTA	AL TANGIBL	ES		 -	28,900	ļ	164,200	193,100
ESTIMATED TOTA	L WELL CO	STS			544,415		267,783	812,198

NPC APPROVAL		DATE
PREPARED BY:	Clyde P. Findlay II	11/24/98
APPROVED BY:	E. Scott Kimbrough by CPF	11/24/98
APPROVED BY:		
APPROVED BY:		

WI APPROVAL:	COMPANY	SHARBRO OIL LTD. CO.	14.84375%
	BY		
	TITLE	V	·
	DATE		

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 12073 Order No. R-11089

APPLICATION OF NEARBURG EXPLORATION COMPANY L.L.C. FOR COMPULSORY POOLING, AND AN UNORTHODOX SURFACE LOCATION AND SUBSURFACE DRILLING WINDOW, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of November, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Nearburg Exploration Company, L.L.C, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 11, Township 17 South, Range 25 East, NMPM, Eddy County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for any formations and/or pools spaced on 320 acres within that vertical extent, which presently include the Undesignated Eagle Creek-Atoka Gas Pool and Undesignated East Eagle Creek Atoka-Morrow Gas Pool. This unit is to be dedicated to the applicant's proposed Eagle Creek "11" Well No. I which is proposed to be directionally drilled from an unorthodox surface location 1070 feet from the North line and 2110 feet from the West line (Unit C) of Section 14, Township 17 South, Range 25 East, NMPM, to an unorthodox bottomhole location no closer than 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 11, Township 17 South, Range 25 East, NMPM.
- (3) The applicant has the right to drill on this unit and proposes to directionally drill its Eagle Creek "11" Well No. 1 to an unorthodox bottomhole location described above.

CASE NO. 12073 Order No. R-11089 Page -2-

- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in the unit the opportunity to recover or receive without unnecessary expense its just and fair share of the production in any pool completion resulting from this order, this application should be approved by pooling all mineral interests, whatever they may be, within the unit.
- (6) The applicant presented geologic and engineering evidence and testimony which indicate that the proposed directional drilling and unorthodox bottomhole well location are necessary for the following described topographic and geologic reasons:
 - a) the primary target within the Eagle Creek "11" Well No. 1 is the Upper "C" Sand interval of the Morrow formation;
 - b) the Upper "C" Sand interval is a channel sand which traverses the SE/4 of Section 11 in a northwest to southeast direction:
 - a well drilled to the proposed unorthodox bottomhole location should encounter a thicker sand section within the Upper "C" Morrow Sand interval than a well drilled at a standard location within the SE/4 of Section 11, thereby increasing the likelihood of obtaining commercial gas production; and
 - d) due to the proximity to the Artesia airport and applicable FAA restrictions, it is unable to drill the Eagle Creek "11" Well No. 1 from a surface location within the SE/4 of Section 11.
- (7) Pursuant to Division Rule No. 111, the applicant has filed an administrative application to directionally drill the Eagle Creek "11" Well No. 1.
- (8) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox bottomhole location.
- (9) Approval of the proposed unorthodox bottomhole location will provide the applicant the opportunity to produce its just and equitable share of the gas in the affected pool and will not violate correlative rights.

CASE NO. 12073 Order No. R-11089 Page -3-

- (10) Nearburg Producing Company should be designated the operator of the well and unit.
- (11) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.
- (12) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (13) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (14) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.
- (15) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (16) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.
- (17) If the operator of the pooled unit fails to commence drilling the well to which the unit is dedicated on or before February 1, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.
- (18) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

CASE NO. 12073 Order No. R-11089 Page -4-

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the E/2 of Section 11, Township 17 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled thereby forming a standard 320-acre gas spacing and proration unit for any formations and/or pools spaced on 320 acres within that vertical extent, which presently include the Undesignated Eagle Creek-Atoka Gas Pool and Undesignated East Eagle Creek Atoka-Morrow Gas Pool. This unit shall be dedicated to the applicant's Eagle Creek "11" Well No. 1 which will be directionally drilled from an unorthodox surface location 1070 feet from the North line and 2110 feet from the West line (Unit C) of Section 14, Township 17 South, Range 25 East, NMPM, such that the unorthodox bottomhole location at the base of the Morrow and the producing interval within the Morrow formation is located no closer than 660 feet from the south, west or east boundaries of the spacing unit comprising the E/2 of Section 11.

PROVIDED HOWEVER THAT, the operator of the unit shall commence drilling the well on or before February I, 1999, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling the well on or before February 1, 1999, Ordering Paragraph (1) shall be of no effect unless the operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

- (2) Nearburg Producing Company is hereby designated the operator of the well and unit.
- (3) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.
- (4) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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- (5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period the Division will determine reasonable well costs after public notice and hearing.
- (6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.
- (7) The operator is hereby authorized to withhold the following costs and charges from production:
 - (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
 - (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.
- (8) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.
- (9) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing. The operator is hereby authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order.
- (11) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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- (12) All proceeds from production from the well that are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (13) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.
- (14) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.
- (15) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

LORI WROTENBERY

Director

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