

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

Handwritten: DEC - 1
Handwritten: CBE FILE

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,

A handwritten signature in cursive script, appearing to read "Duke Roush".

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

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

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:

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	1515.103	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	1515.135	2,000	22,000
Fuel, Power, and Water			1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits			1514.145	45,000	1515.145	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	1515.160	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			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	1515.180	1,000	11,000
Rental - Miscellaneous			1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production			1514.193	10,000	1515.193		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		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		1515.230	6,000	6,000
Unclassified			1514.245		1515.245		0
Telephone and Radio Expense			1514.240	500	1515.245	500	1,000
Engineer / Geologist / Landman			1514.250	3,150	1515.250	1,000	4,150
Company Labor - Field Supervision			1514.255	10,000	1515.255	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			1514.275	6,000	1515.275		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				515,515		103,583	619,098

Dallas, Texas

AUTHORITY FOR EXPENDITURE

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				1520.305		NA		0
Surface Csg	400 Ft @	24.00 \$/Ft		1520.310	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		NA		1522.325	75,600	75,600
Protection Liner	Ft @	\$/Ft		1520.330	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		1522.345	0	0
Artificial Lift Equipment				NA		1522.350		0
Tank Battery				NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO				NA		1522.360	15,000	15,000
Well Head Equipment & Christmas Tree				1520.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment				NA		1522.370	5,000	5,000
Flow Lines				NA		1522.375	7,500	7,500
Saltwater Disposal Pump				NA		1522.381		0
Gas Meter				NA		1522.385	3,000	3,000
Lact Unit				NA		1522.397		0
Vapor Recovery Unit				NA		1522.398		0
Other Well Equipment				NA		1522.400		0
ROW and Damages				NA		1522.461	2,500	2,500
Surface Equipment Installation Costs				NA		1522.465	6,000	6,000
Elect. Installation				NA		1522.487		0
ESTIMATED TOTAL TANGIBLES					28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS					544,415		267,783	812,198

NPC APPROVAL	DATE
PREPARED BY: <i>Clyde P. Findlay II</i>	11/24/98
APPROVED BY: <i>E. Scott Kimbrough by CPF</i>	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
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ABO Petroleum Corporation

December 1, 1998

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Duke Roush
Senior Landman

DR/dw
encl.

cc: Ms. Lori Wrotenbery, Director
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Santa Fe, New Mexico 87505

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Exploration and Production

Dallas, Texas

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AUTHORITY FOR EXPENDITURE

LEASE: Eagle Creek 11 WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 8,000'(TVD)
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 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:

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			1514.110		1515.110		0
Rig Mobilization and Demobilization			1514.115	25,000	1515.115		25,000
Road & Location Expense			1514.120	15,000	1515.120	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	1515.135	2,000	22,000
Fuel, Power, and Water			1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits			1514.145	45,000	1515.145	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	1515.160	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			NA		1515.170	17,000	17,000
Cement and Cmt. Services - Other			1514.175		1515.175		0
Rental - Drilling Tools and Equipment			1514.180	10,000	1515.180	1,000	11,000
Rental - Miscellaneous			1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production			1514.195	10,000	1515.195		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		1515.217	12,000	12,000
Reverse Equipment			NA		1515.219	3,000	3,000
Wireline Services			1514.205		1515.209	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		1515.230	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	1515.255	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			1514.275	6,000	1515.275		6,000
Overhead			1514.280	6,000	1515.280	1,000	7,000
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Contingencies (10%)				46,865		4,933	51,798
ESTIMATED TOTAL INTANGIBLES				515,515		103,583	619,098

Exploration and Production
Dallas, Texas

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ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing			1522.305		NA		0
Surface Csg	400 Ft @	24.00 \$/Ft	1522.310	9,600	NA		9,600
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1522.315	16,800	NA		16,800
Protection Csg	Ft @	\$/Ft	1522.320	0	NA		0
Production Csg	8,400 Ft @	9.00 \$/Ft	NA		1522.325	75,600	75,600
Protection Liner	Ft @	\$/Ft	1522.330	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		1522.345	0	0
Artificial Lift Equipment			NA		1522.350		0
Tank Battery			NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO			NA		1522.360	15,000	15,000
Well Head Equipment & Christmas Tree			1522.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment			NA		1522.370	5,000	5,000
Flow Lines			NA		1522.375	7,500	7,500
Saltwater Disposal Pump			NA		1522.380		0
Gas Meter			NA		1522.385	3,000	3,000
Lact Unit			NA		1522.390		0
Vapor Recovery Unit			NA		1522.395		0
Other Well Equipment			NA		1522.400		0
ROW and Damages			NA		1522.405	2,500	2,500
Surface Equipment Installation Costs			NA		1522.410	6,000	6,000
Elect. Installation			NA		1522.415		0
ESTIMATED TOTAL TANGIBLES				28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS				544,415		267,783	812,198

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PREPARED BY: <i>Clyde P. Findlay II</i>	11/24/98
APPROVED BY: <i>E. Scott Kimbrough by CPF</i>	11/24/98
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	<u>ABO PETROLEUM CORPORATION</u>	<u>4.6875%</u>
	BY	_____	
	TITLE	_____	
	DATE	_____	

Nearburg Exploration Company, L.L.C.

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Duke Roush
Senior Landman

DR/dw
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cc: Ms. Lori Wrotenbery, Director
Oil Conservation Division
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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	1515.180	1,000	11,000
Rental - Miscellaneous				1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production				1514.195	10,000	1515.195		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		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		1515.230	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	1515.255	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				1514.275	6,000	1515.275		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					515,515		103,583	619,098

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 2 of 2

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	1520.306		NA		0
Surface Csg 400 Ft @ 24.00 \$/Ft	1520.310	9,600	NA		9,600
Intermediate Csg 1,200 Ft @ 14.00 \$/Ft	1520.315	16,800	NA		16,800
Protection Csg Ft @ \$/Ft	1520.320	0	NA		0
Production Csg 8,400 Ft @ 9.00 \$/Ft	NA		1522.325	75,600	75,600
Protection Liner Ft @ \$/Ft	1520.330	0	NA		0
Production Liner Ft @ \$/Ft	NA		1522.330	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		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	15,000	15,000
Well Head Equipment & Christmas Tree	1520.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment	NA		1522.370	5,000	5,000
Flow Lines	NA		1522.375	7,500	7,500
Saltwater Disposal Pump	NA		1522.380		0
Gas Meter	NA		1522.385	3,000	3,000
Lact Unit	NA		1522.390		0
Vapor Recovery Unit	NA		1522.395		0
Other Well Equipment	NA		1522.399		0
ROW and Damages	NA		1522.365	2,500	2,500
Surface Equipment Installation Costs	NA		1522.345	6,000	6,000
Elect. Installation	NA		1522.340		0
ESTIMATED TOTAL TANGIBLES		28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS		544,415		267,783	812,198

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

A handwritten signature in cursive script, appearing to read "Duke Roush".

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

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

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:

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				1514.110		1515.110		0
Rig Mobilization and Demobilization				1514.115	25,000	1515.115		25,000
Road & Location Expense				1514.120	15,000	1515.120	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	1515.135	2,000	22,000
Fuel, Power, and Water				1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits				1514.145	45,000	1515.145	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	1515.160	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				NA		1515.170	17,000	17,000
Cement and Cmt. Services - Other				1514.175		1515.175		0
Rental - Drilling Tools and Equipment				1514.180	10,000	1515.180	1,000	11,000
Rental - Miscellaneous				1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production				1514.195	10,000	1515.195		10,000
Open Hole Logging				1514.200	25,000	NA		25,000
Mudlogging Services				1514.210	8,000	NA		8,000
Special Services				1514.215		1515.210		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				1514.225		1515.203	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		1515.230	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				1514.255	10,000	1515.255	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				1514.275	6,000	1515.275		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					515,515		103,583	619,098

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 2 of 2

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	1520.306		NA		0
Surface Csg 400 Ft @ 24.00 \$/Ft	1520.310	9,600	NA		9,600
Intermediate Csg 1,200 Ft @ 14.00 \$/Ft	1520.315	16,800	NA		16,800
Protection Csg Ft @ \$/Ft	1520.320	0	NA		0
Production Csg 8,400 Ft @ 9.00 \$/Ft	NA		1527.320	75,600	75,600
Protection Liner Ft @ \$/Ft	1520.330	0	NA		0
Production Liner' Ft @ \$/Ft	NA		1527.330	0	0
Tubing 8,000 Ft @ 3.45 \$/Ft	NA		1527.340	27,600	27,600
Rods Ft @ \$/Ft	NA		1527.345	0	0
Artificial Lift Equipment	NA		1527.350		0
Tank Battery	NA		1527.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1527.360	15,000	15,000
Well Head Equipment & Christmas Tree	1520.365	2,500	1527.365	12,000	14,500
Subsurface Well Equipment	NA		1527.370	5,000	5,000
Flow Lines	NA		1527.375	7,500	7,500
Saltwater Disposal Pump	NA		1527.380		0
Gas Meter	NA		1527.385	3,000	3,000
Lact Unit	NA		1527.390		0
Vapor Recovery Unit	NA		1527.395		0
Other Well Equipment	NA		1527.400		0
ROW and Damages	NA		1527.405	2,500	2,500
Surface Equipment Installation Costs	NA		1527.410	6,000	6,000
Elect. Installation	NA		1527.415		0
ESTIMATED TOTAL TANGIBLES		28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS		544,415		267,783	812,198

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

WI APPROVAL: COMPANY

S. P. YATES

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

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

Gentlemen:

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John 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,

A handwritten signature in cursive script, appearing to read "Duke Roush".

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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P. R. of the Estate of Peggy A. Yates
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Artesia, New Mexico 88210

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

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

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:

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				1514.110		1515.110		0
Rig Mobilization and Demobilization				1514.115	25,000	1515.115		25,000
Road & Location Expense				1514.120	15,000	1515.125	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	1515.135	2,000	22,000
Fuel, Power, and Water				1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits				1514.145	45,000	1515.145	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	1515.160	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				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	1515.180	1,000	11,000
Rental - Miscellaneous				1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production				1514.185	10,000	1515.190		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		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		1515.230	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	1515.255	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				1514.275	6,000	1515.275		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					515,515		103,583	619,098

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 2 of 2

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		1520.300		NA		0
Surface Csg	400 Ft @ 24.00 \$/Ft	1520.310	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	NA		1522.325	75,600	75,600
Protection Liner	Ft @ \$/Ft	1520.330	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		1522.345	0	0
Artificial Lift Equipment		NA		1522.350		0
Tank Battery		NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO		NA		1522.360	15,000	15,000
Well Head Equipment & Christmas Tree		1520.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment		NA		1522.370	5,000	5,000
Flow Lines		NA		1522.375	7,500	7,500
Saltwater Disposal Pump		NA		1522.380		0
Gas Meter		NA		1522.385	3,000	3,000
Lact Unit		NA		1522.390		0
Vapor Recovery Unit		NA		1522.395		0
Other Well Equipment		NA		1522.400		0
ROW and Damages		NA		1522.405	2,500	2,500
Surface Equipment Installation Costs		NA		1522.410	6,000	6,000
Elect. Installation		NA		1522.415		0
ESTIMATED TOTAL TANGIBLES			28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS			544,415		267,783	812,198

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

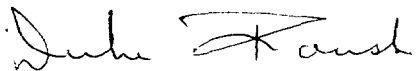
On behalf of Nearburg Exploration Company, L.L.C. and in accordance with the terms of the New Mexico Oil Conservation Division Order R-11089, copy enclosed, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to this order.

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.

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,

A handwritten signature in cursive script, appearing to read "Duke Roush".

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

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

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:

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				1514.110		1515.110		0
Rig Mobilization and Demobilization				1514.115	25,000	1515.115		25,000
Road & Location Expense				1514.120	15,000	1515.122	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	1515.132	2,000	22,000
Fuel, Power, and Water				1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits				1514.145	45,000	1515.145	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	1515.160	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				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	1515.180	1,000	11,000
Rental - Miscellaneous				1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production				1514.195	10,000	1515.188		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		1515.217	12,000	12,000
Reverse Equipment				NA		1515.218	3,000	3,000
Wireline Services				1514.225		1515.219	7,500	7,500
Stimulation				NA		1515.221	15,000	15,000
Pump / Vacuum Truck Services				1514.230	1,000	1515.220	2,500	3,500
Transportation				1514.235	1,500	1515.225	2,500	4,000
Tubular Goods - Inspection & Testing				1514.230		1515.230	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	1515.255	4,500	14,500
Contract Labor / Roustabout				1514.265	10,000	1515.255	8,000	18,000
Legal and Professional Service				1514.270	1,000	1515.270	1,000	2,000
Insurance				1514.275	6,000	1515.275		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					515,515		103,583	619,098

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 2 of 2

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				1521.316		NA		0
Surface Csg	400 Ft @	24.00 \$/Ft		1520.310	9,600	NA		9,600
Intermediate Csg	1,200 Ft @	14.00 \$/Ft		1520.318	16,800	NA		16,800
Protection Csg	Ft @	\$/Ft		1520.320	0	NA		0
Production Csg	8,400 Ft @	9.00 \$/Ft		NA		1522.355	75,600	75,600
Protection Liner	Ft @	\$/Ft		1520.330	0	NA		0
Production Liner	Ft @	\$/Ft		NA		1522.338	0	0
Tubing	8,000 Ft @	3.45 \$/Ft		NA		1522.340	27,600	27,600
Rods	Ft @	\$/Ft		NA		1522.343	0	0
Artificial Lift Equipment				NA		1522.340		0
Tank Battery				NA		1522.356	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO				NA		1522.350	15,000	15,000
Well Head Equipment & Christmas Tree				1520.365	2,500	1522.345	12,000	14,500
Subsurface Well Equipment				NA		1522.370	5,000	5,000
Flow Lines				NA		1522.375	7,500	7,500
Saltwater Disposal Pump				NA		1522.381		0
Gas Meter				NA		1522.395	3,000	3,000
Lact Unit				NA		1522.367		0
Vapor Recovery Unit				NA		1522.368		0
Other Well Equipment				NA		1522.385		0
ROW and Damages				NA		1522.393	2,500	2,500
Surface Equipment Installation Costs				NA		1522.385	6,000	6,000
Elect. Installation				NA		1522.387		0
ESTIMATED TOTAL TANGIBLES					28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS					544,415		267,783	812,198

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

WI APPROVAL: COMPANY

John A. Yates, P.R. of the Estate of Peggy 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

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
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Eddy County, New Mexico
NMOCD Case #12073 Order R—11089

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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,

A handwritten signature in cursive script, appearing to read "Duke Roush".

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

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Nearburg Producing Company

Page 1 of 2

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

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ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT 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				1514.110		1515.110		0
Rig Mobilization and Demobilization				1514.115	25,000	1515.115		25,000
Road & Location Expense				1514.120	15,000	1515.120	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	1515.135	2,000	22,000
Fuel, Power, and Water				1514.140	12,000	1515.140	1,500	13,500
Supplies - Bits				1514.145	45,000	1515.145	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	1515.160	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				NA		1515.170	17,000	17,000
Cement and Cmt. Services - Other				1514.175		1515.175		0
Rental - Drilling Tools and Equipment				1514.180	10,000	1515.180	1,000	11,000
Rental - Miscellaneous				1514.185	15,000	1515.185	1,000	16,000
Testing - Drill Stem / Production				1514.195	10,000	1515.195		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		1515.217	12,000	12,000
Reverse Equipment				NA		1515.218	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		1515.230	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				1514.255	10,000	1515.255	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				1514.275	6,000	1515.275		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					515,515		103,583	619,098

Dallas, Texas

TANGIBLE COSTS:				CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
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Intermediate Csg	1,200 Ft @	14.00 \$/Ft		1520.315	16,800	NA		16,800
Protection Csg	Ft @	\$/Ft		1020.320	0	NA		0
Production Csg	8,400 Ft @	9.00 \$/Ft		NA		1522.325	75,600	75,600
Protection Liner	Ft @	\$/Ft		1520.330	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		1522.345	0	0
Artificial Lift Equipment				NA		1522.350		0
Tank Battery				NA		1522.355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO				NA		1522.360	15,000	15,000
Well Head Equipment & Christmas Tree				1522.365	2,500	1522.365	12,000	14,500
Subsurface Well Equipment				NA		1522.370	5,000	5,000
Flow Lines				NA		1522.375	7,500	7,500
Saltwater Disposal Pump				NA		1522.380		0
Gas Meter				NA		1522.385	3,000	3,000
Lact Unit				NA		1522.390		0
Vapor Recovery Unit				NA		1522.395		0
Other Well Equipment				NA		1522.396		0
ROW and Damages				NA		1522.395	2,500	2,500
Surface Equipment Installation Costs				NA		1522.395	6,000	6,000
Elect. Installation				NA		1522.397		0
ESTIMATED TOTAL TANGIBLES					28,900		164,200	193,100
ESTIMATED TOTAL WELL COSTS					544,415		267,783	812,198

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

WI APPROVAL:	COMPANY	SHARBRO OIL LTD. CO.	14.84375%
	BY	_____	
	TITLE	_____	
	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. 1 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;
- c) 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 1, 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.

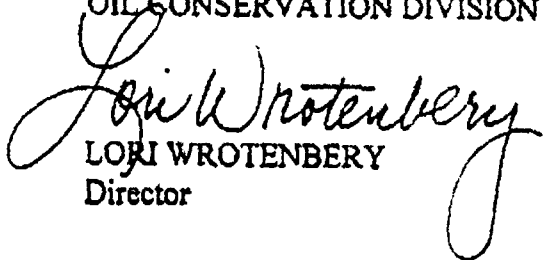
(13) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(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

S E A L

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