

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

September 21, 1998

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

TO: INTEREST OWNERS

RE: Well Proposal - Eagle Creek "11" #1 Well
Surface Location: 2,110' FWL and 1,070' FNL
Section 14
Bottom Hole Location: 1,980' FEL and 660' FSL
Section 11
T-17-S, R-25-E, Eddy County, New Mexico
Eagle Creek Prospect

Gentlemen:

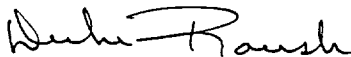
Nearburg Exploration Company, L.L.C. (NEC) recently proposed the captioned Morrow well at a bottom hole location of 2,100' FEL and 1,300' FSL of Section 11, T-17-S, R-25-E. After further geologic review, we have elected to move the bottom hole location to 1,980' FEL and 660' FSL of Section 11. Enclosed herewith, please find a revised AFE and Page 4 to the Joint Operating Agreement previously provided correctly denoting the new location.

Should you wish to participate in the drilling of this well, we ask that you please execute and return one copy of the signature pages to the Joint Operating Agreement and Exhibit "F", along with an executed AFE.

As stated in our letter of September 3, 1998, in the event you do not wish to participate in the drilling of this well, that you grant NEC an acceptable farmout or term assignment of the oil and gas leases to be included in the E/2 proration unit for this well.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Senior Landman

DR/dw
encl.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12073 Exhibit No. 6
Submitted By:
Nearburg Exploration Co.
Hearing Date: November 5, 1998

**EAGLE CREEK "11" #1 WELL
DISTRIBUTION LIST**

Yates Petroleum Corporation
105 S. 4th St.
Artesia, NM 88210

ABO Petroleum Corporation
105 S. 4th St.
Artesia, NM 88210

MYCO Industries, Inc.
105 S. 4th St.
Artesia, NM 88210

S. P. Yates
105 S. 4th St.
Artesia, NM 88210

John A. Yates
105 S. 4th St.
Artesia, NM 88210

John A. Yates, Personal Representative of the Estate of Peggy A. Yates
105 S. 4th St.
Artesia, NM 88210

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

P 497 370 026

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to

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

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees

Postmark or Date

Eagle Creek "11"
#1

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

■ Complete items 1 and/or 2 for additional services.

■ Complete items 3, 4a, and 4b.

■ Print your name and address on the reverse of this form so that we can return this card to you.

■ Attach this form to the front of the mailpiece, or on the back if space does not permit.

■ Write "Return Receipt Requested" on the mailpiece below the article number.

■ The Return Receipt will show to whom the article was delivered and the date delivered.

Eagle Creek #11

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

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

4a. Article Number

P 497 370 026

4b. Service Type

☐ Registered☐ Express Mail☐ Return Receipt for Merchandise☒ Certified☐ Insured☐ COD

7. Date of Delivery

9-22-98

5. Received By: (Print Name)

Jacqueline Hooten

6. Signature: (Addressee or Agent)

X Jacqueline Hooten

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

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

P 497 370 027

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sharbro Oil Ltd. Co.
P. O. Box 840
Artesia, New Mexico 88211

Certified Fee

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees

Postmark or Date

Eagle Creek "11" #1

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

■ Complete items 1 and/or 2 for additional services.

■ Complete items 3, 4a, and 4b.

■ Print your name and address on the reverse of this form so that we can return this card to you.

■ Attach this form to the front of the mailpiece, or on the back if space does not permit.

■ Write "Return Receipt Requested" on the mailpiece below the article number.

■ The Return Receipt will show to whom the article was delivered and the date delivered.

Eagle Creek "11" #1 - 11

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Sharbro Oil Ltd. Co.
P. O. Box 840
Artesia, New Mexico 88211

4a. Article Number

P 497 370 027

4b. Service Type

☐ Registered☐ Express Mail☐ Return Receipt for Merchandise☒ Certified☐ Insured☐ COD

7. Date of Delivery

9-22-98

5. Received By: (Print Name)

Toni Hamilton

6. Signature: (Addressee or Agent)

X Toni Hamilton

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

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

Thank you for using Domestic Return Receipt

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Nearburg Producing Company shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of March, 1999, Operator shall be authorized to commence the drilling of a well for oil and gas at the following location:

Surface location: 2110' FWL and 1070' FNL of Section 14,
Bottom hole location: 1,980' FEL and 660' FSL of Section 11,
T-17-S, R-25-E, Eddy County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence to

a total depth of 8,000' or sufficient in Operator's opinion to penetrate and adequately test the Morrow formation,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations.



LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

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 2,110' FWL and 1,070' FNL of Section 14- 17/25, and complete as a flowing Morrow gas producer. Cost estimate does not include fracture stimulation.

DATE PREPARED: 8/24/98

EST. SPUD DATE: October 1998

EST. COMPLETION DATE: Nov 1998

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	1514.106	130,000	1515.105	10,400	140,400
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.118	25,000	1515.118		25,000
Road & Location Expense	1514.120	5,000	1515.120	3,000	8,000
Damages	1514.123	5,000	1515.123		5,000
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	1514.143	45,000	1515.143	750	45,750
Supplies - Casing Equipment	1514.150	2,000	1515.150	7,000	9,000
Supplies - Liner Equipment	1514.156		1515.156		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	1514.176		1515.173		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	1515.185		10,000
Open Hole Logging	1514.200	25,000	NA		25,000
Mudlogging Services	1514.210	8,000	NA		8,000
Special Services	1514.180		1515.180		0
Plug and Abandon	1514.210	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA		1515.212	12,000	12,000
Reverse Equipment	NA		1515.219	3,000	3,000
Wireline Services	1514.225		1515.225	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	1514.260	10,000	1515.260	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		457,650		98,650	556,300
Contingencies (10%)		45,765		9,865	55,630
ESTIMATED TOTAL INTANGIBLES		503,415		108,515	611,930

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 2,110' FWL and 1,070' FNL
include fracture stimulation.
DATE PREPARED: 8/24/98 EST. SPUD DATE: October 1998 EST. COMPLETION DATE: Nov 1998
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1332.200		NA		0
Surface Csg 400 Ft @ 24.00 \$/Ft	1332.210	9,600	NA		9,600
Intermediate Csg 1,200 Ft @ 14.00 \$/Ft	1332.215	16,800	NA		16,800
Protection Csg Ft @ \$/Ft	1332.220	0	NA		0
Production Csg 8,400 Ft @ 9.00 \$/Ft	NA		1322.225	75,600	75,600
Protection Liner Ft @ \$/Ft	1332.230	0	NA		0
Production Liner Ft @ \$/Ft	NA		1322.235	0	0
Tubing 8,000 Ft @ 3.45 \$/Ft	NA		1322.240	27,600	27,600
Rods Ft @ \$/Ft	NA		1322.245	0	0
Artificial Lift Equipment	NA		1322.250		0
Tank Battery	NA		1322.255	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1322.260	15,000	15,000
Well Head Equipment & Christmas Tree	1322.265	2,500	1322.265	12,000	14,500
Subsurface Well Equipment	NA		1322.270	5,000	5,000
Flow Lines	NA		1322.275	4,000	4,000
Saltwater Disposal Pump	NA		1322.280		0
Gas Meter	NA		1322.285	3,000	3,000
Lact Unit	NA		1322.290		0
Vapor Recovery Unit	NA		1322.295		0
Other Well Equipment	NA		1322.300		0
ROW and Damages	NA		1322.305	2,500	2,500
Surface Equipment Installation Costs	NA		1322.310	6,000	6,000
Elect. Installation	NA		1322.315		0
ESTIMATED TOTAL TANGIBLES		28,900		160,700	189,600
ESTIMATED TOTAL WELL COSTS		532,315		269,215	801,530

NPC APPROVAL	DATE
PREPARED BY: <i>H. R. Willis</i>	8/24/98
APPROVED BY: <i>E. Scott Kimbrough</i>	8/24/98
APPROVED BY: <i>[Signature]</i>	9/2/98
APPROVED BY: <i>[Signature]</i>	9/2/98

WI APPROVAL: COMPANY YATES PETROLEUM CORPORATION 7.01325%
BY _____
TITLE _____
DATE _____