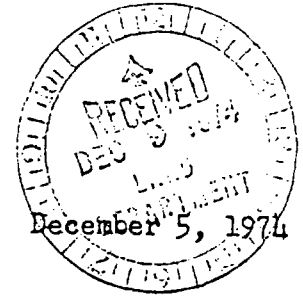


HC 7771
602 945-0765

BROOKHAVEN OIL COMPANY

(OFFICE) 7244 EAST INDIAN SCHOOL ROAD
(MAIL) P. O. BOX 1267
SCOTTSDALE, ARIZONA 85252



Mr. D. N. Canfield
Director of Land
Energy Resource Development
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Dear Mr. Canfield:

Referring to your letter of November 22, 1974, relative to drilling Pictured Cliffs wells in the San Juan Basin and particularly in Townships 31 and 32 North, Range 10 and 11 West, San Juan County, New Mexico, and to your proposed Letter Agreement of November 15, 1974, accompanying your letter, I return~~ed~~ said Letter Agreement unexecuted and refer you to the following correspondence over the period of this year 1974:

Mr. Don Wadsworth's letters of January 4, 1974, and April 17, 1974, relative to Scott #8, Scott #9, Smyers Com. B #3, Scott #10, and Scott #11, and my replies of January 7th and April 25th. Also, please refer to my letter of September 30th to Mr. "Wentworth" and Mr. Wadsworth's reply of October 8th. Also, please refer to my letter of November 7th to Mr. C. L. Perkins (to which I have not had the courtesy of a reply); likewise for reference, please refer to your attorney's letter to us of April 4, 1973, which is relative to determining the cost of Pictured Cliffs-Chacra well in another area.

In your letter of November 22nd, you state that I, representing Brookhaven Oil Company and Dacresa Corporation, have indicated a willingness to increase the amount which El Paso would be permitted to recover out of one-half of Brookhaven's share of production from Pictured Cliffs wells drilled on lands subject to our Farmout Agreement of November 27, 1951. This is true, as indicated by my letter of January 7th, and on the assumption that you would drill Scott #8, Scott #9, and Smyers Com. B #3 promptly and continue said Pictured Cliffs development in Townships 31 and 32, Range 10 - 11 West, San Juan County, New Mexico. But such has not been the case. In other words, on November 22nd you wished to make an agreement which was indicated on January 7th. Under the above circumstances, I, representing Brookhaven and Dacresa, cancel any approval of cost I might have given on drilling Scott #8, #9, #10, #11, and Smyers Com. B #3.

Now, after reviewing the whole thing, if you will agree to drill the above wells promptly and continue your Pictured Cliffs development in the so-called Cedar Hills area and other places where we are joint venturers, Brookhaven and Dacresa will concede some increased costs. There are probably more than twenty undrilled Pictured Cliffs and Farmington sand locations. In other words, in the Cedar Hills area, the cost to Brookhaven of a Pictured Cliffs well, that is your cost less casing etc. according to the old contract of November 27, 1951, should be approximately \$30,000 instead of the \$34,000 suggested. You will eventually have to drill these wells anyway, and if you don't wish to do so promptly, we will just go back to the old agreement of November 27, 1951. Under this agreement, I believe you are morally obligated to promptly drill,

noted
TMB
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Mr. D. N. Canfield
December 5, 1974
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and in one instance, I call your attention to an offset - Amoco Production Pictured Cliffs Well #1, Martinez Gas Com. H, located in the SE SW Section 32, Township 32 North, Range 10 West.

If you wish to pursue this matter further, I'll be perfectly willing on condition that you will commit yourselves to development as outlined heretofore.

Very truly yours,

BROOKHAVEN OIL COMPANY

By Thos B. Scott, Jr.
Thos. B. Scott, Jr.
President

TBS/sh

cc: Mr. C. L. Perkins
Senior Vice President & Director
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Mr. Don Wadsworth
Landman - Land Department
Energy Resource Development
El Paso Natural Gas Company
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