# BROOKHAVEN OIL COMPANY

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SCOTTSDALE, ARIZONA 85252

February 25, 1975

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 the last letter I received from you dated December 17, 1974, saying you are requesting additional information from your Farmington, New Mexico, Office on the subject of drilling Pictured Cliffs wells wherein El Paso, Brookhaven, and Dacresa Corporation have interests, and to our telephone conversation of yesterday, I apparently have misjudged El Paso's desire to save money and drill Pictured Cliffs wells in the San Juan Basin, and I am thinking particularly of the Cedar Hill area. I can see no point in my coming to El Paso, Texas, although I am not reluctant to do so, when I have received no assurance from El Paso that they will agree to promptly drill joint interest wells either to the Pictured Cliffs or to the Mesaverde.

Frankly, I can see no point in Brookhaven and Dacresa amending Section 5 - d - 1 * so as to give your Company additional recovery costs in drilling to the Mesaverde, because, as you have expressed, the overall proposition in the Mesaverde is to increase the production. What the operators would be doing principally is to pull the gas out of the Formation in a shorter period of time, with the thought that, with two wells on 320 acres, recovery of gas production and condensate might be 25% to 33-1/3% more than the recoveries of a single well from 320 acres. Nevertheless, to try and accommodate you in your desire to drill additional Mesaverde wells on the presently Mesaverde producing single well 320 acres, Brookhaven and Dacresa will raise the maximum cost of Mesaverde wells from the $45,000 specified in 5 - d - 1 of the Farmout Agreement of November 27, 1951, to $90,000. In other words, Brookhaven and Dacresa's shares of the cost under the same specifications as in the Farmout Agreement will be their percentage of $90,000 instead of $45,000, payout to be from production, as specified. Because we do not agree with drilling Mesaverde wells purely for the reason of accelerating income, Brookhaven and Dacresa will not require any specific number of wells to be drilled within any specific time.

Now as to Pictured Cliffs wells, Brookhaven and Dacresa will amend the letter of November 20, 1953, by increasing the estimated cost of $16,500 to $33,000 on condition that El Paso Natural Gas Company will carry out this continuous drilling with one string of tools through the Pictured Cliffs and/or Chacra Formation until twelve wells have been drilled. Although it does not specify the location of the wells to be drilled, it is intended that this program start out and primarily be carried out in the Cedar Hill area. As you know, communitization and estimates are already known on Scott 8, 9, 10, and 11, all being in Township 31 North, Range 10 West.

I may have forgotten some element in this program, but you can call me on the telephone.

* Farmout agreement Nov 27 1951

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Mr. D. N. Canfield
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When these simple amendments to previous agreements are completed for Brookhaven and Dacresa, please send me a copy for approval or change.

Of course, it is understood that the change in the maximum price for drilling Mesaverde wells as specified in the old Agreement will not be approved by us unless we can come to an agreement on the program for drilling pictured Cliffs wells and the change in the maximum price for those new wells.

Very truly yours,

BROOKHAVEN OIL COMPANY and
DACRESA CORPORATION

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

TBS/sh

: Mr. Ben Howell
1225 Cincinnati Avenue
El Paso, Texas 79902

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