

**DOYLE HARTMAN**

*Oil Operator*

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

*Case No.*

*12790*

January 2, 2002

**Via FedEx and Certified Mail with Return Receipt**

William F. Carr, Attorney for Nearburg Exploration Company, L.L.C.

Holland & Hart and Campbell & Carr, L.L.P.

110 North Guadalupe, Suite 1

Santa Fe, New Mexico 87501-6525

**Via Certified Mail with Return Receipt**

Nearburg Exploration Company, L.L.C.

3300 North "A" Street

Building 2, Suite 120

Midland, Texas 79705

Attn: Duke Roush, Senior Landman

Butch Willis, Drilling Superintendent

Re: Nearburg Exploration Company, L.L.C.'s Premature Compulsory Pooling Hearing  
corresponding to the Mesquite "17" Federal No. 1 Morrow well, consisting of the  
**N/2 Section 17, T-20-S, R-34-E**, Lea County, New Mexico

Gentlemen:

Reference is made to Nearburg Production Company's (Nearburg's) certified notice, of a January 10, 2002 Compulsory Pooling Hearing, corresponding to Nearburg's proposed Mesquite "17" Federal Well No. 1 Morrow test, which notice was received by us today (January 2, 2002, copy enclosed). The subject notice was dated December 12, 2001, with the postage-meter stamp carrying a date of December 11, 2001.

In regard to Nearburg's proposed Mesquite "17" Federal No. 1 Morrow well, please find enclosed herein copies of past correspondence, between Doyle Hartman and Nearburg, pertaining to our several requests, to Nearburg, for drilling and completion prognosis information necessary for a thorough and accurate review of Nearburg's AFE of September 11, 2001, for the proposed Mesquite "17" Federal No. 1 Morrow well.

Also, in this regard, § 70-2-17 (C), NMSA, 1978, in part, reads as follows

Where, however, such owner or owners have **not agreed** to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit (emphasis added).

To set the record straight, as to § 70-2-17 (C), NMSA, 1978, please be advised that there has been no failure, to agree, **on Doyle Hartman's part**, corresponding to the drilling of the Mesquite "17" Federal No. 1 Morrow well. On September 20, 2001, we received Nearburg's first correspondence pertaining to its proposed Mesquite "17" Federal No. 1 Morrow well, and immediately thereafter requested essential information necessary to allow us to clearly understand the true scope and nature of the work to be performed, **and the procedures to be followed**, so that we could perform "**due diligence**" work necessary for making a successful and "**informed**" investment decision, pertaining to the proposed Mesquite "17" Federal No. 1 Morrow well.

Corresponding to our prior written request, for essential project information, Nearburg, to date, has not furnished the project information necessary to allow us to perform an essential and comprehensive "**due diligence**" review. Therefore, it is our position that Nearburg's Compulsory Pooling Hearing, for its Mesquite "17" Federal No. 1 Morrow well, is **premature**, in recognition of the fact that there has not been a failure, to agree, **on our part**, since we have not been furnished necessary project information to allow us to perform a **thorough and accurate "due diligence"** review, regarding the Mesquite "17" Federal No. 1 Morrow well.

Again, we respectfully request that Nearburg promptly furnish, in full detail, all information previously requested, as well as all information necessary for performing required reserves and economics calculations, for the proposed well. In addition, we also ask that Nearburg provide detailed completed well costs, for its last five (5) Morrow wells, that are drilled to a comparable depth, and completed in a comparable manner, as the Mesquite "17" Federal No. 1 well, so that we can verify that Nearburg's September 11, 2001 AFE compares closely to actual completed well costs. Finally, we also need Nearburg's supporting geological information, for the purpose of accurately evaluating project risk factors, and verifying that Nearburg's proposed 320-acre proration unit (N/2 Section 17, T-20-S, R-34-E) contains maximum-probable economically productive acreage.

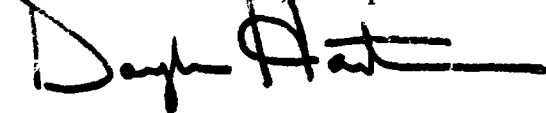
Since Nearburg now appears to be in a hurry regarding its proposed Mesquite "17" Federal No. 1 Morrow test, your prompt concurrence is respectfully requested.

Holland & Hart and Campbell & Carr, L.L.P., et al  
January 2, 2002  
Page 3

It is also important that you promptly furnish the information requested herein, so that it can be properly reviewed and analyzed, prior to your upcoming Compulsory Pooling Hearing.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman  
Owner

ll

wp7\corresp.dh\mesquite nearburg4

cc: **Via FedEx and Facsimile (505-476-3462)**

Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**Via FedEx and Facsimile (505-476-3462)**

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**Via FedEx**

U.S. Security and Exchange Commission  
Mail Stop 2-13  
450 Fifth Street, N.W.  
Washington, DC 20549

Attn: Arthur Levitt, Chairman

Jim McConnell, Executive Director, Office of the Executive Director  
Harvey Goldschmid, Director, General Counsel  
Brian J. Lane, Director, Division of Corporate Finance  
Richard H. Walker, Director, Division of Enforcement  
Barry P. Barbash, Director, Division of Investment Management  
Richard R. Lindsey, Director, Division of Market Regulations  
Lori Richards, Director, Office of Compliance Inspections and Examinations  
Christopher Ullman, Director, Office of Public Affairs SEC

Holland & Hart and Campbell & Carr, L.L.P., et al  
January 2, 2002  
Page 4

**Via FedEx**

Harold F. Degenhardt, District Administrator  
U.S. Security and Exchange Commission  
Central Region, Fort Worth District Office  
801 Cherry Street, 19th Floor  
Fort Worth, Texas 76102

**Via FedEx**

Denise Voight Crawford, Securities Commissioner  
Texas State Securities Board  
208 East 10th Street  
5th Floor, Rusk Building  
Austin, Texas 78701

**Via FedEx**

Kenneth W. Anderson, Jr., Board Member  
Texas State Securities Board  
2377 Stemmons Freeway, Suite 801, CB-14  
Dallas, Texas 75207

**Via Certified Mail Return Receipt**

Oxy Permian  
6 Desta Drive, Suite 6000  
Midland, Texas 79710  
Attn: Terry Lindquist, Asset Manager  
Ed Behm, Asset Manager

**Via Certified Mail Return Receipt**

OXY USA, Inc.  
Post Office Box 300  
Tulsa, Oklahoma 74109

**Via Certified Mail Return Receipt**

Michael L. and Jeanne Klein  
5701 Woodway, Suite 312  
Houston, Texas 77507

**Via Certified Mail Return Receipt**

Ronnie Westbrook  
2809 Haynes  
Midland, Texas 79701

Holland & Hart and Campbell & Carr, L.L.P., et al  
January 2, 2002  
Page 5

**Via Certified Mail Return Receipt**  
Lerwick I, Ltd.  
Post Office Box 606  
Midland, Texas 79702

**Via Certified Mail Return Receipt**  
James A. Davidson  
Post Office Box 494  
Midland, Texas 79702-0494

**Via Certified Mail Return Receipt**  
John H. Hendrix Corporation  
P.O. Box 3040  
Midland, Texas 79702  
Attn: John Hendrix

**Via Certified Mail Return Receipt**  
Daniel L. Viers  
1209 W. Cuthbert Ave.  
Midland, TX 79701

**Via Certified Mail Return Receipt**  
James E. and LaVerta Burr  
Post Office Box 50233  
Midland, Texas 79710-0233

**Via Certified Mail Return Receipt**  
Larry Nermeyr  
HC 57, Box 4106  
Sydney, Montana 59270

**Via Certified Mail Return Receipt**  
Ruth Sutton  
2826 Moss  
Midland, Texas 79705

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Midland)

**DIVIDER PAGE**

HOLLAND & HART LLP  
AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

SUITE 1  
110 NORTH GUADALUPE  
SANTA FE, NEW MEXICO 87501-6525  
MAILING ADDRESS  
P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
December 12, 2001

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043  
www.hollandhart.com

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

TO ALL AFFECTED PARTIES

Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.

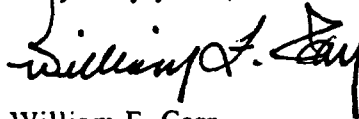
Ladies and Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in all formations from the surface through the base of the Morrow formation in a standard gas spacing and proration unit comprised of the N/2 of Section 17, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Nearburg proposes to dedicate the referenced pooled unit to its Mesquite "17" Federal Well No. 1 to be drilled at a standard location 660 feet from the North and West lines of said Section 17.

This application has been set for hearing before a Division Examiner on January 10, 2002. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

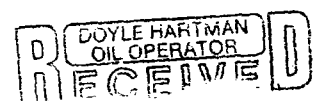
Very truly yours,



William F. Carr  
ATTORNEY FOR NEARBURG EXPLORATION  
COMPANY, L.L.C.

WFC:keh  
Enclosure

cc: Mr. Duke Roush



JAN 02 2002

HOLLAND & HART <sup>LLP</sup>  
AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

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SANTA FE, NEW MEXICO 87501-6525  
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P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043  
[www.hollandhart.com](http://www.hollandhart.com)

December 12, 2001

**HAND-DELIVERED**

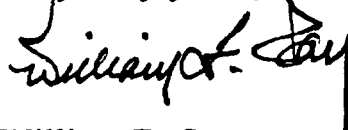
Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**Re: Application of Nearburg Exploration Company, L.L.C. for  
Compulsory Pooling, Lea County, New Mexico**

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Nearburg Exploration Company, L.L.C. in the above-referenced case as well as a copy of the legal advertisement. Nearburg Exploration Company, L.L.C., requests that this matter be placed on the docket for the January 10, 2002 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Duke Roush (w/enclosures)



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

**IN THE MATTER OF THE APPLICATION  
OF NEARBURG EXPLORATION COMPANY,  
L.L.C. FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

NEARBURG EXPLORATION COMPANY, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 17, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool, the Undesignated South Quail Ridge-Atoka Gas Pool and the Undesignated Lea-Pennsylvanian Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; the W/2 NW/4 for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated Featherstone-Bone Springs Pool; and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Southeast Teas-Delaware Pool, Undesignated Teas-Bone Springs Pool and the Undesignated Teas Yates-Seven Rivers Pool and in support of its application states:

1. Nearburg is a working interest owner in the N/2 of Section 17 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced spacing or proration units to its Mesquite "17" Federal Well No. 1 to be drilled at a standard location 660 feet from the North and West lines of said Section 17, to an approximate depth of 13,700 feet to test any and all formations from the surface to the base of the Morrow formation. This well is at a standard location for all formations and pools.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company should be designated the operator of the well to be drilled.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Nearburg Producing Company operator of these units and the well to be drilled thereon,
- C. authorizing Nearburg to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,
- E. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and
- F. imposing a 200% penalty for the risk assumed by Nearburg in drilling and completing the well against any working interest owner who does not voluntarily participate in the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG  
EXPLORATION COMPANY, L.L.C.

## EXHIBIT A

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.  
FOR COMPULSORY POOLING,  
N/2 SECTION 17, TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
LEA COUNTY, NEW MEXICO.

### NOTIFICATION LIST

James E. and La Verta Burr  
Post Office Box 50233  
Midland, Texas 79710-0233

James A. Davidson  
Post Office Box 494  
Midland, Texas 79702-0494

Doyle Hartman, et ux Margaret M. Hartman  
500 North Main  
Midland, Texas 79702

Michael L. and Jeanne Klein  
5701 Woodway, Suite 312  
Houston, Texas 77507

Lerwick I, Ltd.  
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HC 57, Box 4106  
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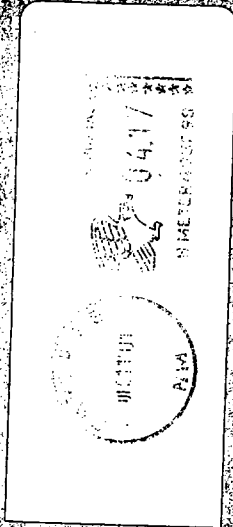
Ronnie Westbrook  
2809 Haynes  
Midland, Texas 79701

CASE \_\_\_\_\_: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the following described spacing and proration units in Section 17, Township 20 South, Range 34 East as follows: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool, Undesignated South Quail Ridge-Atoka Gas Pool, and the Undesignated Lea Pennsylvanian Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing ; the W/2 NW/4 for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated Featherstone-Bone Springs Pool, and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Southeast Teas-Delaware Pool, Undesignated Teas-Bone Springs Pool and the Undesignated Teas Yates-Seven Rivers Pool Said well is to be dedicated to its Mesquite "17" Federal Well No. 1 to be drilled at a standard location 660 feet from the North and West lines of said Section 17 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 9 miles East of Halfway, New Mexico.

CERTIFIED MAIL



7000 0600 0024 312A 7626



**HOLLAND & HART LLP**  
**AND**  
**CAMPBELL & CARR**  
ATTORNEYS AT LAW

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE SUITE 1  
SANTA FE, NEW MEXICO 87501-4525

**RETURN RECEIPT  
REQUESTED**

Doyle Hartman, et ux Margaret  
M. Hartman  
500 North Main  
Midland, Texas 79702

RECEIVED

**DIVIDER PAGE**

**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 11, 2001

TO ALL WORKING INTEREST OWNERS:  
(See Distribution List)

RE: Mesquite "17" Federal #1  
660' FNL and 660' FWL  
N/2 of Section 17, T-20-S, R-34-E  
Lea County, New Mexico  
Mesquite Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of a 13,700' Morrow test at the captioned location, dedicating the N/2 as the 320 acre proration unit for the drilling of this well. We have enclosed an AFE setting forth NEC's estimated cost to drill and complete this well. Should you wish to participate in the drilling of this well, we ask that you sign both copies of the AFE and return one to the attention of the undersigned. Upon receipt, we will prepare and forward an operating agreement for your review and execution.

Should you wish not to participate, we ask that you please consider granting NEC a term assignment of your interest on mutually agreeable terms.

If we can be of any further assistance, please advise the undersigned.

Yours very truly,



Duke Roush  
Senior Landman

DR/dw



SEP 20 2001



**MESQUITE "17" FEDERAL #1  
660' FNL AND 660' FWL  
N/2 SECTION 17, T-20-S, R-34-E  
LEA COUNTY, NEW MEXICO**

OXY USA, Inc.  
P. O. Box 300  
Tulsa, OK 74109

Lerwick I, Ltd.  
P. O. Box 606  
Midland, Texas 79702

Doyle Hartman, et ux Margaret M.  
500 North Main  
Midland, Texas 79702

James A. Davidson  
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James E. and La Veta Burr  
P. O. Box 50233  
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Ruth Sutton  
2826 Moss  
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Larry Nermyr  
HC 57, Box 4106  
Sydney, MT 59270

Michael L. and Jeanne Klein  
5701 Woodway, Suite 312  
Houston, Texas 77507

Ronnie Westbrook  
2809 Haynes  
Midland, Texas 79701

**AUTHORITY FOR EXPENDITURE**

LEASE: Mesquite 17 Federal      WELL NUMBER: 1      PBD: 13,700'  
 LOCATION: 660' FNL & 660' FWL, Section 17, T20S, R34E, Lea County NM  
 FIELD: Morrow      EXPLORATORY, DEVELOPMENT, WORKOVER: E  
 DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 9/10/01      EST. START DATE: 11/15/01      EST. COMPLETION DATE: 2/1/02  
 ACCOUNTING WELL NUMBER:  
 COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>	<b>TO CSG PT</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage 13,700 Ft @ 0.00 \$/Ft	0	0	0
Drilling Daywork 50 2 9,500 \$/day	503,500	20,140	523,640
Drilling Turnkey	0	0	0
Rig Mobilization and Demobilization	37,100	0	37,100
Road & Location Expense	31,535	3,180	34,715
Damages	5,000	0	5,000
Directional Drilling - Tools and Service	0	0	0
Drilling Fluids	53,000	0	53,000
Fuel, Power, and Water	90,100	0	90,100
Supplies - Bits	63,600	795	64,395
Supplies - Casing Equipment	2,120	7,420	9,540
Supplies - Liner Equipment	0	0	0
Supplies - Miscellaneous	0	0	0
Cement and Cmt. Services - Surface Csg	12,720	0	12,720
Cement and Cmt. Services - Int. Csg	21,200	0	21,200
Cement and Cmt. Services - Prod. Csg	0	21,200	21,200
Cement and Cmt. Services - Other	0	0	0
Rental - Drilling Tools and Equipment	13,038	0	13,038
Rental - Misc.	40,439	3,710	44,149
Testing - Drill Stem / Production	4,770	5,300	10,070
Open Hole Logging	37,100	0	37,100
Mudlogging Services	21,200	0	21,200
Special Services	0	0	0
Plug and Abandon	15,000	(15,000)	0
Pulling and/or Swabbing Unit	0	18,550	18,550
Reverse Equipment	0	5,300	5,300
Wireline Services	0	15,900	15,900
Stimulation	0	121,900	121,900
Pump / Vacuum Truck Services	0	5,944	5,944
Transportation	9,540	6,360	15,900
Tubular Goods - Inspection & Testing	3,180	5,300	8,480
Unclassified	530	0	530
Telephone and Radio Expense	1,580	636	2,226
Engineer / Geologist / Landman	22,500	2,500	25,000
Company Labor - Field Supervision	27,560	7,500	35,060
Contract Labor / Roustabout	8,480	11,130	19,610
Legal and Professional Service	5,000	0	5,000
Insurance	13,873	0	13,873
Overhead	14,000	3,500	17,500
<b>SUBTOTAL</b>	<b>1,057,675</b>	<b>251,265</b>	<b>1,308,941</b>
Contingencies (10%)	105,768	25,127	130,895
<b>ESTIMATED TOTAL INTANGIBLES</b>	<b>1,163,443</b>	<b>276,392</b>	<b>1,439,836</b>

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 2 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Mesquite 17 Federal

WELL NUMBER: 1

PBD: 13,700'

LOCATION: 660' FNL &amp; 660' FWL, Section 17, T20S, R34E, Lea County NM

FIELD: Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

0

DATE PREPARED: 9/10/01

EST. START DATE: 11/15/01


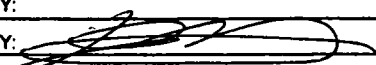
EST. COMPLETION DATE: 2/1/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>			<b>TO CSG PT</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Conductor Casing	0 Ft @	0.00 \$/Ft	0	0	0
Surface Csg	1,300 Ft @	24.00 \$/Ft	31,200	0	31,200
Intermediate Csg	5,200 Ft @	14.00 \$/Ft	72,800	0	72,800
Protection Csg	0 Ft @	0.00 \$/Ft	0	0	0
Production Csg	13,700 Ft @	10.00 \$/Ft	0	137,000	137,000
Protection Liner	0 Ft @	0.00 \$/Ft	0	0	0
Production Liner	0 Ft @	0.00 \$/Ft	0	0	0
Tubing	13,500 Ft @	3.38 \$/Ft	0	45,630	45,630
Rods	0 Ft @	0.00 \$/Ft	0	0	0
Artificial Lift Equipment			0	0	0
Tank Battery			0	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			0	19,080	19,080
* Well Head Equipment & Christmas Tree			2,000	12,500	14,500
Subsurface Well Equipment			0	6,148	6,148
Flow Lines			0	13,250	13,250
Saltwater Disposal Pump			0	0	0
Gas Meter			0	3,180	3,180
Lact Unit			0	0	0
Vapor Recovery Unit			0	0	0
Other Well Equipment			0	0	0
ROW and Damages			0	2,120	2,120
Surface Equipment Installation Costs			0	15,900	15,900
Elect. Installation			0	0	0
<b>ESTIMATED TOTAL TANGIBLES</b>			106,000	267,528	373,528
<b>ESTIMATED TOTAL WELL COSTS</b>			1,269,443	543,920	1,813,364

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

PREPARED BY: HRW	09/13/01
REVIEWED BY: 	9/13/01
APPROVED BY:	
APPROVED BY: 	9/13/01

WI APPROVAL:

COMPANY

BY

TITLE

DATE

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 1 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Mesquite 17 Federal

WELL NUMBER: 1

PBTD: 13,700'

LOCATION: 660' FNL &amp; 660' FWL, Section 17, T20S, R34E, Lea County NM

FIELD: Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

DATE PREPARED: 9/10/01

EST. START DATE: 11/15/01

EST. COMPLETION DATE: 2/1/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>				<b>TO CSG PT</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage	13,700 Ft @	0.00 \$/Ft		0	0	0
Drilling Daywork	50	2	9,500 \$/day	503,500	20,140	523,640
Drilling Turnkey				0	0	0
Rig Mobilization and Demobilization				37,100	0	37,100
Road & Location Expense				31,535	3,180	34,715
Damages				5,000	0	5,000
Directional Drilling - Tools and Service				0	0	0
Drilling Fluids				53,000	0	53,000
Fuel, Power, and Water				90,100	0	90,100
Supplies - Bits				63,600	795	64,395
Supplies - Casing Equipment				2,120	7,420	9,540
Supplies - Liner Equipment				0	0	0
Supplies - Miscellaneous				0	0	0
Cement and Cmt. Services - Surface Csg				12,720	0	12,720
Cement and Cmt. Services - Int. Csg				21,200	0	21,200
Cement and Cmt. Services - Prod. Csg				0	21,200	21,200
Cement and Cmt. Services - Other				0	0	0
Rental - Drilling Tools and Equipment				13,038	0	13,038
Rental - Misc.				40,439	3,710	44,149
Testing - Drill Stem / Production				4,770	5,300	10,070
Open Hole Logging				37,100	0	37,100
Mudlogging Services				21,200	0	21,200
Special Services				0	0	0
Plug and Abandon				15,000	(15,000)	0
Pulling and/or Swabbing Unit				0	18,550	18,550
Reverse Equipment				0	5,300	5,300
Wireline Services				0	15,900	15,900
Stimulation				0	121,900	121,900
Pump / Vacuum Truck Services				0	5,944	5,944
Transportation				9,540	6,360	15,900
Tubular Goods - Inspection & Testing				3,180	5,300	8,480
Unclassified				530	0	530
Telephone and Radio Expense				1,590	636	2,226
Engineer / Geologist / Landman				22,500	2,500	25,000
Company Labor - Field Supervision				27,560	7,500	35,060
Contract Labor / Roustabout				8,480	11,130	19,610
Legal and Professional Service				5,000	0	5,000
Insurance				13,873	0	13,873
Overhead				14,000	3,500	17,500
<b>SUBTOTAL</b>				<b>1,057,675</b>	<b>251,265</b>	<b>1,308,941</b>
Contingencies (10%)				105,768	25,127	130,895
<b>ESTIMATED TOTAL INTANGIBLES</b>				<b>1,163,443</b>	<b>276,392</b>	<b>1,439,835</b>

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 2 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Mesquite 17 Federal

WELL NUMBER: 1

PBSD: 13,700'

LOCATION: 660' FNL &amp; 660' FWL, Section 17, T20S, R34E, Lea County NM

FIELD: Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. Fracture stimulation is included.

0

DATE PREPARED: 9/10/01

EST. START DATE: 11/15/01

EST. COMPLETION DATE: 2/1/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>			<b>TO CSG PT</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Conductor Casing	0 Ft @	0.00 \$/Ft	0	0	0
Surface Csg	1,300 Ft @	24.00 \$/Ft	31,200	0	31,200
Intermediate Csg	5,200 Ft @	14.00 \$/Ft	72,800	0	72,800
Protection Csg	0 Ft @	0.00 \$/Ft	0	0	0
Production Csg	13,700 Ft @	10.00 \$/Ft	0	137,000	137,000
Protection Liner	0 Ft @	0.00 \$/Ft	0	0	0
Production Liner	0 Ft @	0.00 \$/Ft	0	0	0
Tubing	13,500 Ft @	3.38 \$/Ft	0	45,630	45,630
Rods	0 Ft @	0.00 \$/Ft	0	0	0
Artificial Lift Equipment			0	0	0
Tank Battery			0	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			0	19,080	19,080
* Well Head Equipment & Christmas Tree			2,000	12,500	14,500
Subsurface Well Equipment			0	6,148	6,148
Flow Lines			0	13,250	13,250
Saltwater Disposal Pump			0	0	0
Gas Meter			0	3,180	3,180
Lact Unit			0	0	0
Vapor Recovery Unit			0	0	0
Other Well Equipment			0	0	0
ROW and Damages			0	2,120	2,120
Surface Equipment Installation Costs			0	15,900	15,900
Elect. Installation			0	0	0
<b>ESTIMATED TOTAL TANGIBLES</b>			<b>106,000</b>	<b>267,528</b>	<b>373,528</b>
<b>ESTIMATED TOTAL WELL COSTS</b>			<b>1,269,443</b>	<b>543,920</b>	<b>1,813,364</b>

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

<b>PREPARED BY:</b> HRW	<b>09/13/01</b>
<b>REVIEWED BY:</b> <i>[Signature]</i>	<b>9/13/01</b>
<b>APPROVED BY:</b>	
<b>APPROVED BY:</b> <i>[Signature]</i>	<b>9/13/01</b>

WI APPROVAL: COMPANY \_\_\_\_\_

BY \_\_\_\_\_

TITLE \_\_\_\_\_

DATE \_\_\_\_\_

**DIVIDER PAGE**

**DOYLE HARTMAN**

*Oil Operator*

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

Via Facsimile (915) 686-7806 and Certified Mail, Return Receipt Requested

September 24, 2001

Duke Roush, Senior Landman  
Nearburg Exploration Company, L.L.C.  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705

Re: Nearburg Exploration Company, L.L.C.'s proposed AFE corresponding to the Mesquite "17"  
Federal No. 1 Well  
N/2, Section 17, T-20-S, R-34-E  
Lea County, New Mexico

Gentlemen:

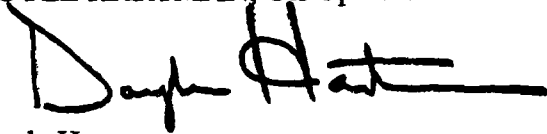
Reference is made to Nearburg Exploration Company, L.L.C.'s (Nearburg's) AFE, of September 11, 2001, regarding its proposed Mesquite "17" Federal No. 1 well, situated in Unit D, Section 17, T-20-S, R-34-E, Lea County, New Mexico.

In regard to the subject well, and because the purpose of drilling and completing wells is to obtain an adequate financial return on the required investment, please provide Nearburg's proposed drilling and completion prognosis, so that we independently evaluate (1) the accuracy of Nearburg's proposed AFE, and (2) the probability of a mechanical success, based upon Nearburg's proposed prognosis, assuming that adequate productive reservoir rock is encountered.

Your prompt response is respectfully requested, so we can proceed with evaluation of Nearburg's proposal.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

Nearburg Exploration Company, L.L.C.  
September 24, 2001  
Page 2

cc: Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Midland)



**DIVIDER PAGE**

**Nearburg Exploration Company, L.L.C.**

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Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

October 18, 2001

Doyle Hartman  
500 North Main  
P. O. Box 10426  
Midland, Texas 79702-0426

RE: Mesquite 17 Federal #1 Well  
N/2 of Section 17, T-20-S, R-34-E  
Lea County, New Mexico  
Mesquite Prospect

Dear Mr. Hartman:

We are in receipt of your letter dated September 24, 2001 requesting information regarding the drilling and completion prognosis for the captioned well. Nearburg Exploration Company, L.L.C. (NEC) does not normally prepare a formal prognosis until we are close to the actual drilling of the well. We will, however, be glad to discuss this issue with you. Please feel free to contact Butch Willis in our Midland office at 686-8235.

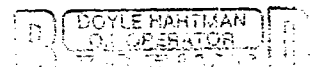
If we can be of further assistance, please advise.

Very truly yours,



Duke Roush  
Senior Landman

DR/dw



OCT 19 2001

**DIVIDER PAGE**

**DOYLE HARTMAN**

*Oil Operator*

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

Via Facsimile (915) 686-7806 and Certified Mail, Return Receipt Requested

October 24, 2001

Nearburg Exploration Company, L.L.C.  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705

Attn: Duke Roush, Senior Landman  
Butch Willis, Drilling Superintendent

**Re: Second Request for Drilling and Completion Prognosis**

Nearburg Exploration Company, L.L.C.'s proposed AFE corresponding to the Mesquite "17"  
Federal No. 1 Well  
N/2, Section 17, T-20-S, R-34-E  
Lea County, New Mexico

Gentlemen:

Reference is made to Nearburg Exploration Company, L.L.C.'s, (Nearburg's) letter of October 18, 2001 (copy enclosed). Reference is also made to Nearburg Exploration Company, L.L.C.'s (Nearburg's) AFE, of September 11, 2001, regarding its proposed Mesquite "17" Federal No. 1 well, situated in Unit D, Section 17, T-20-S, R-34-E, Lea County, New Mexico, received by us, September 20, 2001, and our prompt response to Nearburg, dated September 24, 2001 (copies enclosed).

Since Nearburg is proposing to drill the Mesquite "17" Federal No. 1 well, the proposed drilling and completion prognosis, in which Nearburg is relying upon to determine the basis of its AFE, of September 11, 2001, should already be prepared.

Therefore, before committing ourselves to the required investment, we again respectfully request Nearburg please promptly provide to us (as a working interest owner in the Mesquite "17" Federal

Nearburg Exploration Company, L.L.C.  
October 19, 2001  
Page 2

No. 1 well), its proposed drilling and completion prognosis, so we may proceed with our evaluation of Nearburg's proposal.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Linda Land  
Controller

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wp7\corresp.dh\mesquite nearburg

cc: Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Midland)

**DIVIDER PAGE**

**Nearburg Exploration Company, L.L.C.**

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Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

November 6, 2001

Doyle Hartman  
500 North Main  
P. O. Box 10426  
Midland, Texas 79702-0426

ATTN: Linda Land

RE: Mesquite 17 Federal #1 Well  
N/2 of Section 17, T-20-S, R-34-E  
Lea County, New Mexico  
Mesquite Prospect

Gentlemen:

We are in receipt of your letter dated October 24, 2001, and to date we have not prepared a formal drilling and completion prognosis, we have; however, based the AFE well cost estimates on past experience in drilling and completing Morrow wells in the area and other areas in SE New Mexico. Nearburg Exploration Company, L.L.C. (NEC) has extensive experience in drilling these wells and will be happy to schedule a meeting to discuss the AFE in as much detail as you wish on a line by line basis.

Please feel free to contact Butch Willis at your earliest convenience.

If we can be of further assistance, please advise.

Very truly yours,

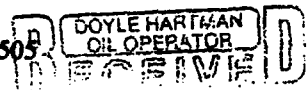


Duke Roush  
Senior Landman

DR/dw

cc: Lori Wrotenberry, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87505

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87505



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**DIVIDER PAGE**



**DOYLE HARTMAN**

*Oil Operator*  
500 NORTH MAIN  
P.O. BOX 10428  
MIDLAND, TEXAS 79702

(915) 684-4011  
(915) 682-7616 FAX

Via Facsimile (915) 686-7806 and U.S. Mail

November 7, 2001

Nearburg Exploration Company, L.L.C.  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705

Attn: Duke Roush, Senior Landman  
Butch Willis, Drilling Superintendent

**Re: Request for Drilling and Completion Prognosis**

Nearburg Exploration Company, L.L.C.'s proposed AFE corresponding to the Mesquite "17"  
Federal No. 1 Well  
N/2, Section 17, T-20-S, R-34-E  
Lea County, New Mexico

Gentlemen:

Reference is made to your most recent correspondence, dated November 6, 2001 (copy enclosed), and our telephone conversation Monday, November 5, 2001. Reference is also made to Nearburg Exploration Company, L.L.C.'s, (Nearburg's) letter of October 18, 2001 (copy enclosed). Additionally, reference is also made to Nearburg Exploration Company, L.L.C.'s (Nearburg's) AFE, of September 11, 2001, regarding its proposed Mesquite "17" Federal No. 1 well, situated in Unit D, Section 17, T-20-S, R-34-E, Lea County, New Mexico, received by us, September 20, 2001, and our prompt response to Nearburg, dated September 24, 2001 (copies enclosed).

As you have stated, in our telephone conversation, of Monday, November 5, 2001, and the herein correspondence, you have not yet prepared a drilling and completion prognosis, corresponding to Nearburg's AFE regarding its Mesquite "17" Federal No. 1 well.

Nearburg Exploration Company, L.L.C.

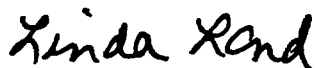
November 7, 2001

Page 2

Since Nearburg has not yet prepared, or provided to Doyle Hartman, its proposed drilling and completion prognosis regarding the Mesquite "17" Federal No. 1 well, we hereby respectfully request, that when Nearburg does prepare its drilling and completion prognosis, corresponding to its proposed Mesquite "17" Federal No. 1 well, that Nearburg please promptly provide the accurate and complete information necessary to proceed with our evaluation of Nearburg's proposal.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Linda Land  
Controller

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cc: Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Michael E. Stogner, Chief Hearing Officer  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Midland)