

BRANEX RESOURCES, INC. POST OFFICE BOX 2328 ROSWELL, NEW MEXICO 88202-2328 (505) 627-0612 • Fax (505) 627-6353

January 29, 2002

Dale Douglas, CPL
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

Phil Brewer Esquire Attorney for TMBR/Sharp Drilling, Inc. P.O. Box 298 Roswell, New Mexico 88202-0298

Derold Maney, Senior Landman Ocean Energy, Inc. 1001 Fannin, Suite 1600 Houston, Texas 77002-6794



OIL CONSERVATION DIVISION

STAREN SCHOOLSEN WINGS

CASE NUMBER

Can EXHIBIT

GA Sugara

RE: Compulsory Pooling Application of TMBR/Sharp Drilling, Inc. dated January 25, 2002 for a "Mississippian Test" and to form a N/2, spacing unit in Section 25, T16S-R35E, and Well Proposal and AFE of David H. Arrington Oil & Gas, Inc. dated January 24, 2002 for a 12,750 Mississippian Test and to form a E/2, spacing unit in Section 25, T16S-R35E, Lea County, New Mexico;

Gentlemen:

Branex Resources, Inc. ("BRI") is in receipt of both of the captioned proposals and or documents relative to the fee simple net mineral interests that it owns in the W/2NE/4, Section 25, T16S-R35E. David H. Arrington Oil & Gas Inc. has already staked its "Triple Hackle Dragon 25" well to be located 1815' FNL & 750' FWL Section 25, T16S-R35E, NMPM, Lea County, New Mexico. This well was proposed in July 2001 and the State of New Mexico has apparently already issued an approved drilling permit for this well specifying a W/2, Section 25 spacing unit. Due to the fact that Arrington has an approved drilling permit for the W/2, Section 25, BRI would only agree to either participate or to farmout to a Mississippian Test well that would dedicate the E/2, Section 25.

Various BRI leasehold interests located in the SW/4. Section 25 are presently farmed out to Ocean Energy, Inc. and said farmout calls for an initial test well to be drilled on or before July 1, 2002. It is our understanding that Ocean Energy, Inc. is going to take over the operations of the Triple Hackle Dragon 25 well. We are advised of a leasehold title dispute that exists between Arrington and TMBR/Sharp concerning the NW/4, Section 25

and we have no opinion on that matter. We have however categorically stated and we reaffirm herein, that we will not extend said July 1, 2002 spud date for the initial test well, which will comprise the W/2, Section 25. We believe that both seismic and geology indicate that the W/2 spacing unit is appropriate for the first well to be drilled Section 25. Regardless of the status of the Arrington/TMBR-Sharp title dispute, BRI will seek to be allowed to enjoy its correlative rights afforded by its leasehold interests in the SW/4, 25 insofar as maintaining a W/2, Section 25 spacing unit is concerned. BRI will support a second well in Section 25, but only if said well is drilled on an E/2, spacing unit. We will monitor the situation as it develops and will make a participation/farmout decision at the appropriate time. Thank you.

Yours truly. J. Andru Brown

F. Andrew Grooms

CPL

/ag