

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

CC. Kathie
Carolyn

August 1, 2001

TO ALL WORKING INTEREST OWNERS:
(See Distribution List)

RE: Guernsey "15" #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico
Guernsey Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Guernsey 15 #1-Y well to a vertical depth of 11,500' at the captioned location to test the Strawn formation. We are dedicating the S/2SE/4 as the 80 acre proration unit for this well and have enclosed an AFE setting forth NEC's estimated cost to re-enter the Ruby "22" State #1 well at the surface location and directionally drill to the referenced bottom hole location and complete same as a Strawn producer.

Should you wish to join in the drilling of this well, we ask that you execute both copies of the AFE and return one copy to the undersigned. Upon receipt, we will forward an operating agreement for your approval and execution.

Should you wish not to join in the drilling of this well, we ask that you consider granting us an oil and gas lease on your unleased minerals or a term assignment of any leasehold interest you may own on mutually agreeable terms.

If we can be of further assistance, please advise.

Very truly yours,



Duke Roush
Senior Landman

DR/dw
encl

GUERNSEY 15 #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico

* OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

~~Elbert and Suzy Shipp Trust~~
~~1104 West Ave. J~~
~~Lovington, New Mexico 88260~~

~~John T. Stallings~~
~~P. O. Box 685~~
~~Creedmore, NC 27522~~

~~Alan Jochimsen~~
~~4209 Cardinal Lane~~
~~Midland, Texas 79707~~

* ZIA Royalty, LLC
P. O. Box 2160
Hobbs, NM 88241

~~States, Inc.~~
~~P. O. Box 911~~
~~Breckenridge, TX 76424~~

~~Doornbos Revocable Trust~~
~~P. O. Box 639~~
~~Bartlesville, OK 74005~~

~~Marshall and Winston, Inc.~~
~~P. O. Box 50880~~
~~Midland, Texas 79710~~

~~Roy G. Barton, Jr., Trustee~~
~~of the Roy G. Barton, Sr. and Opal Barton Revocable Trust~~
~~P. O. Box 978~~ 1919 North Turner
Hobbs, NM 88240

~~Roy G. Barton, Jr.~~
~~P. O. Box 978~~ 1919 North Turner
Hobbs, NM 88240

Distribution List - Page Two

E. L. Latham Co.
P. O. Box 1392
Hobbs, NM 88240

The Beveridge Co.
P. O. Box 993
Midland, Texas 79702

Kenneth D. McPeters
P. O. Box 1860
Hobbs, NM 88240

Sun-West Oil and Gas, Inc.
P. O. Box ~~289~~ 788
Hobbs, NM 88241

← per given card

James Ronald Ewing
7 Tenth Tee Circle
Maumelle, Arkansas 72113

Howell Spear and Mary Nan Spear, his wife
P. O. Box 30169
Pensacola, FL 32503

Norma Jean Chanley
P. O. Box 728 8
Hobbs, NM 88240



XTO Energy, Inc.
810 Houston Street, Suite 2000
Fort Worth, Texas 76102



Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Guernsey 15

WELL NUMBER: 1-Y

PTVD: 11,500'

LOCATION: SHL: 710' FNL & 570' FEL, Section 22, T17S, R37E, Lea County, New Mexico

BHL: 510' FSL & 660' FEL, 15, T17S, R37E

FIELD: Undesignated Strawn

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Re-enter and directionally drill to the Starwn and complete as a flowing oil well.

DATE PREPARED: 8/1/02

EST. START DATE: 11/2002

EST. COMPLETION DATE: 11/2002

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS: Includes NM Tax	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 11,500 Ft @ 0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork 18 1 8,000 \$/day	1514.105	152,640	1515.105	8,480	161,120
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	26,500	1515.115	0	26,500
Road & Location Expense	1514.120	18,285	1515.123	3,180	21,465
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	95,400	1515.130	0	95,400
Drilling Fluids	1514.135	10,600	1515.132	0	10,600
Fuel, Power, and Water	1514.140	10,600	1515.140	0	10,600
Supplies - Bits	1514.145	23,002	1515.145	1,060	24,062
Supplies - Casing Equipment	1514.150	1,590	1515.150	4,240	5,830
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	0	1515.160	0	0
Cement and Cmt. Services - Surface Csg	1514.165	0	NA	0	0
Cement and Cmt. Services - Int. Csg	1514.170	0	NA	0	0
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	15,900	15,900
Cement and Cmt. Services - Other	1514.175	10,600	1515.175	0	10,600
Rental - Drilling Tools and Equipment	1514.180	0	1515.180	0	0
Rental - Misc.	1514.185	12,932	1515.185	15,900	28,832
Testing - Drill Stem / Production	1514.195	4,770	1515.195	15,900	20,670
Open Hole Logging	1514.200	0	NA	0	0
Mudlogging Services	1514.210	7,950	NA	0	7,950
Special Services	1514.190	0	1515.190	0	0
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	26,500	26,500
Reverse Equipment	NA	0	1515.219	5,300	5,300
Wireline Services	1514.205	0	1515.205	6,360	6,360
Stimulation	NA	0	1515.221	5,300	5,300
Pump / Vacuum Truck Services	1514.220	0	1515.220	6,686	6,686
Transportation	1514.225	2,650	1515.225	3,180	5,830
Tubular Goods - Inspection & Testing	1514.230	0	1515.230	5,300	5,300
Unclassified	1514.245	530	1515.245	0	530
Telephone and Radio Expense	1514.240	636	1515.240	445	1,081
Engineer / Geologist / Landman	1514.250	7,500	1515.250	1,000	8,500
Company Labor - Field Supervision	1514.255	10,600	1515.255	5,000	15,600
Contract Labor / Roustabout	1514.265	9,540	1515.265	12,720	22,260
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	5,355	1515.275	0	5,355
Overhead	1514.280	5,250	1515.280	3,266	8,516
SUBTOTAL		436,930		135,718	572,648
Contingencies (10%)		43,693		13,572	57,265
ESTIMATED TOTAL INTANGIBLES		480,623		149,290	629,913

LEASE: Guernsey 15 WELL NUMBER: 1-Y PTVD: 11,500'

LOCATION: SHL: 710' FNL & 570' FEL, Section 22, T17S, R37E, Lea County, New Mexico

BHL: 510' FSL & 660' FEL, 15,T17S, R37E


FIELD: Undesignated Strawn EXPLORATORY,DEVELOPMENT,WORKOVER: E

DESCRIPTION OF WORK: Re-enter and directionally drill to the Starwn and complete as a flowing oil well.

DATE PREPARED: 8/1/02 EST. START DATE: 11/2002 EST. COMPLETION DATE: 11/2002
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

<u>TANGIBLE COSTS:</u>			<u>CODE</u>	<u>TO CSG PT</u>	<u>CODE</u>	<u>COMPLETION</u>	<u>TOTAL WELL</u>
Conductor Casing	0 Ft @	0.00 \$/Ft	1520.305	0	NA	0	0
Surface Csg	0 Ft @	0.00 \$/Ft	1520.310	0	NA	0	0
Intermediate Csg	0 Ft @	0.00 \$/Ft	1520.315	0	NA	0	0
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	11,500 Ft @	9.00 \$/Ft	NA	0	1522.325	103,500	103,500
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	11,200 Ft @	3.38 \$/Ft	NA	0	1522.340	37,856	37,856
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	21,200	21,200
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	10,600	10,600
Well Head Equipment & Christmas Tree			1520.365	3,500	1522.365	5,000	8,500
Subsurface Well Equipment			NA	0	1522.370	5,300	5,300
Flow Lines			NA	0	1522.375	1,656	1,656
Saltwater Disposal Pump			NA	0	1522.391	0	0
Gas Meter			NA	0	1522.385	3,180	3,180
Lact Unit			NA	0	1522.387	0	0
Vapor Recovery Unit			NA	0	1522.389	0	0
Other Well Equipment			NA	0	1522.380	0	0
ROW and Damages			NA	0	1522.393	0	0
Surface Equipment Installation Costs			NA	0	1522.395	10,600	10,600
Elect. Installation			NA	0	1522.397	10,600	10,600
ESTIMATED TOTAL TANGIBLES				3,500		209,492	212,992
ESTIMATED TOTAL WELL COSTS				484,123		358,782	842,905

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

NPC APPROVAL	DATE
PREPARED BY: HRW	08/01/02
REVIEWED BY:	
APPROVED BY:	
APPROVED BY: 	8/2/02

WI APPROVAL: COMPANY _____
BY _____
TITLE _____
DATE _____

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

August 28, 2002

Mr. Doug Hurlbut
OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

RE: Guernsey "15" #1-Y
SHL: 710' FNL and 570' FEL of Section 22
BHL: 510' FSL and 660' FEL of Section 15
T-17-S, R-37-E
Lea County, New Mexico
Guernsey Prospect

Gentlemen:

Pursuant to our telephone conversation of this date, Nearburg Exploration Company, L.L.C. (NEC) has proposed the drilling of the Guernsey "15" #1-Y at the captioned location. OXY USA WTP Limited Partnership (OXY) has expressed a desire to review the geologic and geophysical data (Data) upon which NEC has relied upon to develop this Prospect. NEC will be willing to provide OXY the opportunity to review the Data, subject to the following terms and conditions.

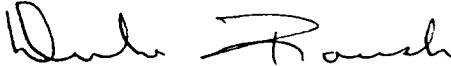
- 1) Within twenty (20) days of execution of this letter, NEC will provide the Data and present same to OXY.
- 2) Within ten (10) days from the presentation, OXY will agree to one of the following.
 - a) Participate in the drilling of this well and enter into a mutually acceptable form of Operating Agreement naming NEC as Operator.
 - b) Grant a one (1) year lease on OXY's mineral ownership covering the SE/4 of Section 15, reserving a 20% royalty, with no up front bonus.
- 3) OXY agrees to maintain any and all Data presented to them confidential and agrees to enter into a mutually agreeable Confidentiality Agreement.

Mr. Doug Hurlbut
OXY USA WTP Limited Partnership
August 28, 2002
Page Two

If the foregoing meets with OXY's approval, please execute both copies of this letter, returning one executed copy to the attention of the undersigned.

If we can be of further assistance, please advise.

Yours truly,

A handwritten signature in black ink, appearing to read "Duke Roush". The signature is fluid and cursive, with the first name "Duke" and last name "Roush" clearly distinguishable.

Duke Roush
Senior Landman

DR/dw

OXY USA WTP LIMITED PARTNERSHIP

By: _____
Its: _____