

BEFORE EXAMINER CATANACH	
OIL CON. DIVISION	
FORTSON	EXHIBIT NO. 4
CASE NO. 10621	

**FORTSON OIL COMPANY**

301 COMMERCE STREET

SUITE 3301

FORT WORTH, TEXAS 76102-4133

(817) 335-5641

November 5, 1992

Texaco Exploration & Production, Inc.  
Western E & P Region Land Department  
P. O. Box 2100  
Denver, CO 80201

**CERTIFIED RETURN RECEIPT**

ATTN: Mr. Ron Lanning

RE: Nadine East Prospect  
SW 1/4 of Section 30 and  
NW 1/4 of Section 31  
T-19-2, R-39-E  
Lea County, NM

Gentlemen:

Pursuant to that certain letter dated October 12, 1992, regarding the above referenced prospect, the following amendments are herein incorporated:

- 1) First paragraph, the following shall be deleted "467' FWL and 467' FSL" and replaced with "660' FWL and 660' FSL."
- 2) Second paragraph, a reference is made to the AFE enclosed, and I have now enclosed with this letter of November 5, 1992, a new AFE stating the correct well name, location, projected depth and amended dollar amount.

The tentative date for our planned Compulsory Pooling Hearing is December 3, 1992. You will, of course, receive further notification when this date becomes definite. Please make note of the above mentioned amendments and AFE and contact me immediately if you have any questions.

Very truly yours,

FORTSON OIL COMPANY



Brett G. Taylor

BGT:kac  
Enclosure

**AUTHORITY FOR EXPENDITURE  
WELL COST ESTIMATE AND STATEMENT**

DATE November 5, 1992

LEASE	Chance	FIELD	Nadine East	EST START DATE	Jan. 1, 1993
WELL NO.	1	DEPTH	7800'	COMPL DATE	Jan. 15, 1993
PROSPECT	Nadine East	AREA		OPER	Fortson Oil Co.
CTY	Lea	LOCATION	660' FSL & 660' FWL, Sec. 30, T19S, R39E		
STATE	New Mexico				

ACCT NO	DESCRIPTION	CASING POINT \$	COMPLETION COST \$	ACTUAL COST \$
<b>INTANGIBLE DRILLING COST</b>				
415	RIGTIME FOOTAGE 7800 FEET \$13.00/FT	101,400		
416	RIGTIME DAYWORK 4 DAYS \$4,000	17,600	12,000	
419	FUEL, POWER, WATER	6,000		
430	RENTALS, PIPE BITS, TOOLS & EQPT 790	4,000		
410	LOCATIONS, ROADS, DAMAGES, SURVEY 707	10,000	1,000	
440	LOGS, ELECTRICAL, SPECIAL & MUD 710	11,000		
445	TEST-CORING-SQUEEZING-DST'S	4,500		
422	DRILLING MUD & ADDITIVES	6,000		
455	CEMENT & CEMENT SERVICES 708	7,500	5,000	
715	PERFORATING		3,000	
720	ACIDIZING-FRACTURING-PUMPING		7,500	
721	SWABBING & WIRELINE SERVICES			
421	LABOR & WELDING 722	2,500	3,000	
418	TRANSPORTATION & FREIGHT 718	1,000	1,500	
412	INSURANCE			
490	ADMINISTRATIVE OVERHEAD 765	4,500		
460	SUPERVISION 760	3,500	3,500	
470	ABANDONMENT EXPENSE			
	SALES TAX	5,100	3,500	
485	CONTINGENCIES 770			
<b>TOTAL INTANGIBLES</b>		<b>184,600</b>	<b>40,000</b>	<b>0</b>
<b>TANGIBLE DRILLING COST</b>				
510	CONDUCTOR CASING FT. \$			
	SURFACE CASING 1800 FT. 8-5/8" \$ 7.75	14,000		
	PROTECTIVE CASING FT. \$			
810	CASING EQUIPMENT	800	3A,500	
525	WELL HEAD EQPT 811	1,500	1,500	
812	COMPLETION CASING FT. \$		38,000	
830	TUBING FT. \$		11,300	
831	SUCKER RODS		8,600	
835	PUMPING UNIT & PRIME MOVER		22,000	
840	DOWNHOLE EQPT PACKER		1,500	
841	SURFACE EQUIPMENT		15,000	
842	CONNECTIONS & VALVES		5,000	
843	FLOWLINES & ANCHORS		3,000	
844	INSTALLATION		5,000	
850	CONTINGENCIES	3,700	5,600	
<b>TOTAL TANGIBLES</b>		<b>20,000</b>	<b>120,000</b>	<b>0</b>
<b>TOTAL - DRY HOLE COST</b>		<b>204,600</b>		
<b>TOTAL - COMPLETION COST</b>			<b>160,000</b>	
<b>TOTAL - WELL COST</b>			<b>364,600</b>	

NAME \_\_\_\_\_

INTEREST \_\_\_\_\_ AMOUNT \$ \_\_\_\_\_

APPROVED \_\_\_\_\_

DATE \_\_\_\_\_

FORTSON OIL COMPANY

301 COMMERCE STREET

SUITE 3301

FORT WORTH, TEXAS 76102-4133

(817) 335-5641

October 12, 1992 (Hand Delivered)

Texaco Exploration and Production, Inc.  
Western E & P Region Land Department  
P.O. Box 2100  
Denver, CO 80201

ATTN: Mr. Ron Lanning

RE: Nadine East Prospect  
SW 1/4 of Section 30 and NW 1/4  
of Section 31, T-19-S, R-39-E,  
N.M.P.M., Lea County, NM  
(See Plat Attached)

Gentlemen:

It appears that Texaco Exploration and Production, Inc. ("Texaco") owns a .2250000 mineral interest in the SW 1/4 of Section 30, and a .0312500 mineral interest in the NW 1/4 of Section 31. Fortson Oil Company ("Fortson") desires to drill a well at a legal location of 467' FWL and 467' FSL of Section 30, T-19-S, R-39-E, N.M.P.M., Lea County, New Mexico to test the Abo formation at approximately 7,800'. The proration unit for said well shall be the SW 1/4 of the SW 1/4 of section 30.

Fortson invites Texaco's participation in this venture. Accordingly, enclosed you will find an AFE for said well. Please note that Texaco's working interest in said well would be .2250000. In the event Texaco elects to participate in said well, please execute the AFE and return it to my attention. Thereafter, I will send you Fortson's Standard 1982 Form Operating Agreement which shall provide for a 100%/300% non-consent provision and drilling and producing overhead rates of \$4500.00 and \$450.00, respectively.

In the event Texaco elects not to pay for its share of this well, Fortson requests that Texaco lease its mineral interest in the above referenced acreage subject to the following general terms:

- 1) Bonus: \$175.00 per net mineral acre
- 2) Royalty: 1/4
- 3) Primary term: 1 year
- 4) Continuous Development: 120 days between wells

Texaco Exploration and Production  
October 12, 1992  
Page 2

As discussed earlier, Fortson Oil Company's exploration staff would be willing to travel to Texaco's Midland office in order to present Fortson's geologic interpretation of the referenced prospect. (Attached as Exhibit "A" to this proposal letter is a summary of said geologic interpretation.) Mr. Fortson will be in touch with Mr. Jack Miller in your Midland office concerning details of this meeting.

Please let me know if you have any questions regarding this matter. A prompt response to this proposal would be greatly appreciated.

Very truly yours,

FORTSON OIL COMPANY

A handwritten signature in dark ink, appearing to read "Brett G. Taylor", followed by a horizontal line extending to the right.

Brett G. Taylor  
Land Manager

BGT:kac  
Enclosures

EXHIBIT "A"

TO: Ben Fortson  
FROM: John Tittl  
DATE: October 9, 1992  
RE: Well Recommendation - Fortson Oil Company #1 Well  
Nadine East Prospect  
Lea County, New Mexico

Approval is requested for the drilling of the Fortson Oil Company #1 Well. The 7600' Abo test is located approximately 4 miles south of Hobbs in Lea County, New Mexico.

The primary objective of the #1 Well is the Leonardian Clearfork and Abo (Permian) carbonates. These sediments accumulated in shallow agitated waters that were conducive to carbonate generation. Reservoir porosity resulted from leaching and dolomitization as a result of emergence due to cyclic sea level fluctuations. The prospect will test the east flank of a seismically defined low relief structure which has been penetrated by two wells. The well at the crest of the structure, the Cross Timbers #1 Emerald, should produce about 30 MBO from 16 feet of Lower Clearfork porosity. The well one mile east of the structure, the Petroleum Technical Services #1 Carter, IP'd for 28 BOPD from the Abo section and should produce about 20 MBO. The proposed location will test the Lower Clearfork between the above wells where we expect porosity and permeability to be enhanced in the basinal direction. The concept is detailed in the House Field two miles to the south where the Lower Clearfork has produced 1596 MBO in a similar structural setting. Several of the House Field wells have produced over 200 MBO. Additional reserves may also be expected from the Abo depending upon porosity development.

Based on the above, it is recommended that Fortson Oil Company drill the #1 Well at an approximate location of 467' FWL and 467' FSL of Section 30, T19S, R39E, Lea County, New Mexico.

John S. Tittl  
Area Geologist

AUTHORITY FOR EXPENDITURE  
WELL COST ESTIMATE AND STATEMENT

DATE 10/12/92

WELL NAME Nadine East WELL NO. 1 PROSPECT Nadine East DEPTH 760

LEA                      COUNTY/PARISH Lea STATE New Mexico

FIELD Nadine East LOCATION 330' FWL, 467' FEL, Sec 30, T-19-S, R-39-E

OPERATOR Fortson Oil Company EST. STARTING DATE 1/1/93 COMPLETION DATE 1/15/93

ITEM NO.	DESCRIPTION	CASING POINT	COMPLETION COST	ACTUAL COST
<b>INTANGIBLE DRILLING COST</b>				
	Rigtime, Footage 7600 Feet \$ 13.00/ft	98,800		
	Rigtime, Daywork 4 Days \$ 4400	17,600	12,000	
	Fuel, Power, Water	6,000		
	Rentals, Pipe Bits, Tools & Equip. 790	4,000		
	Locations, Roads, Damages, Survey 707	10,000	1,000	
	Logs, Electrical, Special & Mud 710	11,000		
	Test-Coring-Squeezing-DST's	4,500		
	Drilling Mud & Additives	6,000		
	Cement & Cement Services 708	7,500	5,000	
	Perforating		3,000	
	Acidizing-Fracturing-Pumping		7,500	
	Swabbing & Wireline Services			
	Labor & Welding 722	2,500	3,000	
	Transportation & Freight 718	1,000	1,500	
	Insurance			
	Administrative Overhead 765	4,500		
	Supervision 760	3,500	3,500	
	Abandonment Expense			
	Sales Tax			
	Contingencies 770	5,100	3,500	
	<b>TOTAL INTANGIBLES</b>	<b>182,000</b>	<b>40,000</b>	
<b>TANGIBLE DRILLING COST</b>				
	Conductor Casing Ft. \$			
	Surface Casing 1800 Ft. 8-5/8 \$ 7.75	14,000		
	Protective Casing Ft. \$			
	Casing Equipment	800	3,500	
	Well Head Equipment 811	1,500	1,500	
	Completion Casing 7600 Ft. 5-1/2 \$ 5.00		38,000	
	Tubing 7500 Ft. 2-3/8 \$ 1.50		11,300	
	Sucker Rods 7/8" + 3/4"		8,600	
	Pumping Unit & Prime Mover		22,000	
	Downhole Equipment Packer		1,500	
	Surface Equipment		15,000	
	Connections & Valves		5,000	
	Flowlines & Anchors		3,000	
	Installation		5,000	
	Contingencies	3,700	5,600	
	<b>TOTAL TANGIBLES</b>	<b>20,000</b>	<b>120,000</b>	
	<b>TOTAL - DRY HOLE COST</b>	<b>202,000</b>		
	<b>TOTAL - COMPLETION COST</b>		<b>160,000</b>	
	<b>TOTAL - WELL COST</b>	<b>362,000</b>		

COST: AMOUNT: \$

VED: