

File

Nearburg Exploration Company

Exploration and Production
3300 North "A" Street
~~Suite 8100~~ Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

May 17, 1994

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 80210

Re: B&B #2 Well; 2173' FEL and 660'
FSL of Section 22, T-19-S, R-25-E,
Eddy County, New Mexico

Gentlemen:

Nearburg Exploration Company (NEC) owns an 86.05% leasehold interest in the captioned S/2 Section 22 unit. NEC proposes the drilling of the captioned well at the location set forth above to a depth of 9,500' sufficient to test the Morrow formation. The well will be placed in the Cemetery Federal Field if completed as productive which requires a 320-acre spacing unit.

Pursuant to this proposal, enclosed herewith please find Nearburg Producing Company's Authority for Expenditure estimating the cost of the proposed operation, which to casing point is \$439,700 and to completion is \$705,345. Also enclosed please find a proposed Operating Agreement to be used if you elect to participate for your proportionate working interest.

Should you desire not to participate in the proposed operation, NEC will accept a farmout or lease covering the interest of the Yates companies, with Yates reserving a 23% royalty, inclusive of all burdens.

If you desire to sell your interest rather than participate, lease or farmout, NEC will consider this option at a reasonable acquisition price. Please forward to us your sales offer if this is your preference.

We appreciate your review of our well proposal and invite you to participate with us in the drilling of the B&B #2 well.

Thank you for your cooperation.

Very truly yours,



Bob Shelton
Consulting Landman

Enclosures

bob-3\b&b#2.afe

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11010 Exhibit No. 3
Submitted By:
Nearburg Exploration Company
Hearing Date: June 23, 1994

USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A, ALASKA AND HAWAII
USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS
QUESTIONS? CALL 800-238-5355 TOLL FREE.

PACKAGE
TRACKING NUMBER

9330456983

4087H

9330956983

Bx B#2

SENDER'S COPY

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER		Date		SENDER'S COPY	
100)-3969-2		5/19/94			
From (Your Name) Please Print BOB SHELTON		Your Phone Number (Very Important) (915) 686-8235	To (Recipient's Name) Please Print	Recipient's Phone Number (Very Important) 605) 748-1471	
Company NEARBURG PRODUCING COMPANY		Department/Floor No.	Company YATES PETROLEUM CORPORATION	Department/Floor No.	
Street Address 3300 N 'A' ST BLDG 2		Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.) 105 SOUTH FOURTH ST			
City MIDLAND	State TX	ZIP Required 79705	City ARTESIA	State NM	ZIP Required 80210
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)					
PAYMENT 1 <input checked="" type="checkbox"/> Bill Sender 2 <input type="checkbox"/> Bill Recipient's FedEx Acct. No. 3 <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. 4 <input type="checkbox"/> Bill Credit Card			IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here		
5 <input type="checkbox"/> Cash Check Act./Credit Card No. _____ Exp. Date _____			Street Address		
City _____ State _____ ZIP Required _____			City _____ State _____ ZIP Required _____		
SERVICES (Check only one box)		DELIVERY AND SPECIAL HANDLING (Check services required)		SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY	
PRIORITY OVERNIGHT <i>(Delivery by next business morning)</i> 11 <input type="checkbox"/> OTHER PACKAGING 16 <input type="checkbox"/> FEDEX LETTER 12 <input type="checkbox"/> FEDEX PAK® 13 <input type="checkbox"/> FEDEX BOX 14 <input type="checkbox"/> FEDEX TUBE		Standard Overnight <i>(Delivery by next business afternoon)</i> 51 <input type="checkbox"/> OTHER PACKAGING 56 <input type="checkbox"/> FEDEX LETTER™ 52 <input type="checkbox"/> FEDEX PAK® 53 <input type="checkbox"/> FEDEX BOX 54 <input type="checkbox"/> FEDEX TUBE		Economy Two-Day <i>(Delivery by second business day)</i> 30 <input type="checkbox"/> ECONOMY® <i>(Economy Letter Rate not available Minimum charge: One pound Economy rate)</i> 70 <input type="checkbox"/> OVERNIGHT FREIGHT** 80 <input type="checkbox"/> TWO-DAY FREIGHT**	
Government Overnight <i>(Restricted for authorized users only)</i> 46 <input type="checkbox"/> GOVT LETTER 41 <input type="checkbox"/> GOVT PACKAGE		Weekend Service 1 <input type="checkbox"/> HOLD AT FEDEX LOCATION WEEKDAY 2 <input type="checkbox"/> DELIVER WEEKDAY Saturday Service 31 <input type="checkbox"/> HOLD AT FEDEX LOCATION SATURDAY 3 <input type="checkbox"/> DELIVER SATURDAY <i>(Extra charge) (Not available)</i>		Total Total Total	
Delivered 5/20/94 10:22 a.m. J. Griggs		12 <input type="checkbox"/> HULIQUAT DELIVERY (in offices) <i>(Extra charge)</i>		REVISION DATE 12/92 FORMAT #158 <div style="border: 2px solid black; padding: 5px; width: fit-content; margin: auto;">158</div>	
Freight Service <i>(for packages over 150 lbs.)</i> *Declared Value Limit \$500 **Call for delivery schedule		*Declared Value Limit \$500 **Call for delivery schedule		Federal Express uses Base Charges Declared Value Charge Other 1 Other 2 Total Charges REVISION DATE 12/92 FORMAT #158 <div style="border: 2px solid black; padding: 5px; width: fit-content; margin: auto;">158</div>	
Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.		Signature: _____		Release: _____	

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DROP OFF YOUR PACKAGE AND SAVE

Nearburg Exploration Company

Exploration and Production
3300 North "A" Street
~~Suite 8100~~—Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

May 17, 1994

Kerr-McGee Corporation
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Re: B&B #2 Well; 2173' FEL and 660'
FSL of Section 22, T-19-S, R-25-E,
Eddy County, New Mexico

Gentlemen:

Nearburg Exploration Company (NEC) owns an 86.05% leasehold interest in the captioned S/2 Section 22 unit. NEC proposes the drilling of the captioned well at the location set forth above to a depth of 9,500' sufficient to test the Morrow formation. The well will be placed in the Cemetery Federal Field if completed as productive which requires a 320-acre spacing unit.

Pursuant to this proposal, enclosed herewith please find Nearburg Producing Company's Authority for Expenditure estimating the cost of the proposed operation, which to casing point is \$439,700 and to completion is \$705,345. Also enclosed please find a proposed Operating Agreement to be used if you elect to participate for your proportionate working interest.

Should you desire not to participate in the proposed operation, NEC will accept a farmout or lease covering Kerr-McGee's interest, with Kerr-McGee reserving a 23% royalty, inclusive of all burdens.

If you desire to sell your interest rather than participate, lease or farmout, NEC will consider this option at a reasonable acquisition price. Please forward to us your sales offer if this is your preference.

We appreciate your review of our well proposal and invite you to participate with us in the drilling of the B&B #2 well.

Thank you for your cooperation.

Very truly yours,



Bob Shelton
Consulting Landman

Enclosures



USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.
USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.
QUESTIONS? CALL 800-238-5355 TOLL FREE.

PACKAGE
TRACKING NUMBER

7330957020

4087M

9330957020

B+B #2

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER		Date	SENDER'S COPY		
1003-3469-2		5/19/94			
From (Your Name) Please Print BOB SHALTON		Your Phone Number (Very Important) 915 686-8235	To (Recipient's Name) Please Print 405 270-1313		
Company NEARBURG PRODUCING COMPANY		Department/Floor No.	Company KERR-MCCRE CORPORATION		
Street Address 3300 N. A. ST BLDG 2		Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.) 123 ROBERT B KERR AVE			
City MIDLAND	State TX	ZIP Required 79705	City KLAMATH CITY	State OR	
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)		IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here Street Address City State ZIP Required			
PAYMENT: <input type="checkbox"/> Bill Sender <input type="checkbox"/> Bill Recipient's FedEx Acct. No. <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. <input type="checkbox"/> Bill Credit Card		City State ZIP Required			
3 <input type="checkbox"/> Cash <input type="checkbox"/> Check Acct./Credit Card No. Exp. Date					
4 SERVICES (Check only one box) Priority Overnight (Delivery by next business morning) 11 <input type="checkbox"/> OTHER PACKAGING 16 <input type="checkbox"/> FEDEX LETTER 12 <input type="checkbox"/> FEDEX PAK 13 <input type="checkbox"/> FEDEX BOX 14 <input type="checkbox"/> FEDEX TUBE Economy Two-Day (Delivery by second business day) 30 <input type="checkbox"/> ECONOMY Governmental Overnight (Restricted for authorized users) 46 <input type="checkbox"/> GOVT LETTER 41 <input type="checkbox"/> GOVT PACKAGE Freight Service (For packages over 150 lbs) 70 <input type="checkbox"/> OVERNIGHT FREIGHT 80 <input type="checkbox"/> TWO-DAY FREIGHT		5 DELIVERY AND SPECIAL HANDLING (Check services required) Weekday Service 1 <input type="checkbox"/> HOLD AT FEDEX LOCATION WEEKDAY (If all in Section 11) 2 <input type="checkbox"/> DELIVER WEEKDAY Saturday Service 31 <input type="checkbox"/> HOLD AT FEDEX LOCATION SATURDAY (If all in Section 11) 3 <input type="checkbox"/> DELIVER SATURDAY (Extra charge) (Not available to all locations) 4 <input type="checkbox"/> SATURDAY PICK-UP Total Total Total		6 PACKAGES WEIGHT in Pounds Only YOUR DECLARED VALUE (See right)	
Delivered 5/20/94 10:00 a.m. T. Conley		SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details. We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500. In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information. Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom. Release Signature: _____			
		Federal Express Use Rate Charges Declared Value Charge Other 1 Other 2 Total Charges REVISION DATE 12/92 PART 9337354 EXEM 2541 FORMAT 8158 158 © 1992 FEDERAL EXPRESS UNITED STATES OF AMERICA			

SENDER'S COPY
DROP OFF YOUR PACKAGE AND SAVE

Nearburg Exploration Company

Exploration and Production
3300 North "A" Street
~~Suite 8100~~ Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

May 17, 1994

Tierra Oil Company
P. O. Box 1354
Roswell, New Mexico 88202

Re: B&B #2 Well; 2173' FEL and 660'
FSL of Section 22, T-19-S, R-25-E,
Eddy County, New Mexico

Gentlemen:

Nearburg Exploration Company (NEC) owns an 86.05% leasehold interest in the captioned S/2 Section 22 unit. NEC proposes the drilling of the captioned well at the location set forth above to a depth of 9,500' sufficient to test the Morrow formation. The well will be placed in the Cemetery Federal Field if completed as productive which requires a 320-acre spacing unit.

Pursuant to this proposal, enclosed herewith please find Nearburg Producing Company's Authority for Expenditure estimating the cost of the proposed operation, which to casing point is \$439,700 and to completion is \$705,345. Also enclosed please find a proposed Operating Agreement to be used if you elect to participate for your proportionate working interest.

Should you desire not to participate in the proposed operation, NEC will accept a farmout or lease covering Tierra's interest, with Tierra reserving a 23% royalty, inclusive of all burdens.

If you desire to sell your interest rather than participate, lease or farmout, NEC will consider this option at a reasonable acquisition price. Please forward to us your sales offer if this is your preference.

We appreciate your review of our well proposal and invite you to participate with us in the drilling of the B&B #2 well.

Thank you for your cooperation.

Very truly yours,



Bob Shelton
Consulting Landman

Enclosures

bob-3\b&b#2.sfe



USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.
USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.
QUESTIONS? CALL 800-238-5355 TOLL FREE.

ORIGINAL
PACKAGE
TRACKING NUMBER

7330956761

1097M

7330956761

B+B H 2
S. Boyd H 2

SENDER'S COPY

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER

Date

1003-3969-2

5/19/94

From (Your Name) Please Print

Your Phone Number (Very Important)

To (Recipient's Name) Please Print

Recipient's Phone Number (Very Important)

BOB SHELTON

(915) 686-8232

(505) 624-2427

Company

Department/Floor No.

Company

Department/Floor No.

NEARBURG, PRODUCING COMPANY

TIERRA OIL COMPANY

Street Address

Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes)

3300 N 'A' ST ALOC 2

200 W FIRST SUITE 315

City

State

ZIP Required

City

State

ZIP Required

MIDLAND

TX

79705

ROSWELL

NM

88202

YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)

IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here

Street Address

PAYMENT

1

Bill Sender

2

Bill Recipient's FedEx Acct. No.

3

Bill 3rd Party FedEx Acct. No.

4

Bill Credit Card

5

Cash/Check

Acct./Credit Card No.

Exp. Date

City

State

ZIP Required

SERVICES
(Check only one box)

DELIVERY AND SPECIAL HANDLING
(Check services required)

PACKAGES

WEIGHT
In Pounds
Only

YOUR DECLARED
VALUE
(See right)

SERVICE CONDITIONS, DECLARED VALUE
AND LIMIT OF LIABILITY

Federal Express Use

Base Charges

Declared Value Charge

Other 1

Other 2

Total Charges

REVISION DATE 12/92

PART 412/001 FROM 3/94

FORMAT 8150

158

1992 RELEASE

PRINTED IN

U.S.A.

Priority Overnight
(Delivery by next business morning)

11

OTHER PACKAGING

16

FEDEX LETTER*

12

FEDEX PAK*

13

FEDEX BOX

14

FEDEX TUBE

30

ECONOMY*

70

OVERNIGHT FREIGHT**

80

TWO-DAY FREIGHT**

Standard Overnight
(Delivery by next business afternoon
on Saturday delivery)

51

OTHER PACKAGING

56

FEDEX LETTER*

52

FEDEX PAK*

53

FEDEX BOX

54

FEDEX TUBE

46

GOVT LETTER

41

GOVT PACKAGE

Freight Service
(for packages over 150 lbs.)

12

DELIVERY DELAYED (Extra charge)

Weekday Service

1

HOLD AT FEDEX LOCATION WEEKDAY

2

DELIVER WEEKDAY

Saturday Service

31

HOLD AT FEDEX LOCATION SATURDAY

3

DELIVER SATURDAY

Extra charge (Not available to all locations)

Delivered 5/20/94

11:09 a.m.

P. Cox

Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details.

We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified in the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500.

In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information.

Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.

Release

Signature:

SENDER'S COPY
DROP OFF YOUR PACKAGE AND SAVE

Nearburg Exploration Company

Exploration and Production
3300 North "A" Street
~~Suite 8100~~ Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

May 17, 1994

Mr. James T. Jennings
P. O. Box 1180
Roswell, New Mexico 88202

Re: B&B #2 Well; 2173' FEL and 660'
FSL of Section 22, T-19-S, R-25-E,
Eddy County, New Mexico

Dear Mr. Jennings:

Nearburg Exploration Company (NEC) owns an 86.05% leasehold interest in the captioned S/2 Section 22 unit. NEC proposes the drilling of the captioned well at the location set forth above to a depth of 9,500' sufficient to test the Morrow formation. The well will be placed in the Cemetery Federal Field if completed as productive which requires a 320-acre spacing unit.

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We appreciate your review of our well proposal and invite you to participate with us in the drilling of the B&B #2 well.

Thank you for your cooperation.

Very truly yours,



Bob Shelton
Consulting Landman

Enclosures



USE THIS LABEL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S., ALASKA AND HAWAII.
USE THE INTERNATIONAL AIR MAIL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.
QUESTIONS? CALL 800-238-5355 TOLL FREE.

PACKAGE
TRACKING NUMBER

1330157123

40974

9330757123

SENDER'S COPY

1003-3969-2

5/19/94

MR JAMES T. JENNINGS

(505) 622-8432

BOB SHELTON

(915) 686-8235

MR JAMES T. JENNINGS

(505) 622-8432

HEARBURG PRODUCTIONS COMPANY

(915) 686-8235

MR JAMES T. JENNINGS

(505) 622-8432

3400 N. A. ST ALUG 2

111 SOUTH KENTUCKY AVENUE

MIDLAND

POSWELL

TX

TX

98201

YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (first 24 characters will appear on invoice)

IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here

PAYMENT

By Sender

By Addressee

By Credit Card

By Bill of Lading

By Other

By Other

By Other

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SENDER'S COPY
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Form with fields for Sender and Recipient information, services, and tracking details.