

WILTON E. SCOTT
P. O. Box 2511
HOUSTON, TEXAS 77001

June 31, 1985

CERTIFIED MAIL

Robert M. Edsel
4200 Thanksgiving Tower
Dallas, Texas 75201

Attention: Mr. James H. Edsel

Re: Farmout
Leases in Section 1,
T-15-S, R-36-E, Lea
County, New Mexico

Gentlemen:

The Farmout Agreement dated December 6, 1982, which conveyed certain leases in Sections 1 and 12, T-15-S, R-36-E, Lea County, New Mexico, provided, among other things, the reassignment to Frank M. Late and myself all of those leases not contained within a producing proration or spacing unit at such time that you did not meet the continuous drilling provision of that farmout. It further provided for the reassignment of all rights 50 feet below the deepest depth drilled in any producing unit.

Inasmuch as your continuous drilling requirement was not met by actual drilling operations being conducted on or before June 15, 1985, we hereby call upon you to immediately reassign to Frank M. Late and myself all of the acreage covered by that Farmout Agreement with the exception of that acreage contained in the NW/4 of SW/4 of said Section 1-15S-36E, and as to this 40-acre proration unit an assignment should be made for all rights below the depth of 12,350 feet. These assignments should provide for an undivided $1/3$ ($33-1/3\%$) interest assignable to Frank M. Late and $2/3$ ($66-2/3\%$) undivided interest in these lease assigned to the undersigned.

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 8678 (De Novo) Exhibit No. 2

Submitted by Wilton Scott

Hearing Date 1-7-86

Scott

8678

1

Robert M. Edsel

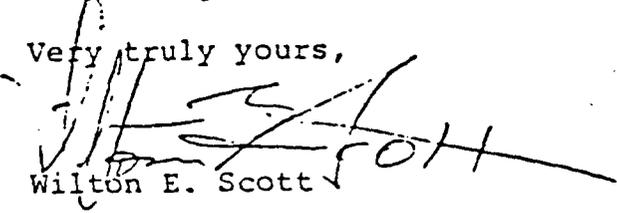
Page 2

June 19, 1985

Inasmuch as you have already reassigned to us those leases enumerated in Exhibit "A" under this Farmout Agreement numbering 4 through 12, we are calling herein for assignment of only those leases covered by provisions 1, 2 and 3 of Exhibit "A".

We would appreciate your expediting these assignments since we have some other short term leases in the area that we hope to get evaluated.

Very truly yours,



Wilton E. Scott

cc: Mr. Frank M. Late

RECEIVED

CLERK OF COURT

EXHIBIT

CASE NO.

WILLIAM C EHLBUR
14875 LANDMARK BLVD SUITE 216
DALLAS TX 75240 17AM



4-019702S198003 07/17/85 ICS IPMBNGZ CSP HOUB
2 2140570111 MGM TDRN ADDISON DA TX 07-17 1225P CDT

WILTON E SCOTT, REPORT DELIVERY
PO BOX 2511
HOUSTON TX 77001

THIS IS A CONFIRMATION COPY OF A TELEGRAM ADDRESSED TO YOU:

RE: RE-ASSIGNMENT OF INTEREST
FARM-OUT LEASES
SECTION 1, T.15S. R36E.
LEA COUNTY, NEW MEXICO

WE HAVE EXECUTED AND DELIVERED THE RE-ASSIGNMENT OF INTEREST DATED
JULY 10TH, 1985 FOR THE ABOVE CAPITONED LEASES PURSUANT TO YOUR
REQUEST TO ROBERT M EDSSEL DATED JUNE 31ST, 1985.

AS OF THE DATE OF THE RE-ASSIGNMENT WE WERE UNAWARE THAT THE
PRORATION UNIT FOR THE #1 SCOTT WELL HAD BEEN CHANGED FROM 40 ACRES
TO 80 ACRES BY ORDER OF THE NEW MEXICO OIL AND GAS COMMISSION
EFFECTIVE JUNE 1ST, 1985. ACCORDINGLY, THAT RE-ASSIGNMENT IS
INCORRECT PURSUANT TO THE TERMS OF THE FARM-OUT AGREEMENT DATED
DECEMBER 6, 1982.

PLEASE RETURN THE ASSIGNMENT UPON RECEIPT AND DO NOT FILE OF RECORD.
I WILL EXECUTE AND DELIVER A CORRECT ASSIGNMENT OF INTEREST AS SOON
AS POSSIBLE.

IF YOU HAVE ANY QUESTIONS, PLEASE CALL ME AT 214/991-9541.
WILLIAM C BAHLBURG

13:10 EST

MGMCOMP

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	3
CASE NO.	8678



August 2, 1985

ROBERT M. EDSEL

Oil & Gas Exploration & Development

To: Scott #1 Working Interest Owners
(See Attached)

Re: Scott #1 Well
East Caudill Prospect
Lea County, New Mexico

Dear Sirs:

By telegram dated July 17, 1985 we advised each of you that we were reviewing the issue of reassignment to Scott/Late of certain acreage within our captioned prospect in light of our learning about the recent establishment of 80 acre proration units for the "N. E. Caudill Wolfcamp Pool". After analyzing the information provided us concerning the new field rules, we are of the opinion that Scott/Late are due a reassignment as to all acreage requested by them in their letter dated June 31, 1985 to Robert M. Edsel, save and except 80 acres around our Scott #1 well being NW/4 SW/4, Section 1, T-15-S, R-36-E, Lea County, New Mexico.

I am advising Messrs. Scott/Late by telephone and copy of this letter of our position in this regard. Please feel free to contact us if you wish to discuss this matter in greater detail.

Very truly yours,

James H. Edsel

James H. Edsel
Exploration Manager

JHE:ls

cc: Wilton E. Scott
Frank M. Late

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION EXHIBIT NO. <u>4</u> CASE NO. <u>8678</u>
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SCOTT #1 WELL
LEA COUNTY, NEW MEXICO
WORKING INTEREST OWNERS

Robert M. Edsel
4200 Thanksgiving Tower
Dallas, Texas 75201

Mr. Joseph V. Hughes, Jr.
5956 Sherry Lane, Suite 1040
Lock Box 1040
Dallas, Texas 75225

Indrex, Inc.
Attn: Mr. Frank L. Brooks
One Memorial Place
7633 East 63rd Place, Suite 500
Tulsa, Oklahoma 74133

Mr. Joseph V. Hughes, Jr., Partnership
5956 Sherry Lane, Suite 1040
Lock Box 1040
Dallas, Texas 75225

Mr. Burr A. Silver
Olympic Exploration &
Production Co.
Midtown Plaza, 330 West Gray
Norman, Oklahoma 73069

Mr. William C. Bahlburg
Bahlburg Exploration
14875 Landmark Boulevard, Suite 216
Dallas, Texas 75240

Union Texas Petroleum Corp.
Attention: Mr. Don Dow
4000 North Big Springs, Suite 500
Midland, Texas 79705

SCOTT #1 WELL
LEA COUNTY, NEW MEXICO
WORKING INTEREST OWNERS

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14875 Landmark Boulevard, Suite 216
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Olympic Exploration &
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