

FORAN OIL COMPANY

SUITE 158, PECAN CREEK

8340 MEADOW ROAD

DALLAS, TEXAS 75231

(214) 373-8792

May 15, 1986

BEFORE EXAMINER CANTANACH	
OIL CONSERVATION DIVISION	
FORAN	EXHIBIT NO. 1
CASE NO.	8977-8978

Ms. Jeanette Hanson
Texaco, Inc.
4601 DTC Blvd.
Denver, Colorado 80237

Re: Lots 3,4,5,6,9,10,11,14,15,16 & SE/4 Section 1, T-16-S, R-36-E; NW/4, N/2 NE/4, Section 12, T-16-S, R-36-E; Lots 12, 13, 14, 17, 18, SE/4, SE/4 SW/4 Section 6, T-16-S, R-37-E; E/2 NW/4 Section 7, T-16-S, R-37-E, Lea County, New Mexico

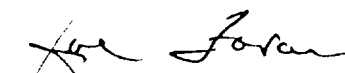
Dear Jeanette:

Enclosed is a copy of the commitment letter that I have received from Mesa and a copy of the proposed checkerboard. The AMI agreement includes a specific right of first refusal should you decide to sell, farmout or otherwise dispose of any of your retained interests. I am presently in the process of trying to lease acreage in the NW/4 of Section 7, 16S, 37E, Lea County, New Mexico pursuant to this agreement. Please advise me as soon as possible if Texaco wishes to join me in trying to acquire any of these interests.

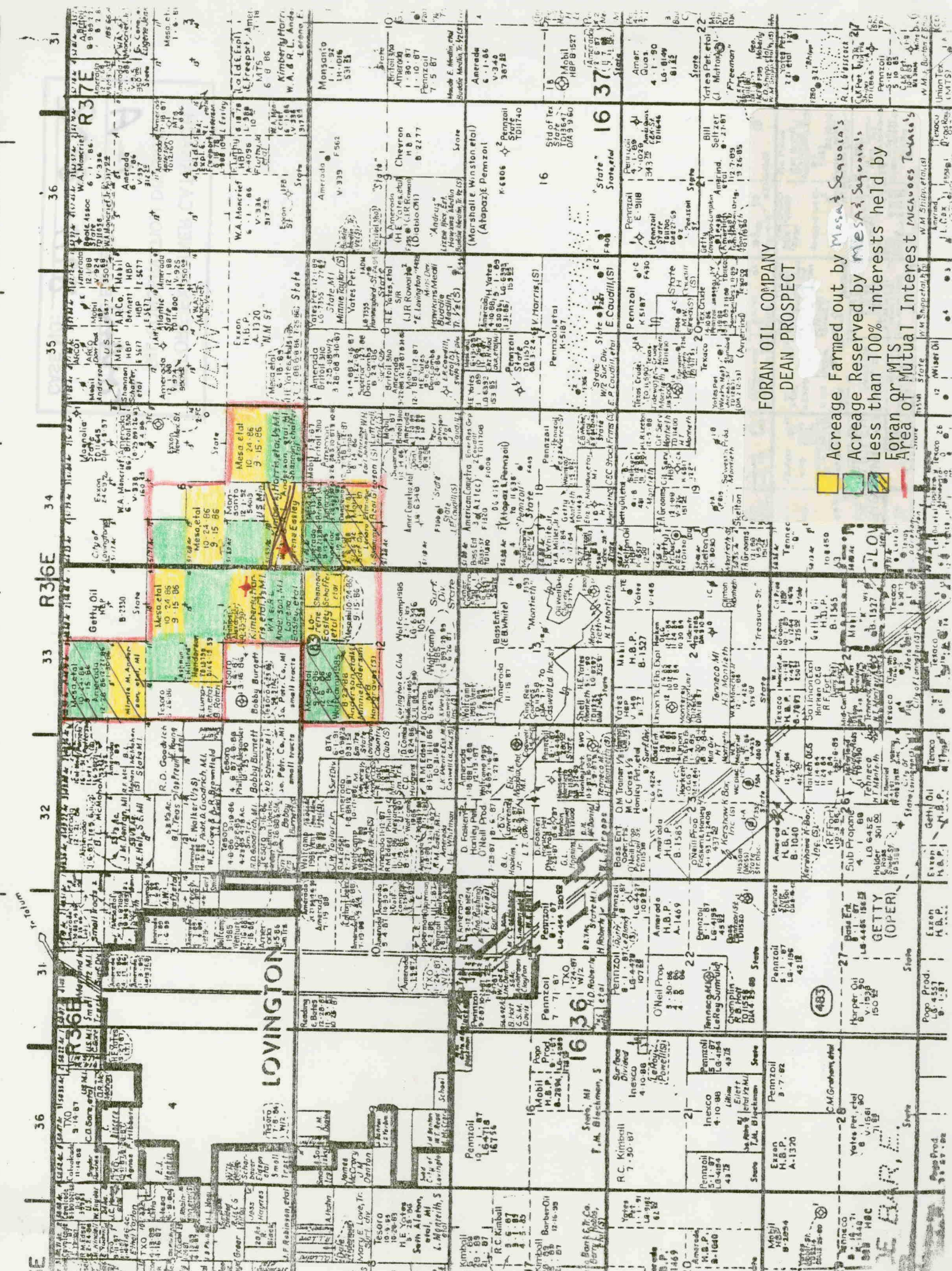
Please let me know if Texaco is interested in my "subsequent well proposal". Under this proposal, Texaco would retain one half of it rights (and spread its risk) under every proration unit, instead of the Mesa checkerboard. Texaco would end up with the same amount of net acres but would not have the problem of owning 25% in one unit but 0% in another. It would own 12.5% across the the entire acreage block.

Personally, I would welcome Texaco's participation. This way, Texaco could have a well-by-well option. Under the Mesa proposal Texaco is limited to a checkerboard option on only one-half of the acreage. Please let me know what you think. In any event, I greatly appreciate all your help and efforts. I think I can have a well staked and drilling within thirty days of getting your trade agreement. Please let me know what else I need to do. I appreciate this farmout opportunity, and I look forward to hearing from you.

Very truly yours,



Joseph Wm. Foran,
President



**FORAN OIL COMPANY
DEAN PROSPECT**

Acres Farmed out by Mesa & Sequoia's
 Acres Reserved by Mesa & Sequoia's
 Less than 100% interests held by Foran or MTS
 Area of Mutual Interest

LOVINGTON

(485)

Acres Farmed out by Mesa & Sequoia's
 Acres Reserved by Mesa & Sequoia's
 Less than 100% interests held by Foran or MTS
 Area of Mutual Interest

BEFORE EXAMINER CATTANACH
OIL CONS. DIVISION

EXHIBIT NO. 1-A

CASE NO. 8977-8978

FORAN OIL COMPANY

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

May 15, 1986

J.W. Foran

Ms. Jeanette Hanson
Texaco, Inc.
4601 DTC Blvd.
Denver, Colorado 80237

Re: Lots 3,4,5,6,9,10,11,14,15,16 & SE/4 Section 1, T-16-S, R-36-E; NW/4, N/2 NE/4, Section 12, T-16-S, R-36-E; Lots 12, 13, 14, 17, 18, SE/4, SE/4 SW/4 Section 6, T-16-S, R-37-E; E/2 NW/4 Section 7, T-16-S, R-37-E, Lea County, New Mexico

Dear Jeanette:

Enclosed is a copy of Mesa farmout agreement and a copy of the fully executed conditional letter of acceptance. Please give me a call when you receive this letter. It would help me greatly to know what Texaco wants to do on this farmout proposal.

Please let me know if I need to be doing anything. I hope to hear from you soon.

Very truly yours,

J.W. Foran
Joseph Wm. Foran,
President

BEFORE EXAMINER CONTACT	
OIL CONSERVATION DIVISION	
<i>Foran</i>	EXHIBIT NO. <i>2</i>
CASE NO.	<i>8977-8978</i>

FORAN OIL COMPANY

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

August 7, 1986

BEFORE HONORABLE JUDGE
OIL CONSERVATION DIVISION
FORAN EXHIBIT NO. 3
CASE NO. 8977-8978

Mr. Curtis D. Smith
Texaco USA
P.O. Box 3109
500 North Loraine Street
Midland, Texas 79702

Dear Curtis:

This letter is intended to serve as a formal invitation for Texaco, Inc. to farmout its interest in Section 6-16S-37E and Sections 1 & 12-16S-36E and particularly, the S/2 of SW/4 of said Section 6 and the N/2 of SE/4 of said Section 1, upon same terms and conditions as Mesa Petroleum Company and Sequoia Investments, Ltd. You are also invited to participate in this well. An AFE is attached for your approval and return should you decide to do so.

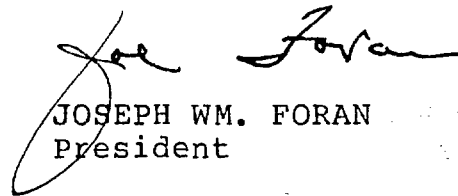
My partners, Estoril Producing Corporation, and I have met or talked with you and your representatives with Texaco on many occasions since March 18th of this year. To date, we have not received any commitment in writing from you although you have advised us or led us to believe that you would agree to participate or farmout the acreage described above. You leave us no other alternative but to force pool this acreage or parts of this acreage pursuant to the laws of the State of New Mexico. It is my understanding you have received copies of the notice of said forced pooling. This letter is intended to leave no doubt in your mind that we wish to obtain your voluntary joinder in these two wells. We have resorted to the forced pooling only as a last resort.

In the alternative and in the event that this acreage is determined to be covered by an Operating Agreement, this letter is intended to constitute formal notice under said Agreement of a well proposed in the S/2 of the SW/4 of said Section 6 and the N/2 of the SE/4 of said Section 1. The enclosed AFE applies to such proposal, too. It is my understanding that Estoril has submitted to you for your review and approval both an operating agreement and AFE.

Mr. Curtis D. Smith
Page 2
August 6, 1986

We hope we can work something out with you but we have every intention to see that this initial test well that we have proposed to you is drilled one way or another. We hope it will not be necessary to invoke the authority of any judicial body or agency to compel you to make such a decision and election.

Very truly yours,


JOSEPH WM. FORAN
President

cc: Mr. Fred M. Allison, III, Estoril Producing Corporation
Mr. Douglas H. Noah, Sun Exploration and Production Co.
Mr. Richard H. Manning, Sun Exploration and Production Co.
Mr. Mark Seale, Mesa Petroleum Co.
Mr. William J. Campbell, Sequoia Investments, Ltd.
Mr. Dudley Manning, Texaco, Inc.
Kellahin and Kellahin, Attorneys at Law, Santa Fe, N.M.
Cotton, Bledsoe, Tighe & Dawson, Attorneys at Law,
Midland, Texas
Mr. Marion H. Causey, Petroleum Geologist

FORAN OIL COMPANY
 SUITE 158, PECAN CREEK
 8340 MEADOW ROAD
 DALLAS, TEXAS 75231

AUTHORITY FOR EXPENDITURE

Case: _____ Well: 1 County: Lea State: New Mexico

Location: SW/4 Section 6-16S-37E Proposed Depth: 11,600'

Inspector: Dean Formation: Strawn Exploratory Development

Date: 7/22/86 Estimated Spud Date: 9/1/86 Est. Completion Date: 10/15/86

TANGIBLE COST				
Code	Description	Drill	Complete	Total
	1. Casing:			
131-0013	a) ' Cond. " @ \$			
131-0001	b) 360' Surf. 13-3/8" @ \$ 11.50	4,140		4,140
131-0002	K-55 c) 4400' Inter. 8-5/8" @ \$ 8.90	39,160		39,160
	d) ' Inter. " @ \$			
	e) ' Inter. " @ \$			
131-0003	N-80 f) 11,600' Oil St. 4-1/2" @ \$ 4.00		46,400	46,400
131-0004	2. Tubing 11,000' 2-3/8" @ \$ 2.00		22,000	22,000
131-0006	3. Well head, pump equipment	4,500		4,500
131-0007	4. Treater, separator, tanks complete		19,500	19,500
131-0008	5. Flow lines		2,000	2,000
131-0009	6. Fittings, attachments		3,000	3,000
131-0019	7. Down hole equipment, rods		3,000	3,000
131-0020	8. Electrification			
	Total Tangibles	47,800	95,900	143,700
INTANGIBLE COST				
133-0001	9. Surveying	750		750
133-0002	10. Roads, location, tank grading	14,500	1,500	16,000
133-0003	11. Damages, permits, right of way	5,200		5,200
133-0004	12. Contract drilling 11,600' @ \$ 12.00	139,200		139,200
133-0005	13. Drilling 4 Days work @ \$ 4,200	12,600	4,200	16,800
133-0006	14. Bits & reamers			
133-0007	15. Cement & services - Cond. & surface	2,900		2,900
133-0008	16. Cement & services - Inter. casing	7,600		7,600
133-0009	17. Cement & services - Oil string		9,000	9,000
133-0010	18. Drilling fluids inc. oil & water	28,000	1,000	29,000
133-0011	19. Drill stem testing 1 tests @ \$2,800	2,800		2,800
133-0012	20. Coring & analysis			
133-0013	21. Pit liner	2,600		2,600
133-0014	22. Electric log	18,000		18,000
133-0015	23. Perforating		3,500	3,500
133-0016	24. Acidizing & fracturing		2,500	2,500
133-0017	25. Pulling units (swab & workover)		9,500	9,500
133-0019	26. Equipment rental & casing crews	11,000	2,500	13,500
133-0020	27. Trucking - incl. rig move	1,700	3,500	5,200
133-0021	28. Taxes	2,800	4,800	7,600
133-0022	29. Geology & mud logger	7,500		7,500
133-0023	30. Engineering	1,500	1,200	2,700
133-0024	31. Supervision	13,000	8,500	21,500
133-0027	32. Rig fuel			
133-0028	33. Welding	1,000	1,000	2,000
133-0029	34. Wire line work			
133-0031	35. Supplies	500	4,500	5,000
133-0032	36. Labor & roustabout	1,500	7,000	8,500
133-0034	37. Centralizers, liners, packers			
133-0035	38. Testing			
133-0037	39. Treating			
133-0044	40. Pipe inspection			
	Total Intangibles	274,650	64,200	338,850
133-0025	41. Contingencies 5 %	13,700	3,200	16,900
	Total Intangibles + Contingencies	288,350	67,400	355,750
	TOTAL	336,150	163,300	499,450

133-0018 - Plug & Abandon if Dry Hole + 6,000
 Less Salvage - 2,000
Total Dry-Hole Cost 4,000

AGREED AND ACCEPTED:

Company: _____

PREPARED BY: _____

Date: _____

APPROVED BY: _____

FORAN OIL COMPANY

SUITE 158, PECAN CREEK

8340 MEADOW ROAD

DALLAS, TEXAS 75231

(214) 373-8792

August 8, 1986

CERTIFIED MAIL
#P 171 673 831

Mr. Curtis D. Smith
Texaco USA
P.O. Box 3109
500 North Loraine Street
Midland, Texas 79702

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Foran	EXHIBIT NO. 4
CASE NO.	8977 - 8978

Dear Curtis:

This letter is intended to help clarify the situation between us. We have instituted forced pooling proceedings because of your refusal to join us voluntarily in drilling wells 660 feet from the west line and 660 feet from the south line of Section 6-16S-37E, Lea County, New Mexico and in drilling a well located 660 from the east line and 1980 from the south line of Section 1-16S-36E, Lea County, New Mexico. Meanwhile, you have submitted an unsigned, blank operating agreement that you have indicated is supposed to serve as an operating agreement for this area.

While our attorney has serious doubts about whether this agreement is enforceable or just "an agreement to agree", we have tried to provide you with notice under that agreement for these wells out of courtesy for your position. Yesterday, you asked that we submit an operating agreement to you which we would propose in order to consider saving both of us the time and expense of a forced pooling hearing. It is my understanding that Mr. Flynt Chancellor of Estoril, on behalf of Foran Oil Company, has delivered our proposed operating agreement to you. If you will sign it and advise us in writing what your election is, we will dismiss our forced pooling proceedings against you and we will proceed with the drilling of the first well, immediately.

Regardless of which court, if any, is governing or whether the New Mexico Conservation Commission is the appropriate place to challenge the drilling of this well, this letter is intended advise you that we are proposing to drill a 11,700 foot Pennsylvanian Strawn Test at the two locations mentioned above. An AFE for each of the proposed locations is enclosed. We expect to commence this well on or before September 1, 1986.

In a final effort to obtain your voluntary joinder, we repeat our offer to you to farmout the acreage on the same terms and conditions, including the revised checkerboard pattern, that Mr. Tomberlin desired or to participate in the drilling of these wells. Your offer to participate on the condition that we permit you to operate is not acceptable to us because you only have 25% of the working

Mr. Curtis D. Smith

Page 2

August 8, 1986

interest. Since our group of Estoril, Sun and myself own 75% of the working interest, we believe we are entitled to have an operator of our own choosing. It is not just a question of technical skill or numbers of field people, we also think it is important for us to have an operator who will accomodate our views, which would represent the majority of interests, in case any problems arise with respect to the development of this prospect.

We also wish to remind you that we are acquiring 2/3rds of Mr. Roy A. Anderson's minerals and 1/3rd of Mr. W.A. Anderson, Jr.'s minerals. If you should decide to pay for the extensions, we expect you to pay Foran Oil Company for these extensions. The deeds should be of record next week.

Very truly yours,

JOSEPH WM. FORAN
President

cc: Mr. Fred M. Allison, III, Estoril Producing Corporation
Mr. Douglas H. Noah, Sun Exploration and Production Co.
Mr. Richard H. Manning, Sun Exploration and Production Co.
Mr. Mark Seale, Mesa Petroleum Co.
Mr. William J. Campbell, Sequoia Investments, Ltd.
Mr. Dudley McManus, Texaco, Inc.
Kellahin and Kellahin, Attorneys at Law, Santa Fe, N.M.
Cotton, Bledsoe, Tipton, Lawson, Attorneys at Law,
Midland, Texas
Dr. Marion L. ...

P 171 673 831

RECEIPT FOR CERTIFIED MAIL

POSTAGE WILL BE PAID BY ADDRESSEE

See reverse

TO: <i>FORAN OIL CO</i>	POSTAGE PAID PERMIT NO. <i>171</i> SANTA FE, N.M.
FROM: <i>FORAN OIL CO</i>	POSTAGE WILL BE PAID BY ADDRESSEE
ADDRESS: <i>10000 S. ...</i>	POSTAGE WILL BE PAID BY ADDRESSEE
CITY: <i>SANTA FE, N.M.</i>	POSTAGE WILL BE PAID BY ADDRESSEE
STATE: <i>N.M.</i>	POSTAGE WILL BE PAID BY ADDRESSEE
ZIP: <i>87505</i>	POSTAGE WILL BE PAID BY ADDRESSEE
POSTAGE: <i>1.22</i>	POSTAGE WILL BE PAID BY ADDRESSEE
INSURANCE: <i>.75</i>	POSTAGE WILL BE PAID BY ADDRESSEE
REGISTRATION: <i>.70</i>	POSTAGE WILL BE PAID BY ADDRESSEE
DELIVERY: <i>1/67</i>	POSTAGE WILL BE PAID BY ADDRESSEE

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

July 28, 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

"Hand Delivered"

Re: Foran Oil Company
Forced Pooling Application
S/2SW/4 Section 6, T16S, R37E, NMPM
Lea County, New Mexico

Dear Mr. Stamets:

On behalf of Foran Oil Company, please set the enclosed application for hearing at the Examiner Hearing now scheduled for August 20, 1986.

By copy of this letter we are sending a copy of the application by certified mail return receipt to Texaco Inc., USA, the party to be pooled. Texaco is hereby advised that they have the right to appear at the hearing either in support or opposition to the application.

Very truly yours,

Orig
W. Th
W. Th

WTK:ca
Enc.

cc: Joe Foran
8340 Meadow Road, Suite 158
Dallas, Texas 75231

"Certified Return-Receipt Requested"

Texaco Inc., USA
P. O. Box 3109
Midland, Texas 79702
Attn: Curtis D. Smith

DEPOSE EXAMINER CATALACH	
OIL CONSERVATION DIVISION	
Foran	EXHIBIT NO. 5
CASE NO.	8978

PS Form 3811, July 1983 447-948

SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
Texaco Inc., USA
P. O. Box 3109
Midland, Texas 79702
Attn: Curtis D. Smith

4. Type of Service:
 Registered Insured
 Certified COD
 Express Mail

Article Number
P 11 072 117

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
X

6. Signature - Agent
X [Signature]

7. Date of Delivery
AUG 1 1986

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

Foran Oil Co. 8/20/86

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

July 28, 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

"Hand Delivered"

Re: Foran Oil Company
Forced Pooling Application
N/2SE/4 Section 1, T16S, R36E, NMPM
Lea County, New Mexico

Dear Mr. Stamets:

On behalf of Foran Oil Company, please set the enclosed application for hearing at the Examiner Hearing now scheduled for August 20, 1986.

By copy of this letter we are sending a copy of the application by certified mail return receipt to Texaco Inc., USA, the party to be pooled. Texaco is hereby advised that they have the right to appear at the hearing either in support or opposition to the application.

Very

W. Th
W. Th

WTK:ca
Enc.

cc: Joe Foran
8340 Meadow Road, Suite 158
Dallas, Texas 75231

"Certified Return-Receipt Requested"

Texaco Inc., USA
P. O. Box 3109
Midland, Texas 79702
Attn: Curtis D. Smith

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
FORAN EXHIBIT NO. 6
CASE NO. 8977

PS Form 3811, July 1983 47-945
SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.
 Show to whom, date and address of delivery.
 Restricted Delivery.
3. Article Addressed to:
Texaco Inc. USA
Attn: Curtis D. Smith
P. O. Box 3109
Midland, Texas 79702
4. Type of Service:
 Registered Insured
 Certified COD
 Express Mail
Article Number
P 31072 116
Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee
X
6. Signature - Agent
X
7. Date of Delivery
1 1986
8. Addressee's Address (ONLY if requested and fee paid)
MIDLAND TEXAS
U.S.O.
DOMESTIC RETURN RECEIPT
101411 011 CO. 8/20/86

ESTORIL PRODUCING CORPORATION

SIXTEENTH FLOOR INDEPENDENCE PLAZA MIDLAND, TEXAS 79701 (A. C. 915) 683-6101

AUTHORITY FOR EXPENDITURE

Lease A Anderson Well: 6-1 County: Lea State: New Mexico
 Location: SW/4 Section 6-16S-37E Proposed Depth: 11,600'
 Prospect: Dean Formation: Strawn Exploratory Development
 Date: 7/22/86 Estimated Spud Date: 9/1/86 Est. Completion Date: 10/15/86

TANGIBLE COST				
Code	Description	Drill	Complete	Total
1. Casing:				
131-0013	a) Cond. " @ \$			
131-0001	b) 360' Surf. 13-3/8" @ \$ 11.50	4,140		4,140
131-0002	K-55 c) 4400' Inter. 8-5/8" @ \$ 8.90	39,160		39,160
	d) Inter. " @ \$			
	e) Inter. " @ \$			
131-0003	N-80 f) 11,600' Oil St. 4-1/2" @ \$ 4.00		46,400	46,400
131-0004	2. Tubing 11,000' 2-3/8" @ \$ 2.00		22,000	22,000
131-0006	3. Well head, pump equipment	4,500		4,500
131-0007	4. Treater, separator, tanks complete		19,500	19,500
131-0008	5. Flow lines		2,000	2,000
131-0009	6. Fittings, attachments		3,000	3,000
131-0019	7. Down hole equipment, rods		3,000	3,000
131-0020	8. Electrification			
Total Tangibles		47,800	95,900	143,700
INTANGIBLE COST				
133-0001	9. Surveying	750		750
133-0002	10. Roads, location, tank grading	14,500	1,500	16,000
133-0003	11. Damages, permits, right of way	5,200		5,200
133-0004	12. Contract drilling 11,600' @ \$ 12.00	139,200		139,200
133-0005	13. Drilling 4 Days work @ \$ 4,200	12,600	4,200	16,800
133-0006	14. Bits & reamers			
133-0007	15. Cement & services - Cond. & surface	2,900		2,900
133-0008	16. Cement & services - Interm. casing	7,600		7,600
133-0009	17. Cement & services - Oil string		9,000	9,000
133-0010	18. Drilling fluids inc. oil & water	28,000	1,000	29,000
133-0011	19. Drill stem testing 1 tests @ \$2,800	2,800		2,800
133-0012	20. Coring & analysis			
133-0013	21. Pit liner	2,600		2,600
133-0014	22. Electric log	18,000		18,000
133-0015	23. Perforating		3,500	3,500
133-0016	24. Acidizing & fracturing		2,500	2,500
133-0017	25. Pulling units (swab & workover)		9,500	9,500
133-0019	26. Equipment rental & casing crews	11,000	2,500	13,500
133-0020	27. Trucking - incl. rig move	1,700	3,500	5,200
133-0021	28. Taxes	2,800	4,800	7,600
133-0022	29. Geology & mud logger	7,500		7,500
133-0023	30. Engineering	1,500	1,200	2,700
133-0024	31. Supervision	13,000	8,500	21,500
133-0027	32. Rig fuel			
133-0028	33. Welding	1,000	1,000	2,000
133-0029	34. Wire line work			
133-0031	35. Supplies	500	4,500	5,000
133-0032	36. Labor & roustabout	1,500	7,000	8,500
133-0034	37. Centralizers, liners, packers			
133-0035	38. Testing			
133-0037	39. Treating			
133-0044	40. Pipe inspection			
Total Intangibles		274,650	64,200	338,850
133-0025	41. Contingencies 5 %	13,700	3,200	16,900
Total Intangibles + Contingencies		288,350	67,400	355,750
TOTAL		336,150	163,300	499,450

133-0018 - Plug & Abandon if Dry Hole + 6,000
 Less Salvage - 2,000
Total Dry Hole Cost 40,000

AGREED AND ACCEPTED:

Total Dry Hole Cost

PREPARED BY:

APPROVED BY:

Cliff Smith
Fredy Allison

Company: _____

By: FORAN GATANACH

OPERATION DIVISION

FORAN EXHIBIT NO. 7

8977-8978