

110 Sixteenth Street
Suite 1000
Denver, Colorado 80202
303/595-0707

December 11, 1987

RE: Twin Buttes
Roosevelt, Co. N.M.

Texaco Producing, Inc.
P. O. Box 2100
Denver, Colorado 80201

COPY

ATTENTION: Win Ryan, Land Department

Persuant to our telephone conversation, this will confirm that DEPCO, Inc. is interested in acquiring an oil and gas lease on the following acreage located in Roosevelt County, New Mexico:

TOWNSHIP 2 SOUTH - RANGE 29 EAST N.M.P.M.

Section 34: All

According to our check of the respective county records your company owns 31.612 net mineral acres or (102.74/2080ths.) mineral interest in the section.

For a three year (3) oil and gas lease on this interest, I have been authorized to pay a bonus consideration of \$100.00 per net mineral acre. The agreement would be on your form and provide for a proportionate one-fifth (1/5th) royalty. These are the same terms under which you granted our partner, Marshall Pipe and Supply a lease on lands in sections 26 and 27 T 2 S - R 29 E., in May, 1986.

Lessee would be DEPCO, Inc., 1000 Petroleum Building, 110-16th. Street, Denver Colorado 80202. The bonus would be paid direct, if agreeable, upon receipt of the executed oil and gas lease.

Your cooperation in handling this request is appreciated. Should there be any question, I can be reached at 303-979-2649. The area is being handled in the DEPCO office by Mr. Keith Ranum, should you be unable to reach me at the above telephone.

Yours truly,

James H. Grady
Agent for DEPCO

cc: DEPCO., K. Ranum
Marshall Pipe & Supply

COPY

DEKALB ENERGY COMPANIES

■ DEKALB ENERGY COMPANIES
110 Sixteenth Street, Suite 1000
Denver, Colorado 80202

■ DEKALB PETROLEUM CORPORATION
7th Floor, 630 - 6th Avenue S.W.
Calgary, Alberta T2P 0S8

■ DEKALB EXPLORATION INC.
7th Floor, 630 - 6th Avenue S.W.
Calgary, Alberta T2P 0S8

■ DEKALB RESOURCES LTD.
7th Floor, 630 - 6th Avenue S.W.
Calgary, Alberta T2P 0S8

MARSHALL PIPE & SUPPLY CO.
Case Nos. 9309 and 9321
3/16/88 Examiner Hearing
Exhibit No. 3



Texaco USA
Producing Department

PO Box 3109
Midland TX 79702

915-688-4100

February 15, 1988

CERTIFIED MAIL
RETURN RECEIPT

*Coal
pooling*

Dickerson, Fiske & Vandiver
Seventh & Mahone, Ste. E
Artesia, New Mexico 88210

Attention: Chad Dickerson

RE: 24447 - B. K. MATLOCK MINERAL FEE
N/2 SECTION 34
T-2-S, R-29-E
ROOSEVELT COUNTY, NEW MEXICO

Gentlemen:

Reference is made to your letter dated February 8, 1988 and the copy of the Application of Marshall Pipe & Supply Company for Compulsory Pooling attached thereto.

Please be advised that Texaco Producing Inc. has not been furnished with an AFE nor a lease purchase request from Marshall Pipe & Supply Company for the subject acreage. It is our understanding that we must be given the opportunity to join in on a well or farmout/lease our interest before being force pooled.

We request that Marshall Pipe & Supply Company send Texaco an AFE for the proposed well, and if there are any questions or comments, please advise.

Yours very truly,

S. L. Chandler
Land Manager
Texaco Inc.

By *Curtis D. Smith*
Curtis D. Smith
for Texaco Producing Inc.

CDS:BBH

MARSHALL Pipe & Supply Company

Drilling

Producing

13423 FORESTWAY DRIVE

DALLAS, TEXAS 75240

(214) 239-7284

February 24th, 1988

J. W. Marshall
Dallas, Texas
RESIDENCE
(214) 233-7881

Texaco Producing, Inc.,
P.O. Box 3109
Midland, Texas 79702

Attention: Mr. Curtis D. Smith

Re: Cook #1
Section 34, T2S, R29E
Roosevelt County, New Mexico

Dear Mr. Smith:

As requested enclosed please find AFE on APPROXIMATE COST TO THE CASING POINT on our Cook #1, Section 34, N/2, T2S, R29E, Roosevelt County, New Mexico.

Equipment:	\$ 23,812.50
Development:	213,207.39
	\$ <u>237,019.89</u>

If productive, the APPROXIMATE COST FOR COMPLETION would be as follows:

Equipment:	51,163.07
Completion costs:	72,178.38
	\$ <u>123,341.45</u> *

* this cost is determined by number of zones completed as producing formations

The offer for your lease presented by Depco was for the benefit of Marshall Pipe & Supply Company as Operator.

If Texaco desires to participate as a Working Interest Owner we would be pleased to have them as a Non-Operator.

With kindest regards, we are,

Very truly yours,

MARSHALL PIPE & SUPPLY COMPANY

J. W. Marshall
JWM:vlj

encl:

cc: Chad Dickerson
Dickerson, Fisk & Vandiver
Seventh & Mahone - Suite E
Artesia, New Mexico 88210

MARSHALL Pipe & Supply Company

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February 24th, 1988

AFE COVERING
COOK #1
SECTION 34, T2S, R29E
ROOSEVELT COUNTY, NEW MEXICO

APPROXIMATE COST TO CASING POINT:

EQUIPMENT:

325' 13-3/8" Casing, NEW delivered to location:	@ \$ 13.50	\$ 4,387.50
2100' 8-5/8" Casing, NEW " " " "	@ \$ 9.25	19,425.00
		<u>\$ 23,812.50</u>

DEVELOPMENT:

Stake Location	397.03
Location, road and pits	5,000.00
Fresh Water, total bbls. hauled @ \$ 1.00 per bbl.	13,000.00
Halliburton, cementing 13-3/8"	3,500.00
Halliburton, cementing 8-5/8"	6,100.00
Three Drill Stem Tests	4,800.00
Plug and Abandon (if dry hole)	3,000.00
Calculations, one drill stem test	325.00
Welding	2,000.00
Plastic Line Reserve Pit	2,200.00
Fence Reserve Pit	500.00
Drilling 7250' @ \$ 13.50 per foot	97,875.00
Daywork, three drill stem tests, circulate samples and plug if a dry hole, 128 hours @ \$ 150.00 per hour	19,200.00
Casing Crew - Run 13-3/8"	1,500.00
Casing Crew - Run 8-5/8"	1,500.00
Help lay down drill pipe	600.00
Mud chemicals, starch, etc.	17,000.00
Oil for Mud	3,000.00
Logs, CNLD, DLM-SFL, & Sonic	10,000.00
Mud Logger	8,000.00
Geological Services	7,000.00
Sample Sacks	300.00
Operator, drilling well, as per Operating Agreement	5,010.00
Dickerson, Fisk & Vandiver, professional Service	873.95
Graham Abstract	26.41
Sewell & Uselton, Renew Blanket Plugging Bond	500.00
	<u>\$ 213,207.39</u>

EQUIPMENT: \$ 23,812.50

DEVELOPMENT: 213,207.39

TOTAL (APPROX.) \$ 237,019.89

December 17, 1987

Re: Twin Buttes Area
Roosevelt Co., N.M.

June D. Speight
P. O. Box 1687
Lovington, N. M. 88260

ATTENTION: Mrs. Henderson:

Referring to our conversation of this date, this will advise DEPCO, wishes to withdraw their offer to lease the Speight interest in Section 22 of T 2 S - R 29 E. Under our present development program, management does not feel they would be able to develop this interest in a two-year lease period.

I have prepared a new lease covering the ~~S_{1/2}~~ Section 23 T 2 S - R 29 E. According to my records the leased interest would be 16.00 net acres in the SE~~1/4~~ and 9.44 net acres in the SW~~1/4~~.

The lease covering the W~~1/2~~ Sec. 34 T 2 S - R 29 E, the leased interest would be 18.883 net acres.

I am enclosing drafts representing the bonus consideration based on \$100.00 per net mineral acre. The lease covering lands in Section 34 is for a primary term of one (1) year. This is the lease I left with you, a new draft for the increased bonus is attached, being \$1,388.30. The original and one copy of the lease covering the lands in Section 23 is enclosed. A bonus payment in the amount of \$2,569.44. A bonus payment of \$\$2,544.00 plus rental of \$25.44 for the 1 year paid up lease.

Thank you for your time and efforts. I can be reached at 303-979-2649 telephone collect.

Thank you again and happy holidays.

Yours truly,

James H. Grady

w|att:

Ph. 505-396-3101

COLLECT DIRECTLY THROUGH

433628

United Bank of Denver
1700 Broadway, Denver, Colorado 80202

CUSTOMER'S DRAFT
With privilege of Re-Draft

ATTENTION COLLECTION DEPARTMENT:

December 16, 1987

Ten (10) Days After Sight and Subject to Approval of Title

Pay to the Order of June D. Speight \$ 1,416.23

One-Thousand Four-Hundred Sixteen and 23/100 DOLLAR

Full Consideration for execution of oil and gas lse. covering lands located in Roosevelt Co., N.M. With Exchange

To: DEPCO, Inc.
1000 Petroleum Building
110-16th. Street
Denver, Colorado 80202

James H. Grady

DETACH BEFORE PRESENTING FOR PAYMENT

County, Roosevelt State, New Mexico Acres 320 gr.

Description:

T 2 S - R 29 E NMPM
Sec. 34: W 1/2

Twin Buttes Area

T. R. COPY

COLLECT DIRECTLY THROUGH UNITED BANK OF DENVER
1700 Broadway, DENVER, COLORADO 80202

432601

ATTENTION COLLECTION DEPARTMENT:

December 15, 1937

Ten (10)----- Days After Sight and Subject to Approval of Title

Pay to the Order of June D. Speight \$ 1,832.30---

One-Thousand Eight-Hundred Eighty-Eight and .30/100----- DOLLAR

Full Consideration for execution of oil and gas lse. covering lands located in Roosevelt Co., N.M. With Exchange

DEPCO, Inc.

To: 1000 Petroleum Building
110-16th. Street
Denver, Colorado 80202

James H. Grady

CUSTOMER'S DRAFT
With privilege of Re-Draft

DETACH BEFORE PRESENTING FOR PAYMENT

County, Roosevelt, State New Mexico Acres 329.00 gr.

Description:
T 2 S R 29 E N1/4 PM
Sec. 34: W 1/2

Twin Buttes area

T. R. COP

MARSHALL Pipe & Supply Company

Drilling

Producing

13423 FORESTWAY DRIVE

DALLAS, TEXAS 75240

(214) 239-7284

February 24th, 1988

J. W. Marshall
Dallas, Texas
RESIDENCE
(214) 233-7881

Texaco Producing, Inc.,
P.O. Box 3109
Midland, Texas 79702

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Section 34, T2S, R29E
Roosevelt County, New Mexico

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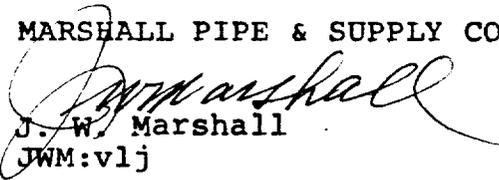
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If Texaco desires to participate as a Working Interest Owner we would be pleased to have them as a Non-Operator.

With kindest regards, we are,

Very truly yours,

MARSHALL PIPE & SUPPLY COMPANY


J. W. Marshall

JWM:vlj

encl:

cc: Chad Dickerson
Dickerson, Fisk & Vandiver
Seventh & Mahone - Suite E
Artesia, New Mexico 88210



MARSHALL Pipe & Supply Company

Drilling

Producing

13423 FORESTWAY DRIVE

DALLAS, TEXAS 75240

(214) 239-7284

J. W. Marshall
Dallas, Texas
RESIDENCE
(214) 233-7881

February 24th, 1988

APE COVERING
COOK #1
SECTION 34, T2S, R29E
ROOSEVELT COUNTY, NEW MEXICO

APPROXIMATE COST TO CASING POINT:

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Oil for Mud	3,000.00
Logs, CNLD, DLM-SFL, & Sonic	10,000.00
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EQUIPMENT:	\$ 23,812.50
DEVELOPMENT:	<u>213,207.39</u>
TOTAL (APPROX.)	\$ <u>237,019.89</u>

E. J. DANGLADE PROPERTIES

P O DRAWER 1687

JUNE D. SPEIGHT, OWNER
LOVINGTON, NEW MEXICO 88260

505 396-3101

9 February 1988

*Book
pages*

Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Seventh & Mahone - Suite E
Artesia, New Mexico 88210

Re: Marshall Pipe & Supply - Application for Compulsory Pooling
Sec. 34: N/2 , T-2-S, R-29-E, NMPM, Roosevelt County, N. Mex.

Dear Mr. Dickerson:

Today we have received your certified letter addressed to June D. Speight transmitting the copy of the Marshall Pipe & Supply application to the Oil Conservation Division for a standard 320-acre proration unit comprising the N $\frac{1}{2}$ of Sec. 34-2S-29E in Roosevelt County, New Mexico. Mrs. Speight is not available at this time, so in the meantime we would like to call to your attention that Marshall Pipe and Supply has not approached her about leasing her mineral interest in the NW $\frac{1}{4}$ of Sec. 34 which is included in your proposed unit.

As a matter of information, the June D. Speight mineral interest is under all of Sec. 34. In 1986 Marshall Pipe & Supply purchased a lease from Mrs. Speight covering her mineral interest in the E $\frac{1}{2}$ of Sec. 34 for a two-year term that will expire May 8, 1988. At that time there was no mention that Marshall was interested in her additional mineral interest in this Sec. 34 and Marshall has not subsequently contacted her concerning a lease on her other minerals in this Sec. 34 - in particular the NW $\frac{1}{4}$ where she owns 9.44 net acres.

The lease that Marshall Pipe now holds covering the June D. Speight mineral interest in the E $\frac{1}{2}$ Sec. 34 contains a pooling clause. Does this indicate her interest in the NE $\frac{1}{4}$ would be pooled to include her unleased interest in the NW $\frac{1}{4}$ in order to form Marshall's unit in the N $\frac{1}{2}$? In view of these comments, we question how the June D. Speight interest in the NW $\frac{1}{4}$ Sec. 34 can be force pooled and thus be penalized with the withholding from production her share of well costs, as indicated in Marshall's "Application", paragraphs 6 and 7.

Will you please let us hear from you concerning an explanation of this matter.

Very truly yours,

Florine Henderson
Secretary

cc: N. Mex. Oil Conservation Division
Marshall Pipe & Supply Co.
Ms. Leslie Bentz
June D. Speight