



Primary Fuels, Inc.
A Subsidiary of Houston Industries Incorporated

MARCH 3, 1988

Mike Conwell

ANADARKO
P. O. BOX 2497
MIDLAND, TX 79702

ATTN: MR. WAYNE WHEELIS

RE: S/2 Section 31, T-18-S, R-39-E
save and except the SW/4 of SE/4,
Lea County, New Mexico, containing
280 acres, more or less
Ciudad Prospect

Gentlemen:

Primary hereby proposes the formation of a working interest unit covering the captioned acreage for the purpose of drilling a 4550' San Andres test, tentatively located 1980' FWL and 330' FSL of Section 31. For your information, we have enclosed a copy of the AFE for our proposed well (PFI Harvard #1). If you do not desire to join in the drilling of the captioned well, we respectfully request that you farmout your interest subject to the following terms and conditions:

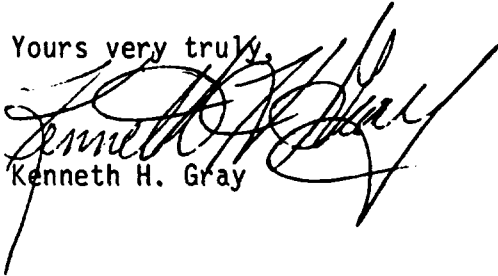
1. Within 60 days after an acceptable agreement has been signed by all parties, the initial test well will be commenced at a legal location of Primary's choice on the captioned acreage (pending no surface problems, the initial test well will be located at referenced above). The initial test well will be drilled to a depth sufficient to test the San Andres formation, or 4600', whichever is the lesser. Upon completion of the initial test well as a commercial producer:
 - a. Anadarko will assign to Primary 100% of his interest in the initial drillsite proration unit, retaining the difference between present existing lease burdens and 23%, conveying to Primary no less than a 77% net revenue interest. Upon payout of the initial test well, Bennett will have the option to exchange its retained override for a 25% interest in the initial proration unit.
 - b. Anadarko will assign to Primary 75% of his remaining acreage as outlined in the caption.
2. Rights earned will be limited to 100' below total depth drilled in the initial test well.
3. The initial test well after payout, and all subsequent wells will be operated under the terms of an Operating Agreement acceptable to parties involved.
4. Appropriate tax language will be added to protect against any adverse tax consequences.

Ciudad Prospect
Page Two

We would appreciate being supplied with a copy of your previous Title Opinion and any other curative matter pertaining to this acreage.

Your prompt response to this request is appreciated, since Primary would like to commence this well as early as possible. Should you have any questions, please do not hesitate to call.

Yours very truly,


Kenneth H. Gray

KHG/syp

Enclosure

cc: Don Thompson

3/10/88 - Requested T. Opinion & Curative

**AUTHORIZATION FOR EXPENDITURE
DRILLING AND COMPLETION**

PRIMARY FUELS, INC.

OPERATOR Primary Fuels, Inc.		DISTRICT Midland		DRILLING AFE NO.		COMPLETION AFE NO.		Budget Year '87	
<input type="checkbox"/> WILDCAT		<input checked="" type="checkbox"/> DEVELOPMENT		<input type="checkbox"/> EXPLORATORY		PROPOSED FORMATION San Andres		PROPOSED WELL DEPTH 4550'	
<input type="checkbox"/> RECOMPLETE		<input type="checkbox"/> REPAIR PROPOSED							
WELL NAME AND NO. Harvard No. 1				LOCATION Sec. 31, T18S, R39E		<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> SUPPLEMENT		DATE 11/06/87	

CO./LEASE LEA		STATE N.M.		FIELD OR AREA Poster San Andres		PROSPECT Cuidad	
------------------	--	---------------	--	------------------------------------	--	--------------------	--

Sub Account	0100-1822-XXX	INTANGIBLES			DRY HOLE	COMPLETION	TOTAL	
001	Contract Drilling	4550	Ft. @ \$	6.50 /Ft.	\$ 29575	\$	\$ 29575	
002	CONTRACT DAY WORK	Drilling on Day Work	Days @ \$	/Day	3500	3500	7000	
		Other Day Work	2	Days @ \$				3500
		Completion Rig	4	Days @ \$	1600	/Day	6400	6400
		003	Other Contractors Charges (Rig Up / Down)					
004	Location, Roads, Pits, Survey, Permits, Dredging, Damages				12000	2500	14500	
005	Bits, Coreheads, Stabilizers, Reamers, etc.					500	500	
006	Well Evaluation & Logging				5000	1000	6000	
006	Mud and Chemicals				4000	1000	5000	
007	Fuel, Power, Water				2500		2500	
008	Cement and Cementing Services, Cementing Equipment, Hangers, Packers				5000	6000	11000	
016	Land Transportation				500	500	1000	
017	Marine Transportation							
018	Air Transportation							
011	Contract Services				3000		3000	
013	Tool Rental Including Small Diameter Drill Pipe				1000	500	1500	
014	Insurance				5000		5000	
012	Stimulation Treatment					1000	1000	
022	P & A Include Restore Location and Roads				3000		3000	
010	Supervision: Engineering, Geological, Consultants				3600	1800	5400	
030	Overhead				1800	900	2700	
016	Other Well Services				750	750	1500	
023	Miscellaneous Cost and Contingencies @ 20% . 15%				11583	4403	15986	
	TOTAL INTANGIBLES				\$ 91808	\$ 30753	\$ 122561	

Sub Account	0100-1823-XXX	TANGIBLES					DRY HOLE	COMPLETION	TOTAL
	CASING	FT.	IN.	LB.	GR.	@ \$			
001	Conductor						3900		3900
002	Surface	300	8-5/8	24	K55	13			
003	Production	4550	5-1/2	14	K55	6		27300	27300
004	Liner								
004	Tubing	4450	2-3/8	4.7	J55	2.50		11125	11125
007	Wellhead Equipment						800	2000	2800
006	Other Controllable Subsurface Equipment							500	500
006	Non-Controllable Subsurface Equipment							500	500
008	Miscellaneous & Contingencies @ 10%						470	4143	4613
	TOTAL TANGIBLES						5170	45568	50738
	Total Well Cost Thru Christmas Tree						\$ 96978	\$ 76321	\$ 173299

Sub Account	0100-1823-XXX	PRODUCTION EQUIPMENT						
013	Tanks and Accessory Equipment							4000
012	Non Controllable Surface Equipment & Contingencies @ 15%							8925
008	Pumping Unit and Engines & sucker rods							35000
010	Meters and Regulating Equipment							1500
014	Processing, Dehydration & Separation Equipment							15000
017	Platforms							
009	Field Pipelines and Lease Equipment							1500
016	Installation							2500
VAR	Facilities (018) Water Supply (019) Secondary Recovery (020)							
018	Compressors							
	TOTAL PRODUCTION EQUIPMENT							\$ 68425
	TOTAL PROJECT COST							\$ 96978 \$ 76321 \$ 241724

COMPANY OWNERSHIP		COMPANY COST - DRY HOLE		COMPANY COST - COMPLETED	
BCP %	ACP %				
PREPARED BY TWM	DATE 11/06/87	PRESIDENT VICE <i>[Signature]</i>		DATE 11/10/87	
LAND	DATE	DISTRICT	DATE	ENGINEERING	DATE
JOINT INTEREST APPROVAL (Attach Separate Page if Necessary)					
COMPANY NAME		WI %	APPROVAL		
ANADARKO PETROLEUM CORPORATION		15.3125%			
COMPANY NAME		WI %	APPROVAL		

Survey Results — 1987

Region: West Texas and Eastern New Mexico-5

Ernst & Whinney

Oil Wells

Responses 1987 1986	Depth in Feet		Monthly Drilling Well Rates 1987			Monthly Producing Well Rates 1986		
	Over	Not Over	Average or Mean	Median	Average or Mean	Average or Mean	Median	Average or Mean
201 155	0-	5,000	\$ 3,017	\$ 3,000	\$ 2,827	\$ 3,000	\$ 300	\$ 300
154 140	5,000-	10,000	3,867	3,650	3,632	3,586	374	365
71 50	10,000-	15,000	4,961	4,901	4,583	4,500	475	475
23 13	15,000-	20,000	5,807	5,700	5,037	4,500	526	570
11 8	20,000		6,067	5,744	5,027	4,392	565	574
37 37	No Depth Limit		5,047	5,297	4,374	4,000	521	535
								422
								400

Gas Wells

Responses 1987 1986	Depth in Feet		Monthly Drilling Well Rates 1987			Monthly Producing Well Rates 1986		
	Over	Not Over	Average or Mean	Median	Average or Mean	Average or Mean	Median	Average or Mean
132 110	0-	5,000	\$ 3,255	\$ 3,000	\$ 2,937	\$ 3,000	\$ 313	\$ 300
107 94	5,000-	10,000	3,898	3,550	3,624	3,500	360	360
51 36	10,000-	15,000	4,963	4,870	4,637	4,500	477	487
21 11	15,000-	20,000	5,815	5,500	4,657	4,500	566	575
10 7	20,000		6,099	5,500	4,832	4,392	558	600
32 29	No Depth Limit		4,900	5,297	4,250	4,000	522	535
								444
								425

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS
MARTE D. LIGHTSTONE

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 6, 1988

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Anadarko Production Corporation
Post Office Box 2497
Midland, Texas 79702

Attn: Wayne Wheelis

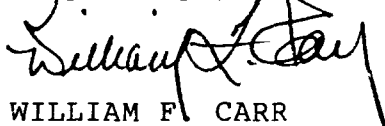
Re: Application of Primary Fuels, Inc. for Compulsory
Pooling, Lea County, New Mexico

Dear Sirs:

This letter is to advise you that Primary Fuels, Inc. has filed an application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests to the base of the San Andres formation for any and all formations and/or pools developed on 40-acre spacing, in and under the SE/4 SW/4 of Section 31, Township 18 South, Range 39 East, N.M.P.M., Lea County, New Mexico. Primary Fuels, Inc. proposes to dedicate the referenced pooled unit to a well to be located at a standard location in the SE/4 SW/4 of said Section 31.

This application has been set for hearing before a Division Examiner on April 27, 1988. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later date.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR PRIMARY FUELS, INC.

WFC/mlh

<p>SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>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 additional service(s) requested.</p>	
<p>1. <input checked="" type="checkbox"/> Show to whom delivered, date, and addressee's address.</p>	<p>2. <input type="checkbox"/> Restricted Delivery.</p>
<p>3. Article Addressed to:</p> <p>Anadarko Production Corporation Post Office Box 2497 Midland, Texas 79702</p>	<p>4. Article Number P 112 385 397</p> <p>Type of Service: <input checked="" type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Express Mail </p>
<p>5. Signature - Addressee <input checked="" type="checkbox"/></p>	<p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>6. Signature - Agent <input checked="" type="checkbox"/> <i>Wayne Wheelis</i></p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>7. Date of Delivery <i>4-8-88</i></p>	

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

P 112 385 397

POSTAGE AND CERTIFIED MAIL

Anadarko
Production Corporation
Post Office Box 2497
Midland, Texas 79702

Attn: Wayne Wheelis

25
85
90
2.00

April 6, 1988

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 6, 1988

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Barton Brothers Land and
Royalty Company
Post Office Box 968
Hobbs, New Mexico 88201

Attn: Roy G. Barton, Jr.

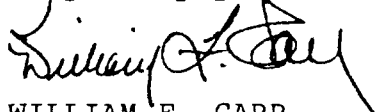
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WFC/mlh

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1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.	
3. Article Addressed to: Barton Brothers Land & Royalty Company Post Office Box 968 Hobbs, New Mexico 88201 Attn: Roy G. Barton, Jr.	4. Article Number P 112 385 394 Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> Express Mail <input type="checkbox"/> COD
5. Signature - Agent <i>[Signature]</i> 6. Signature - Addressee (ONLY if requested and fee paid) <i>[Signature]</i>	7. Date of Delivery APR - 8 1987

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

P 112 385 394
 RECEIPT FOR CERTIFIED MAIL

Barton Brothers Land
 & Royalty Company
 Post Office Box 968
 Hobbs, New Mexico 88201

25
 85

90
 200

April 6, 1988

6-11231-7861 (2-8-86)

1986 12-8 2082

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-8043

April 6, 1988

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RETURN RECEIPT REQUESTED

M. Brad Bennett, Inc.
Post Office Box 2062
Midland, Texas 79702

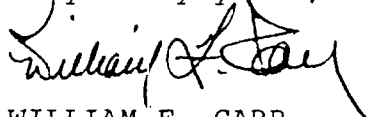
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ATTORNEY FOR PRIMARY FUELS, INC.

WFC/mlh

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3. Article Addressed to: M. Brad Bennett, Inc.
Post Office Box 2062
Midland, Texas 79702

4. Article Number
P 112 385 396

Type of Service: ☒ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

5. Signature - Addressee
X

6. Signature - Agent
X *P. J. Van Houten*

7. Date of Delivery
APR 11 1988

8. Addressee's Address (ONLY if requested and fee paid)
FEE NOT PAID

Always obtain signature of addressee or agent and DATE DELIVERED.

DOMESTIC RETURN RECEIPT

PS Form 3811, Feb. 1986

P 112 385 396

RECEIPT FOR CERTIFIED MAIL

B. Brad Bennett, Inc.
Post Office Box 2062
Midland, Texas 79702

.25
.85

.90
2.00

April 6, 1988

OFFICE PHONE 505 393-3515 OR 397-3925
RESIDENCE 505 397-7002

Roy G. Barton, Jr.
Oil and Gas Producer

HOBBS, NEW MEXICO 88241

MAILING ADDRESS
P.O. Box 978

MAIN OFFICE
1919 N. TURNER

March 11, 1988

Primary Fuels, Inc.
319 W. Texas, Suite 201
Midland, Texas 79701

Re: S/2 Section 31, T-18-S, R-39-E,
Lea County, New Mexico #34-18-S

Attention: Kenneth Gray

Dear Mr. Gray:

Please be advised Barton Bros. Land & Royalty Co. will participate in the drilling of the above referenced property. Enclosed is the AFE executed by Roy G. Barton, Jr., General Partner.

If you need any additional information, please let me know.

Thank you.

Yours truly,

Joan Reynolds

Joan Reynolds

Enclosure



Original: Don Thompson
Copy: Ciudad Prospect File

**AUTHORIZATION FOR EXPENDITURE
DRILLING AND COMPLETION**

PRIMARY FUELS, INC.

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WELL NAME AND NO. Harvard No. 1				CO./LEASE LEA		STATE N.M.		FIELD OR AREA Foster San Andres	
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COMPANY OWNERSHIP		COMPANY COST - DRY HOLE		COMPANY COST - COMPLETED	
BCP %	ACP %				
PREPARED BY TWM	DATE 11/06/87	PRESIDENT [Signature]		DATE 11/10/87	
LAND	DATE	DISTRICT	DATE	ENGINEERING	DATE
JOINT INTEREST APPROVAL (Attach Separate Page if Necessary)					
COMPANY NAME BARTON BROS. LAND & ROYALTY CO.		WI % 3.125%	APPROVAL [Signature] Roy G. Barton, Jr.		
COMPANY NAME		WI %	APPROVAL [Signature]		



Primary Fuels, Inc.
A Subsidiary of Houston Industries Incorporated

APRIL 19, 1988

ANADARKO
P. O. BOX 2497
MIDLAND, TX 79702

ATTN: MR. WAYNE WHEELIS

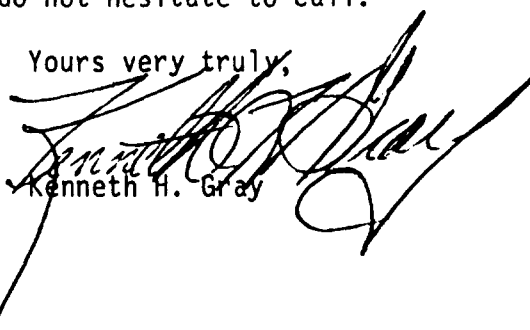
RE: S/2 Section 31, T-18-S, R-39-E
save and except the SW/4 of SE/4,
Lea County, New Mexico, containing
280 acres, more or less
Ciudad Prospect

Dear Wayne:

As a follow-up to our letter of March 3, 1988 and to various telephone conversations, enclosed herewith is a copy of an Operating Agreement for the captioned acreage, accompanied by an extra copy of the signature pages. It is requested that one copy of the signature page and AFE be returned to our Midland office at your earliest convenience. However, should you elect not to join with us, we again request that you consider our farmout terms as requested in our letter of March 3, 1988.

Should you have any questions, please do not hesitate to call.

Yours very truly,



Kenneth H. Gray

KHG/syp

Enclosures

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

May 6, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Scott Hall
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9361
ORDER NO. R-8649

Applicant:

Primary Fuels, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other