

February 18, 2000

Titan Resources I, Inc.
500 West Wall - Suite 500
Midland, Texas 79701

Telefax No. (915) 686-7962

Attention: Laura Clepper

*RE: **SD-00-01:** Drinkard Pool development within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 (Unit F) of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.*

Dear Ms. Clepper:

Reference is made to your letter to the Hobbs district office of the New Mexico Oil Conservation Division ("Division") dated January 24, 2000 that was telefaxed to me here in Santa Fe on February 17, 2000 concerning Titan Resources I, Inc.'s plans for Drinkard development within the aforementioned 40-acre unit. The rules currently governing spacing, well locations, and allowables for the Drinkard Pool include:

- (a) Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999; and
- (b) Division Rules 505 and 506.

It is our understanding that oil production attributed to the Drinkard Pool within this 40-acre unit will be simultaneously dedicated to the following two existing wells:

- State "DC" Well No. 1 (**API No. 30-025-06663**), located at a standard oil well location 1980 feet from the North line and 1876.1 feet from the West line of Section 1; and
- State "DC" Well No. 3 (**API No. 30-025-34401**), located at a standard oil well location 1866 feet from the North line and 2195 feet from the West line of Section 19, which was recently recompleted up-hole from the Abo formation to the Drinkard interval.

Furthermore, under Division rule Titan Resources I, Inc. will be permitted to produce the allowable assigned the subject 40-acre oil unit from both wells in any proportion.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe