

Based on the Ellenburger structure (see attached map), the location of the C. C. Fristoe 'B' Federal NCT-2 #27 is at a similar structural position to the current Ellenburger producer, #18. Since the position of the oil/water contact is unknown, we wish to avoid drilling significantly lower on the structure relative to #18.

The #19 was a failed Ellenburger test that was drilled at a standard location (see map). It failed to produce from the Ellenburger due to the absence of karst-derived reservoir at that location. By placing the proposed location for the #27 on the opposite edge of the structure from #19, we greatly enhance our chances of encountering the Ellsenburger reservoir.

Two additional constraints to the location of #27 were the location of the current producer (#18) and the uncertainty of the position of the east-bounding fault. By placing the #27 far to the northeast of the current producer (#18), we minimize interference and depletion issues. Additionally, the proposed location for #27 will reduce the probability of crosscutting the large bounding fault to the east (see map), which would result in a dry hole.

C. C. Fristoe 'B' Federal NCT-2 lease and the two offset leases, G. L. Erwin 'A' lease and G. L. Erwin 'B' NCT-2 are all Federal leases, so royalty ownership is common. Texaco is 100% working interest owner of each of the leases and operator of each of the leases.

Attached is Form C-102 for this well.

Yours very truly,



A. Phil Ryan
Commission Coordinator

Attachments cc: BLM, Roswell, NM