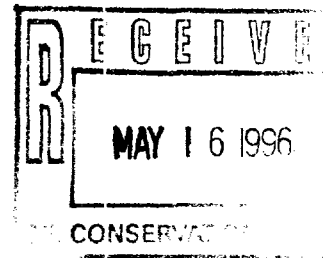


DOYLE HARTMAN

Oil Operator



May 15, 1996

Conoco, Inc
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
Attn: Bob Ireland
Division Manager

Chevron USA Inc.
15 Smith Road (79705)
P.O. Box 1150
Midland, TX 79710
Attn: David H. Messer
Land Manager

ARCO Permian
600 N. Marienfield (79701)
P.O. Box 1610
Midland, TX 79702-1610
Attn: Thomas L. Holland
Vice President
Land, Marketing & External Affairs

Amoco Production Company
510 Westlake Park Blvd. (77079)
P.O. Box 3092
Houston, TX 77253
Attn: W.R. Dukes
Land Manager, W. TX/NM

Apache Corporation
2000 Post Oak Blvd., Suite 100
Houston, TX 77056-4400
Attn: Glenn Otness
Regional Land Manager

*Case 11529
M.C.*

Re: Request For Hearing Information
Britt "Federal" MKA Hearing
Eumont Gas Pool Interval
W/2 SE/4, SE/4 SW/4 Section 7
T-20-S, R-37-E, NMPM
Lea County, New Mexico
(120-acres Eumont P.U.)

Gentlemen:

Reference is made to the Meridian-operated non-pooled 320-acre H.M. Britt Eumont proration unit consisting of two separately-owned tracts (200 acres and 120 acres) collectively covering the W/2 E/2, E/2 W/2 Section 7, T-20-S, R-37-E, Lea County, New Mexico, and to our pending NMOCD examiner hearing (Case 11,529) asking for the subdivision of the 320-acre H.M. Britt tract into a 200-acre uniformly-owned Eumont proration unit consisting of W/2 NE/4, E/2 NW/4, NE/4 SW/4 Section 7 ("200-acre Tract") and a 120-acre uniformly-owned Eumont proration unit consisting of the W/2 SE/4, SE/4 SW/4 Section 7 ("120-acre Tract"). Reference is also made to Conoco's formal notice to Union Texas Petroleum dated July 20, 1989 (copy enclosed), wherein Conoco (1) notified

Union Texas Petroleum that effective September 1, 1989, the NMFU Partners (Conoco, ARCO, Amoco, Chevron) would be selling their jointly-owned 50% working interest in the "120-acre Tract" and (2) gave notice to Union Texas Petroleum (UTP) that, as the operator of the 320-acre H.M. Britt lease, it was UTP's "... responsibility to appear before the New Mexico Oil and Gas Commission to request a change in the gas proration unit" Finally, reference is made to Union Texas Petroleum's internal memo of August 22, 1989 (copy enclosed), wherein UTP (pertaining to Conoco's July 20, 1989 notice) discussed, as to the 320-acre H. M. Britt tract, the possible need "... for a Compulsory Pooling Hearing to avoid a loss of dedicated acreage and a reduction of gas allowable (emphasis added)"

Corresponding to NMOCD Case 11,529, on May 13, 1996, Meridian filed a Motion to Dismiss with the NMOCD which made the following allegation pertaining to the conduct of the NMFU Partners:

The NMFU Partners had assigned to Hartman interest in the MKA Lease which involves the 120-acre tract, but some of the NMFU Partners for some time took the position that that assignment did not include production from the Britt 3 Well and the Britt 12 Well which are physically located within the 200-acre tract but included along with the 120-acre tract in the 320-acre GPU (emphasis added)

From a careful review of our files, no written correspondence appears to exist from the NMFU Partners to us or copies of correspondence from the NMFU Partners to Meridian pertaining to a legitimate material challenge, by an NMFU Partner, of the NMFU's joint September 1, 1989 Britt "Federal" MKA Assignment and Bill of Sale (certified-recorded copy enclosed), which Assignment and Bill of Sale was made without any reservations as to the H.M. Britt Nos. 3 and 12 Eumont wells. Most certainly, we do not possess copies of written communications between the NMFU Partners and Meridian (Union Texas Petroleum) wherein the NMFU Partners, after the September 1, 1989 effective date of the Britt "Federal" MKA Assignment and Bill of Sale, have taken an overt stance that we were not assigned an interest as to the H.M. Britt Nos. 3 and 12 Eumont wells simultaneously dedicated to the 320-acre H.M. Britt Eumont proration unit and that we are not entitled to be paid our rightful share of Eumont gas proceeds corresponding to our 18.75% $[(120/320) \times 50\% = 18.75\%]$ acreage and allowable contribution to the entire 320-acre H.M. Britt Eumont proration unit.

In September, 1989, we paid the NMFU Partners the amount of \$306,800 for an assignment of the subject 50% Eumont working interest as to the W/2 SE/4, SE/4 SW/4 Section 7. That purchase was made in accordance with a prior-existing NMFU 8-step comprehensive property-sale procedure entitled DISPOSAL OF NMFU PROPERTY (copy enclosed). The NMFU's then-applicable 8-step property-sale procedure clearly specified that any one NMFU Partner, prior to final assignment of a property, had the right to challenge and cancel the NMFU's entire sale of that specific property.

In consideration of the fact that almost seven years have now elapsed since the four NMFU Partner's executed the joint September 1, 1989 Britt "Federal" MKA Assignment and Bill of Sale,

and almost five production years have elapsed as to the non-payment of our Britt "Federal" MKA revenues, if there exists documentation (as inferred by Meridian) of a legitimate material written challenge, by one or more NMFU Partners, of the NMFU's joint Britt "Federal" MKA Assignment and Bill of Sale, the time has arrived for such written challenge to be brought into the light of day. We ourselves know of no such material challenge, and it is imperative that we now be made privy to any such challenge, if such written challenge actually exists or has ever existed.

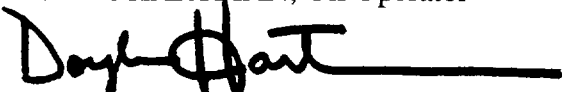
The above herein referenced May 13, 1996 allegation appears to be the present cornerstone of Meridian's opposition to our pending Britt "Federal" MKA hearing application. Because typical judicial discovery procedures are not routinely allowed for NMOCD hearings, we are requesting that you promptly furnish copies of any and all written communications between the NMFU Partners and Meridian wherein an NMFU Partner (subsequent to September 1, 1989) has materially challenged the NMFU's prior jointly-executed 1989 Britt "Federal" MKA Assignment and Bill of Sale. Moreover, if any such written documentation does exist, we also request that we be provided with a written and complete explanation as to why we heretofore have not been made privy to such written communication between the NMFU and Meridian, especially since we purchased the 120-acre Britt "Federal" MKA tract for a considerable sum of money and are the holder of a jointly-executed certified-recorded Assignment and Bill of Sale from all four NMFU Partners.

In recognition of our pending Britt "Federal" MKA hearing that is presently scheduled for May 30, 1996, and also because of the NMOCD's policy of discouraging formal discovery procedures, we respectfully ask for your prompt and voluntary cooperation in providing the requested and needed information. If Meridian's allegations are incorrect, it is imperative that we be given an opportunity to document such inaccuracies before the NMOCD. Likewise, if Meridian's pleading is partially or totally correct, the time has most certainly arrived for the true facts, as to the conduct of the NMFU Partners and Meridian, to be placed on the table; and, for a complete and accurate explanation to be provided as to why we were not previously informed of any such serious allegation.

So as to officially document to the NMOCD that we have requested your prompt and voluntary cooperation in supplying relevant information pertaining to Meridian's above-referenced allegation, copies of this letter are also being sent to the NMOCD. If you have any questions pertaining to this matter, please promptly call or write, since time is of the essence. We will be looking forward to you immediate reply and cooperation.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

rjr: nmfu514

Enclosures

Request For Hearing Information

May 15, 1996

Page 4

cc: New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
Attn: William J. LeMay
Rand Carroll
Michael Stogner

U.S. Bureau of Land Management
1717 W. Second
Roswell, NM 88201
Attn: Armando Lopez

Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
Attn: Laura Miller
Mim James
David Strople
Warren Richardson

Chevron USA Inc.
15 Smith Road
P.O. Box 1150
Midland, TX 79710
Attn: James E. Baca

ARCO Permian
600 N. Marienfeld (79701)
P.O. Box 1610
Midland, TX 79702-1610
Attn: A. J. Best
John E. Lodge
Lee M. Scarborough

Chevron USA Inc.
1301 McKinney
Houston, TX 77010
P.O. Box 1635
Houston, TX 77252
Attn: C.S. Branstetter
Corry Woolington
Robert Sample

Amoco Production Company
510 Westlake Park Blvd.
P.O. Box 3092
Houston, TX 77253
Attn: Jerry D. West

Apache Corporation
2000 Post Oak Blvd., Suite 100
Houston, TX 77056-4400
Attn: Deborah Pruitt
Scott Bell
Stuart Scharborough

Meridian Oil Inc.
3300 N. A Street, Building Six
P.O. Box 51810
Midland, TX 79710-1810
Attn: Don W. Davis
Dennis E. Sledge
Leslyn Swierc

Meridian Oil Inc.
5051 Westheimer, Suite 1400(77056-2124)
P.O. Box 4239
Houston, TX 77210-4239
Attn: Jim Buchanan
Randy Mundt

Gallegos Law Firm
460 St. Michaels Drive, Bldg. 300
Santa Fe, NM 87505
Attn: J.E. Gallegos
Michael Condon

Kellahin and Kellahin
Attorney At Law
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Request For Hearing Information

May 15, 1996

Page 5

cc: Mr. Steve Hartman
Mr. Don Mashburn
Mr. Jefferson Massey
Ms. Carolyn Sebastian
Ms. Linda Land
Ms. Cindy Brooks
DOYLE HARTMAN, Oil Operator
500 North Main
Midland, TX 79702

TABLE OF ENCLOSURES

1. Acreage Ownership Plat, T-20-S, R-37-E, depicting (1) the 320-acre Meridian-operated H.M. Britt Eumont Proration Unit consisting of the W/2E/2, E/2W/2 Sec. 7, T-20-S, R-37-E, Lea County, New Mexico and (2) the H.M. Britt No. 3 (G-7-20-37) and No. 12 (C-7-20-37) Eumont wells simultaneously dedicated thereto under Order R-5448 dated June 8, 1977.
2. Three-dimensional schematic depicting the total surface area, the two separately-owned Eumont tracts (200 acres and 120 acres), and the producing zones that comprise the Meridian-operated 320-acre H.M. Britt Eumont Proration Unit.
3. Publicly recorded Chain of Title from 1926 to the present date corresponding to the existing Meridian-operated 320-acre H.M. Britt proration unit consisting of the W/2E/2, E/2W/2 Section 7, T-20-S, R-37-E.
4. Excerpts from hearing transcript for NMOCD Case No. 5935 requesting approval of (1) 320-acre H.M. Britt non-standard proration unit and (2) simultaneous dedication of the H.M. Britt Nos. 3 and 12 wells, which hearing resulted in the issuance of NMOCD order R-5448.
5. NMCOD Order R-5448 which granted approval to Union Texas Petroleum for (1) 320-acre H.M. Britt non-standard Eumont proration unit and (2) the simultaneous dedication of the H.M. Britt Nos. 3 and 12 wells so as to effectuate the efficient and effective drainage of the entire 320-acre proration unit.
6. Letter of July 20, 1989 from David L. Wacker (Hobbs Division Manager for Conoco, Inc.) to Union Texas Petroleum giving notice to Union Texas of the NMFU's sale effective September 1, 1989, of 120 acres of the NMFU's 50% ownership as to the 320-acre H.M. Britt Eumont lease, and also informing Union Texas Petroleum, as operator of the H.M. Britt proration unit, of their responsibility to "... appear before the New Mexico Oil Conservation Commission to request a change in the gas proration unit ..."
7. Union Texas Petroleum memorandum dated August 22, 1989, regarding Conoco's letter of July 20, 1989, and the NMFU's sale to Doyle Hartman of its Eumont rights as to the 120-acre portion of Federal Leasehold LC-031621(a) consisting of the W/2SE/4, SE/4SW/4 Section 7, which 120-acre tract is one of the two now separately owned tracts now comprising the 320-acre H.M. Britt Eumont proration unit approved by NMOCD Order R-5448.
8. NMFU Partner's prior formal 8-step comprehensive procedure for disposal of NMFU properties which included the right of any one NMFU Partner to cancel the NMFU's total sale of a specific property.

9. Certified and recorded Assignment and Bill of Sale, effective September 1, 1989, from the NMFU Partners (Conoco, ARCO, Amoco, and Chevron) to Doyle Hartman covering lands from the surface to the base of the Eunice-Monument (Grayburg-San Andres) as to the 120-acre Eumont tract consisting of the W/2SE/4, SE/4SW/4 Section 7, T-20-S, R-37-E including an 18.75% W.I. ownership [$50\% \times (120/320) = 18.75\%$] and a 15% NRI [$(1 - .125 - .075) \times 18.75\% = 15\%$] ownership in the 320-acre H.M. Britt gas proration unit previously approved by the New Mexico Oil Conservation Commission (Order R-5448).
10. Federal Transfer of Operating Rights approved by BLM effective October 1, 1989, corresponding to the NMFU Partners assignment (without any reservations as to the H.M. Britt Nos. 3 and 12 Eumont wells) of a 50% W.I. from surface to the base of the Eunice Monument Pool Interval as to W/2SE/4, SE/4SW/4 Section 7, T-20-S, R-37-E (120-acre Britt "Federal" MKA Tract), which Transfer of Operating Rights, as per 43 C.F.R., Sec. 3162.1(a), is subject to state spacing and pooling statutes and the spacing and pooling orders issued by state oil and gas conservation agencies, including the statutes, orders, rules, and regulations of the State of New Mexico.
11. Letter from David F. Black of Union Texas Petroleum to Working Interest Owners dated September 9, 1991, pertaining to Gas Balancing Statements as to the 320-acre H.M. Britt proration unit wherein Meridian's predecessor in interest, by September 1, 1991, had officially and fully recognized Hartman's assignment from the NMFU Partners of a 50% working interest as to W/2SE/4, SE/4SW/4 Section 7 (120-acre Britt "Federal" MKA tract) and Hartman's corresponding 18.75% ownership in the H.M. Britt Nos. 3 and 12 wells.
12. Letter from William J. LeMay to Doyle Hartman dated October 11, 1991, wherein Mr. LeMay clearly verified that gas production as to the Britt Wells Nos. 3 and 12 simultaneously dedicated to the 320-acre H.M. Britt Eumont proration unit should be allocated to the interest owners in the entire proration unit.
13. NMSA 1978, Sec. 70-2-17.
14. NMSA 1978, Sec. 70-2-18.

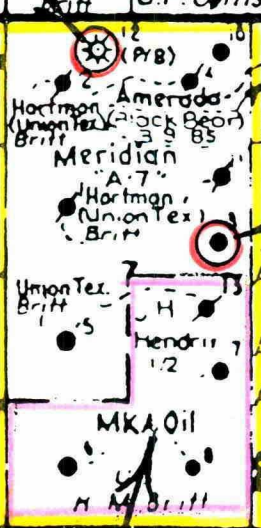
H. M. BRITT P.U.
(320 ACRES/ORDER R-5448)

H. M. BRITT NO. 12
C-7-20S-37E
320-ACRE P.U.
ORDER R-5448

H. M. BRITT EUMONT P.U.
W12 E12, E12 W12
SEC 7, T-20-S, R-37-E
(320 ACRES/ORDER R-5448)

H. M. BRITT NO. 3
G-7-20S-37E
320-ACRE P.U.
ORDER R-5448

DHOO P.U. ACREAGE CONTRIBUTION
W12 SE1/4, SE1/4 SW1/4
SEC 7, T-20-S, R-37-E
[(1/2) X (120/320) X 100% = 18.75%]

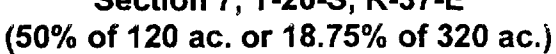


Standard Eumont P.U. : One Governmental Section (1 sq. mi. or 640 ac.)

**#3
(G-7-20S-37E)**

12
(C-7-20S-37E)

70-2-18



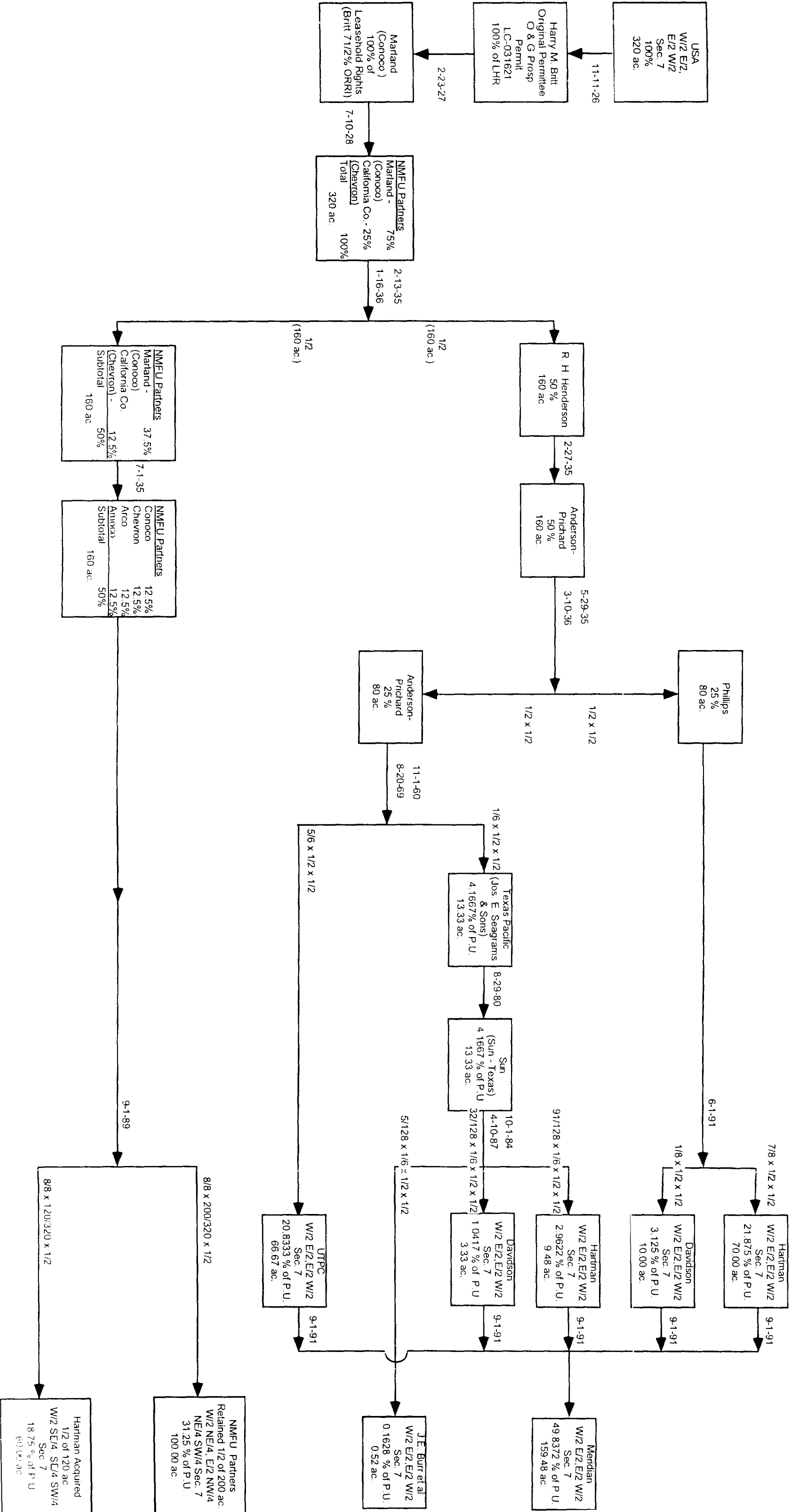
- Minimum DHOO Ownership**
120 - Acre Tract: 50%
320 - Acre Tract: 50% x (120/320) = 18.75%

1926

Publicly Recorded Chain of Title

H. M. Britt Eumont Proration Unit
W/2 E/2, E/2 W/2 Sec. 7, T-20-S, R-37-E
Lea County, New Mexico
(320 acres/Order R-5448/N.M. STAT. 70-2-17)

1995



CASE 5935: UNION TEXAS PETROLEUM FOR
A NON-STANDARD PRORATION UNIT AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NM

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 25, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Texas Petroleum) CASE
for a non-standard proration unit) 5935
and simultaneous dedication, Lea County,)
New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Paul Eaton, Esq.
HINKLE, COX, EATON, COFFIELD
& HENSLEY
Attorneys at Law
Hinkle Building
Roswell, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E XPageCARL ENGWALL

Direct Examination by Mr. Eaton

3

EXHIBIT INDEXOffered Admitted

Applicant Exhibit One, Land Map	5	10
Applicant Exhibit Two, Plat	5	10
Applicant Exhibit Three, Form C-104	6	10
Applicant Exhibit Four, Letter	6	10
Applicant Exhibit Five, Plat	7	10
Applicant Exhibit Six, Production Figures	9	10

sid morrish reporting service

Central Court Reporting Service
825 Calle Media, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: At this time we will call Case
2 Number 5935.

3 MS. TESCHENDORF: Case 5935, application of Union
4 Texas Petroleum for a non-standard proration unit and
5 simultaneous dedication, Lea County, New Mexico.

6 MR. EATON: Paul Eaton with the firm of Hinkle, Cox,
7 Eaton, Coffield and Hensley representing Union Texas Petroleum
8 and I have one witness.

9 (THEREUPON, the witness was duly sworn.)

10
11 CARL ENGWALL
12 called as a witness, having been first duly sworn, was examined
13 and testified as follows:

14
15 DIRECT EXAMINATION

16 BY MR. EATON:

17 Q Would you please state your name and place of
18 residence?

19 A Carl Engwall, Roswell, New Mexico.

20 Q What is your occupation, Mr. Engwall?

21 A I'm a Consulting Geological Engineer.

22 Q Have you been engaged by Union Texas Petroleum to
23 testify in its behalf in this case?

24 A Yes, I have.

25 Q Have you previously testified before the Oil Conserva-

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General Court Reporting Service
825 Calle Medina, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrison reporting service
General Court Reporting Service
825 Calle Hefia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 tion Commission as a geological engineer?

2 A Yes, sir, I have.

3 Q Are you familiar with the application in this case?

4 A Yes, I am.

5 Q What does Union Texas Petroleum seek by its applica-
6 tion?

7 A Union Texas seeks the approval of a three hundred
8 and twenty acre non-standard gas proration unit comprising the
9 east half of the west half, the west half of the east half of
10 Section 7, Township 20 South, Range 37 East, Eumont Gas Field,
11 Lea County, New Mexico. They propose to dedicate the No. 3
12 Britt Well which is located twenty-three ten from the north
13 and sixteen hundred and fifty feet from the east line of
14 Section 7 and their application for the No. 12 Britt which is
15 twenty-three ten from the west and three thirty from the north
16 line of Section 7 in the three hundred and twenty acre non-
17 standard proration unit, both being non-standard locations.
18 The No. 3 is already dedicated to the three hundred and twenty
19 acres and they are seeking to dedicate the No. 12 and seek a
20 one-well allowable for both wells on this proration unit.

21 Q You have prepared certain exhibits for presentation,
22 have you not?

23 A Yes, I have.

24 Q Please refer to what has been marked as Exhibit
25 Number One and state what it portrays?

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General Court Reporting Service
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 A It's a copy of a land map, Lea County, New Mexico,
2 showing a portion of the area around Section 7, Township 20
3 South, 37 East. The No. 3 Britt well, a producing well, and
4 the No. 12 proposed well in Section 7 have been circled in
5 red. The three hundred and twenty acre proration unit has
6 been outlined in red.

7 Q I believe you stated that the wells lie in the
8 Eumont Gas Pool?

9 A Yes, they do.

10 Q What is a standard proration unit for that pool?

11 A Six hundred and forty acre spacing on the standard
12 proration unit.

13 Q Is the No. 3 Britt Well also at an unorthodox
14 location?

15 A Yes, sir, it is.

16 Q What formation are these wells completed in?

17 A The Eumont gas field comprises the Yates, Seven
18 Rivers and Queen section of the Permian.

19 Q Thank you. Would you refer now to what has been
20 marked as Exhibit Number Two and State what that is?

21 A It is a copy of the C-102 location plat that was
22 submitted by Union Texas to the New Mexico Oil and Gas
23 Commission, showing the location of the No. 12 Britt Well in
24 Section 7.

25 Q All right. Next would you refer to what has been

sid morrison reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (305) 982-9212

1 A Exhibit Number Six is the production from the seven
2 wells that I have circled in blue on this Exhibit Number Five
3 showing their cumulative production to January 1st of 1977 in
4 MCF per well and the production in MCF for each well for the
5 month of February 1977. It shows that a considerable number
6 of cubic feet of gas have been produced from these wells and
7 a majority of them are still producing at a commercial rate.

8 Q Mr. Engwall, in your opinion will the Britt No. 3
9 and No. 12 Wells effectively and efficiently drain the three
10 hundred and twenty acres sought to be dedicated to those
11 wells?

12 A I believe they will, the No. 12 Britt being slightly
13 up dip from the No. 3 should help drain adequately the three
14 hundred and twenty acre proration unit.

15 Q All right, in your opinion will approval of this
16 application be in the interest of conservation and will it
17 prevent the drilling of any additional wells as being
18 unnecessary and will it prevent waste and will it protect
19 correlative rights?

20 A I believe it will, sir.

21 Q Were Exhibits One, Five and Six prepared by you?

22 A Exhibits One, Five and Six were copied by me.

23 Q Were Exhibits Two and Three filed by the Company
24 with the Commission as official documents?

25 A Yes, they were.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the center of the section.

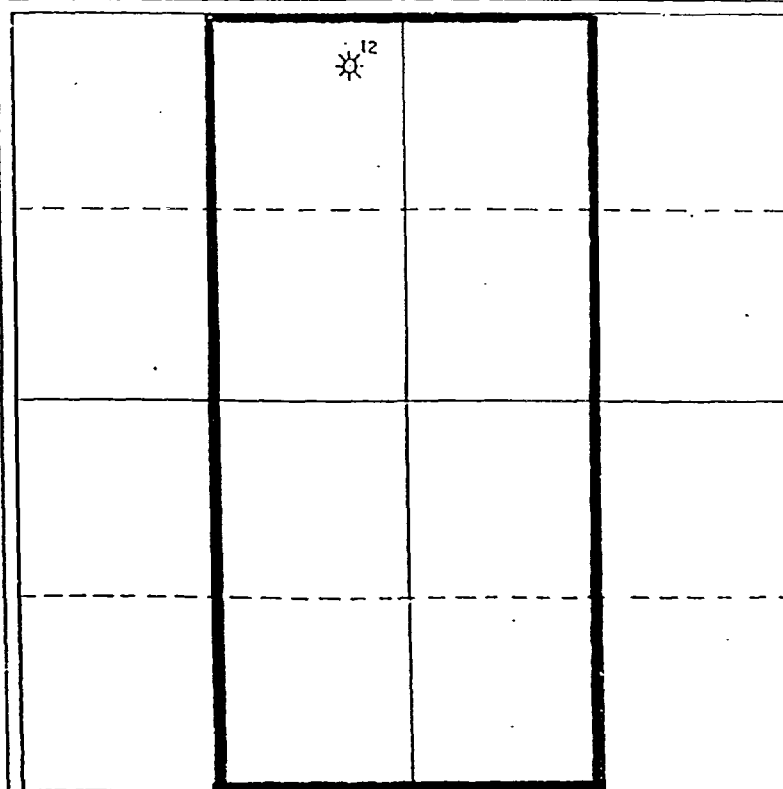
Operator UNION TEXAS PETROLEUM CORPORATION			Lease No. 12	
Unit Location C	Section 7	Township T-20-S	Range R-37-E	County Lea
Actual True North Location of Well: 330 feet from the North line of 2281 feet from the West line.				
Ground Level Elev. 3552	Producing Formation Queen	Well Eumont Gas Pool	Dedicated Acreage 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Stanley A. Post
Name

Stanley A. Post

Position

Senior Production Analyst

Company

UNION TEXAS PETROLEUM CORP

Date

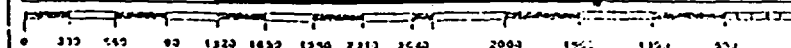
April 13, 1977

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Little Surveyed

For geologist and Professional Engineer and/or Land Surveyor

Test Hereby





Allied
Chemical

Union Texas Petroleum Division
1300 Waco Building
Midland, Texas 79701

April 14, 1977

CERTIFIED

SEE ATTACHED MAILING LIST

Re: Union Texas Petroleum's
Britt Well #12
Ut. C, Sec. 7, T-20-S, R-37-E
Lea County, New Mexico

Gentlemen:

In compliance with the State of New Mexico Oil Conservation Commission Rule 104, the attached is to notify you of our application for approval of a non-standard gas proration unit for the subject well.

Very truly yours,

UNION TEXAS PETROLEUM, A Division
of Allied Chemical Corporation

Stanley A. Post
Senior Production Analyst

SAP:hb

BEFORE EXAMINED STATE'S	
OIL COMMISSION	
CASE NO.	4
Submitted	5935
Hearing Date	

- CASE 5912: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 19, Township 22 South, Range 25 East, Eddy County, New Mexico, to be dedicated to its Moore "FL" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5913: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Hunter "FL" Well No. 1 located in Unit F of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5914: Application of HMG Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its El Paso Federal 29 Well No. 1 to be located 2427 feet from the North line and 904 feet from the West line of Section 29, Township 24 South, Range 27 East, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.
- CASE 5915: Application of Union Texas Petroleum for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Well Nos. 3 and 12 located at unorthodox locations in Units C and C of said Section 7, respectively.
- CASE 5916: Application of El Paso Natural Gas Company for a dual completion and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its San Juan 27-4 Unit Well No. 109 to be located at an unorthodox location 990 feet from the South line and 1640 feet from the East line of Section 23, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, to produce gas from the Tapatito-Pictured Cliffs and Blanco-Monverde Pools.
- CASE 5917: Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lusk-Horror, East Lusk-Wolfcamp and East Lusk-Bone Springs production in the wellbore of its Shearn Federal Well No. 1, located in Unit L of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico.
- CASE 5918: Application of V-F Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Landreth State Well No. 1 to be drilled 330 feet from the South line and 1109 feet from the West line of Section 15, Township 10 South, Range 36 East, South Crossroads-Devonian Pool, Lea County, New Mexico, the S/2 SW/4 of said Section 15 to be dedicated to the well.
- CASE 5919: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, South Carlisbad Field, Eddy County, New Mexico, to be dedicated to its Carlisbad Well No. 7 to be located at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5920: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 6, Township 19 South, Range 32 East, Lea County, New Mexico, to be dedicated to its Federal Well No. 6 to be located at an unorthodox location 600 feet from the South line and 2012 feet from the West line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5935
Order No. R-5448

APPLICATION OF UNION TEXAS PETROLEUM
FOR A NON-STANDARD PRORATION UNIT AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of June, 1977, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Union Texas Petroleum, seeks
approval of a 320-acre non-standard gas proration unit comprising
the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range
37 East, NMPM, Lea County, New Mexico, to be simultaneously
dedicated to applicant's Britt Wells Nos. 3 and 12 located at
unorthodox locations in Units G and C of said Section 7,
respectively.
- (3) That the entire non-standard proration unit may
reasonably be presumed productive of gas from the Eumont Gas
Pool and that the entire non-standard gas proration unit can be
efficiently and economically drained and developed by the
aforesaid wells.
- (4) That Commission administrative order NSP-11 should
be superseded.
- (5) That approval of the subject application will afford
the applicant the opportunity to produce his just and equitable
share of the gas in the Eumont Gas Pool, will prevent the economic
loss caused by the drilling of unnecessary wells, avoid the
augmentation of risk arising from the drilling of an excessive

-2-
Case No. 5935
Order No. R-5448

number of wells, and will otherwise prevent waste and protect correlative rights.

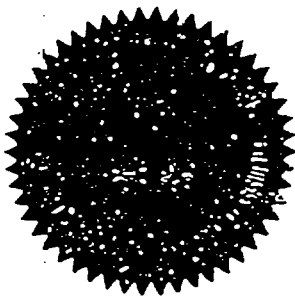
IT IS THEREFORE ORDERED:

(1) That a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Union Texas Petroleum Corporation Britt Wells Nos. 3 and 12, located at unorthodox locations in Units G and C of said Section 7, respectively.

(2) That Commission administrative order NSP-11 is hereby superseded.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero

PHIL R. LUCERO, Chairman

Emery C. Arnold

EMERY C. ARNOLD, Member

Joe D. Ramey

JOE D. RAMEY, Member & Secretary

S E A L

jr/

100

STATE GEOLOGIST
EMERY C. ARNOLD

Union Texas Petroleum

Yours very truly,

Other _____

David L. Wacker
Division Manager
Production Operations
Moore Division
North American Production

Conoco Inc.
716 East Michigan
P.O. Box 460
Moore, NM 88241
(505) 397-5300

July 20, 1989

Union of Texas Petroleum
P.O. Box 2120
Houston, TX 77252-2120

Gentlemen:

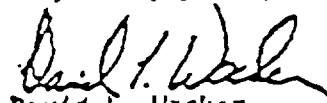
Gas Proration Unit
Union Texas' operated - Britt Lease
Lea County, New Mexico

Please be advised the Britt Federal MXA Lease (120 acres - W/2SE/4, SESW, Section 7, T20S, R37E, Lea County, New Mexico) is being sold by Conoco on behalf of the HMFU partners (Conoco, ARCO, Amoco, and Chevron). Conoco also owns a 12.5% WI in the Britt Lease which Union Texas operates (W/2NE/4, E/2NW/4 and NESW, Section 7, T20S, R37E). The above mentioned acreage is part of an existing 320-acre gas proration unit. The sale of the Britt MXA Lease will be effective September 1, 1989.

As operator of the Britt B Lease it will be your responsibility to appear before the New Mexico Oil and Gas Commission to request a change in the gas proration unit. We have attached a map showing the acreage previously discussed.

If you have any questions please contact Mr. David Lindroos (505) 397-5895.

Very truly yours,



David L. Wacker
Division Manager

DAL/tk
750

cc: HAI WXB OFF DCS JEP JLM

Memorandum



Union Texas Petroleum

RECEIVED

AUG 23 1989

LAND OPERATIONS

Date. August 22, 1989
To B.S. Hamilton
From. C.W. Latch *CWL*
Subject. BRITT LEASE
EUMONT GAS POOL
SECTION 7, T20S, R37E
LEA COUNTY, NEW MEXICO

Attached is a letter from Conoco on behalf of themselves, ARCO, Amoco, and Chevron stating that they are selling their combined 50% WI in the 120 acre MKA Oil Properties Britt Federal Lease (see pink highlight on attached map) effective 9/1/89. Conoco has verbally informed us that Doyle Hartman is buying this interest. The current gas proration unit encompasses the entire 320 acres outlined in red on the attached map. This proration unit was established by NMOCD Order No. R-5448 (attached). The two Eumont Gas Pool wells referenced by the aforementioned Order are the UTP Britt Nos. 3 and 12, and are located in Unit Letters G and C of the yellow highlighted map area. After this sale is completed, Working Interest will no longer be common in the current proration unit.

Conoco states in this letter that it is UTP's responsibility to request a change in the gas proration unit as a result of this sale. Informal discussion with NMOCD representative Mike Stogner in Santa Fe, NM indicates that unless there is some out-of-the-ordinary or extraneous lease provision, Conoco's Working Interest sale will not affect our proration unit. However, a complete lease investigation may reveal the need for a Compulsory Pooling Hearing to avoid a loss of dedicated acreage and a reduction of gas allowable. The Midland District requests your assistance to investigate and fully clarify this matter.

RJP/ejw
3:rjp00033

cc: W.N. Hahne
G.R. Hendricks
R.J. Paradiso

DISPOSAL OF NMFU PROPERTY

1. Identify list of unprofitable leases.
2. Communicate list to NMFU partners.
3. Working interest owners approve or reject the sale of each lease. One disapproval eliminates that lease from possible sale at that time.
4. Operator sends out bid letters with information pertaining to lease ownership, well data, production, operating cost and revenue report, contracts, equipment lists, and any outside reports on the lease.
5. Operator acquires bids on possible leases for all NMFU working interest owners pending BLM approval.
6. Highest bids are sent to working interest owners for approval of sale. One working interest owner not accepting the bid eliminates that lease from possible sale at that time.
7. Operator obtains BLM approval to sell leases to highest bidder.
8. Operator and working interest owners make transfers of property upon receipt of BLM approval.

MMFU

ASSIGNMENT AND BILL OF SALE

Property Name: Britt Federal MKA

STATE OF NEW MEXICO

COUNTY OF LEA

KNOW ALL MEN BY THESE PRESENTS:

That CONOCO INC., AMOCO PRODUCTION COMPANY, ATLANTIC RICHFIELD COMPANY, and CHEVRON U.S.A. INC. (collectively, "Assignor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for the mutual covenants herein contained, and subject to the reservations, conditions and covenants hereinafter provided, does hereby GRANT, BARGAIN, SELL, CONVEY, and ASSIGN, without warranty of title, either express or implied, unto DOYLE HARTMAN, ("Assignee"), whose address is P.O. Box 10426, Midland, Texas 79702, his heirs, successors and assigns, all of the Assignor's right, title and interest in and to the oil, gas and mineral leases described in Exhibit A, attached hereto and made a part hereof, LIMITED TO the depths specified on Exhibit A, and the leasehold estates created thereby, together with all rights and privileges appurtenant thereto, and all contracts, agreements, permits, franchises, licenses, easements, servitudes, and rights-of-way pertaining to the assigned interest or the production and marketing of hydrocarbons therefrom.

Assignor also does hereby grant, bargain, sell, transfer, assign, convey and deliver unto Assignee, Assignee's heirs, successors and assigns, all of Assignor's right, title and interest in and to the personal property, material and equipment used for and in conjunction with the subject leases, for oil and gas purposes, except as otherwise reserved herein.

The entire right, title, interest, and estate assigned is hereinafter collectively referred to as "Property."

This Assignment and Bill of Sale is made subject to the exceptions, reservations, covenants, and conditions hereinafter set forth:

1. This Assignment and Bill of Sale is made by Assignor and accepted by Assignee without representation of or warranty of title either express or implied.
2. Assignor excepts from this Assignment and Bill of Sale and reserves to itself all rights, title, interest, and estate not expressly assigned hereby, the right of ingress and egress, and such other rights and easements under and by virtue of said Property, including without limitation the concurrent use of water, as may be necessary or desirable to explore, develop, and operate the retained interest of Assignor in said Property.

3. This Assignment and Bill of Sale is made and accepted, subject to, and Assignee hereby assumes, any and all overriding royalties, payments out of production, net profits obligations and other burdens or encumbrances to which said Property may be subject.
4. Assignor shall be responsible for all taxes arising from operation of the Property and production therefrom prior to September 1, 1989 (the "Effective Date"). Assignee shall be responsible for all taxes arising from operation of the Property and production therefrom after the Effective Date. Property taxes for the current tax year shall be prorated between Assignor and Assignee as of 7:00 a.m., Mountain Standard Time on the Effective Date. Assignee shall pay and bear all sales taxes, if any, and all documentary transfer taxes relating to the transfer of the Property. Assignee shall promptly cause this Assignment and Bill of Sale to be recorded and shall furnish Assignor with a recorded copy thereof. Assignee shall pay and bear all recording fees and similar costs relative to the Property it acquires.
5. Assignee by these presents assumes and agrees fully to perform all of the Assignor's express and implied covenants and conditions under the terms of the Property assigned herein together with all orders and contracts of whatsoever kind to which said Property may be subject, from and after the Effective Date hereof, including, but not limited to, those set forth in Exhibit A hereto.
6. After the Effective Date, Assignor shall have the right to hold all production prior thereto attributable to the Property for Assignor's account and thereafter for the account of Assignee. In accounting to Assignee for revenues received by Assignor after the Effective Date, Assignor shall offset all attributable costs of production, including overhead (such costs to be computed in accordance with Assignor's existing accounting practices) against net revenues accruing to the Property from proceeds from the sale of such production. Net revenues shall be the proceeds remaining after deduction of all royalties, overriding royalties, and any severance, production, and prorated ad valorem taxes, windfall profits taxes, and all other taxes (except federal income tax), and any other payments out of or with respect to production with which the Property is burdened or encumbered. If such revenues are insufficient to offset such costs, Assignee agrees to remit payment to Assignor for the difference within thirty (30) days of receiving Assignor's invoice.
7. If it becomes necessary to plug and abandon any well(s) covered under this Assignment and Bill of Sale, Assignee, at Assignee's sole risk and expense, will plug and abandon said well(s) in accordance with all local, state and federal rules and regulations, and will restore the premises to the condition they were in prior to the drilling of said well(s). Assignee further agrees to indemnify and hold Assignor harmless from any liability or expense that may become due or payable in connection with any well(s) plugged before or after the Effective Date, whether or not such liability or expense is incurred as a result of demands made by an authorized regulatory body, or any party or parties claiming to have a vested interest in the subject Property, or otherwise. Assignee shall comply with all bonding requirements imposed by applicable state or federal laws or regulations, including the provisions of N.M. STAT. ANN. 70-2-14. Satisfactory evidence of compliance with such laws or regulations shall be a condition precedent to closing.
8. Assignee accepts said Property subject to all of the express and implied covenants and obligations pertaining thereto. Assignee indemnifies and agrees to respond to, defend, and hold Assignor harmless from and against, any and all demands, claims for damages, and forfeitures made by any person, partnership, corporation, or other legal entity, that are based on any failure, or alleged failure, of Assignee to comply with the express or implied covenants of said property (including, without limitation, any claims by royalty owners for royalties or additional royalties for production on or after the Effective Date). Assignee shall further indemnify and agree to respond to, defend, and save Assignor, its officers, directors, and employees, harmless from and against any and all loss, cost (including court costs), expense (including attorneys' fees), and claims for damages (or wrongful death) of every kind and character to persons or property based on, created by, or arising out of or in connection with, or

9. In the event Assignee elects to surrender or abandon said Property, or in the event production, or allocation of production, ceases on said Property, Assignee agrees to immediately notify Assignor in writing. Assignor shall have the right, but not the obligation, to take reassignment, at no cost to Assignor, of all or part of said Property, within twenty days of receipt of said notice. Failure to timely reply to said notice shall be construed as a waiver of Assignor's right to reassignment. Upon such reassignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest reassigned. The parties' assignee will then pay the assigning party the reasonable salvage value of the assigned interest, less estimated salvage and plugging costs.
10. Assignor and Assignee expressly agree that Assignor retains the exclusive right, power and authority to initiate the "good faith negotiation procedures" specified in 18 C.F.R. 270.201, as amended, with respect to any gas sales contract or certificate encumbering the Property. Assignor retains any of the rights, powers or authority that Assignor had prior to the execution of this Assignment and Bill of Sale with respect to such "good faith negotiation procedures." Assignor is expressly given full power, right and authority to initiate, or not to initiate, such "good faith negotiation procedures"; and Assignor shall not be liable for any loss or damage which may be sustained due to such procedures. Any failure by Assignee to observe the foregoing shall constitute a material breach of this Assignment and Bill of Sale and Assignee agrees to fully indemnify and hold Assignor harmless from and against all costs, losses, expenses, attorney's fees, and damages (including indirect and consequential damages) sustained by Assignor by reason of such breach. Assignee shall promptly file for well category determinations and qualifications with appropriate jurisdictional agencies in accordance with the Natural Gas Policy Act of 1978 and the rules and regulations issued thereunder. Assignee shall include in any document by which it may subsequently sell, exchange, or transfer all or any part of the Property a similar provision as to Assignor's right, and which in form and substance effectively binds any successor or assign to observe the conditions and limitations set forth herein for Assignor's benefit.
11. Prior to any transportation of natural gas produced from any of the acreage assigned hereunder that could make Assignor subject to the crediting mechanism described in Section 284.8 (f) or 284.9 (f) of the Regulations of the Federal Energy Regulatory Commission ("FERC"), as promulgated in Order Number 500 and 500-B, -C, and -D, or successor regulations, Assignee shall attempt to obtain the agreement of each potential transporting pipeline not to assert rights under such FERC regulations to credit volumes of gas produced from or allocated to the acreage covered hereby and shipped on such transporting pipeline ("subject gas") against contractual or other obligations of such transporting pipeline to Assignor. If Assignee is unsuccessful in obtaining such agreement(s) from the transporting pipeline(s), Assignor shall execute and deliver such offer(s) of credit(s) or other document as may be required under FERC Regulations to make the subject gas eligible for transportation on the transporting pipeline(s), unless the execution and delivery by Assignor of such an offer(s) of credit(s) would cause the above described crediting against any obligation (whether relating to the acreage covered hereby or any other interest owned by Assignor) of the transporting pipeline to Assignor to occur.

If gas produced from or allocated to properties or interests (i) retained by Assignor hereunder, or (ii) owned by Assignor and not the subject of this transaction ("retained gas") is ineligible for transportation on the transporting pipeline unless Assignee executes an offer(s) of credit(s), Assignor shall attempt to obtain the agreement of such transporting pipeline to waive such condition that Assignee execute an offer of credits. If Assignor is unsuccessful in obtaining

such waiver agreement(s) from the transporting pipeline(s). Assignee shall execute and deliver such offer(s) of credits as may be required under FERC Regulations to make the retained gas eligible for transportation on the transporting pipeline(s), unless the execution and delivery by Assignee of such offer(s) of credit(s) would cause the above described crediting against any obligation (whether related to the acreage covered hereby or any other interest owned by Assignee) of the transporting pipeline to Assignee to occur. However, if the denial of offer(s) of credit(s) would preclude sale of the gas by Assignor, Assignee agrees to negotiate in good faith to provide the necessary offer(s) of credit(s) for transportation of the gas.

12. This Assignment and Bill of Sale and all rights, reservations, and covenants in connection therewith shall be considered covenants running with the lands and shall inure to and be binding upon the parties hereto, their heirs, personal representatives, successors, and assigns; PROVIDED, HOWEVER, no transfer or encumbrance of any of said Property shall be made unless the same be made expressly subject to this Assignment and Bill of Sale and unless the vendee, assignee, or transferee, shall assume all or the applicable part of the obligations hereunder; PROVIDED, FURTHER, no transfer of any of said Property shall be valid or have any force or effect unless Assignor is furnished with a certified copy of the recorded instrument or order of a competent court evidencing the transfer of ownership. The address for the giving of all notices required hereunder, until changed by written notice to the same address, shall be as follows:

ASSIGNOR:

Conoco Inc.
Real Property Administration
P.O. Box 1267
Ponca City, OK 74603

Chevron U.S.A. Inc.
P.O. Box 1635
Houston, TX 77001

Amoco Production Co.
P.O. Box 3092
Houston, TX 77253

Atlantic Richfield Co.
P.O. Box 1610
Midland, TX 79702

ASSIGNEE:

Doyle Hartman
P.O. Box 10426
Midland, Texas 79702

13. Assignee shall comply with all applicable laws, ordinances, rules, and regulations and shall promptly obtain and maintain all permits required by public authorities in connection with the Property.
14. As part of the consideration for the execution and delivery of this instrument by Assignor, Assignee agrees to all of the terms and provisions hereof and joins in the execution of this instrument to evidence this agreement.
15. Assignee acknowledges that it has been cautioned that oil and gas producing formations may contain naturally occurring radioactive material (NORM). Production activities can result in the concentration of certain levels of NORM on production equipment and pipe so that, when brought to the surface, a health hazard may exist in connection with the removal, handling and/or disposal of such NORM-contaminated equipment or pipe, if proper environmental, regulatory and industrial hygiene procedures are not observed. The presence of NORM in or on facilities or equipment on the Property as of the Effective Date shall be the sole responsibility of Assignee, and Assignee shall indemnify and hold Assignor harmless from any and all claims or liabilities arising from the presence of or in connection with the use, removal, handling or disposal of NORM-contaminated equipment or pipe.

TO HAVE AND TO HOLD the Property granted, bargained, sold, conveyed, transferred, assigned and delivered as aforesaid unto Assignee, Assignee's successors and assigns, subject to the matters set forth herein; PROVIDED, HOWEVER, THIS ASSIGNMENT AND BILL OF SALE IS MADE AND ACCEPTED WITHOUT WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WARRANTIES RELATING TO (i) TITLES TO

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker
David L. Wacker, Attorney-in-fact -

AMOCO PRODUCTION COMPANY

By: _____
Printed Name: _____
Title: _____

ATLANTIC RICHFIELD COMPANY

By: _____
Printed Name: _____
Title: _____

CHEVRON U.S.A. INC.

By: _____
Printed Name: _____
Title: _____

ASSIGNEE:

Buyers Name

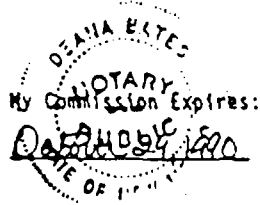
STATE OF NEW MEXICO

COUNTY OF San

THE foregoing instrument was acknowledged before me this 25th day of August, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 25th day of August, 1989.

Diana Bates
Notary Public



STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: _____

Printed Name: _____

Title: _____

ATLANTIC RICHFIELD COMPANY

By: James H. Perkins Jr.

Printed Name: James H. Perkins Jr.

Title: Attorney-in-Fact

CHEVRON U.S.A. INC.

By: _____

Printed Name: _____

Title: _____

ASSIGNEE:

Buyers Name

STATE OF NEW MEXICO

COUNTY OF _____

THE foregoing instrument was acknowledged before me this _____ day of _____, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF TEXAS

COUNTY OF Midland

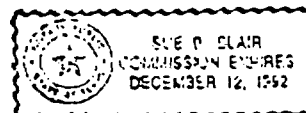
The foregoing instrument was acknowledged before me this 22nd day of August, 1989, by James M. Perkins ~~Attorney-in-Fact~~ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 22nd day of August, 1989.

Sue D. Blair
Notary Public

My Commission Expires:

12-12-92



THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25th day of August, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

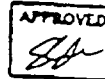
By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: J. H. Tharp

Printed Name: J. H. Tharp

Title: Attorney - In - Fact



ATLANTIC RICHFIELD COMPANY

By: _____

Printed Name: _____

Title: _____

CHEVRON U.S.A. INC.

By: _____

Printed Name: _____

Title: _____

ASSIGNEE:

Buyers Name

STATE OF NEW MEXICO

COUNTY OF _____

THE foregoing instrument was acknowledged before me this _____ day of _____, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

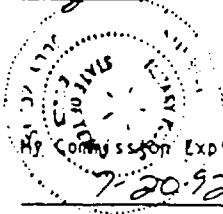
My Commission Expires:

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 25th day of August, 1989, by J. H. Hays, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 25th day of August, 1989.



Sherrial N. Johnson
Notary Public
Sherrial N. Johnson

My Commission Expires:
7-20-92

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

THE SUBJECT PROPERTY AND (ii) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided. Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: _____

Printed Name: _____

Title: _____

ATLANTIC RICHFIELD COMPANY

By: _____

Printed Name: _____

Title: _____

CHEVRON U.S.A. INC.

By: [Signature]

Printed Name: D. H. MESSER

Title: ASSISTANT SECRETARY

ASSIGNEE:

Buyers Name [Signature]
Doyle Hartman

Chevron Approval
dated September 8, 1989

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me this 8th day of September, 1989, by D. H. MESSER, ASSISTANT SECRETARY of CHEVRON U.S.A. INC., a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 8th day of September, 1989.



[Signature]
Notary Public

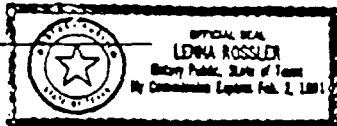
STATE OF TEXAS

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 12th day of September, 1989, by DALE HARTMAN.
Given under my hand and official seal of office, this 12th day of September, 1989.

[Signature]
Notary Public

My Commission Expires:



Chevron Approval
dated September 8, 1989

EXHIBIT "A"
TO ASSIGNMENT AND BILL OF SALE
DATED _____, 1989

CONOCO
LEASE NO: 17993

NAME: Britt Federal - MKA
Well Nos. 6, 7, and 8

LESSOR: U.S.A. (LC-031621 (a))

LESSEE: Harry M. Britt

DATE: February 10, 1936

RECORDING: unrecorded in County

LANDS COVERED: T20S-R37E, Lea Co., NM
Section 7: SE4SW4, W2SE4

- Surface to Base Eunice Monument Grayburg San Andres (5,105') as identified by Schlumberger's Electrical log on Anderson Pritchard Oil Corporation's Britt No. 13, located 2310' FSL and 1650' FEL, Section 7, T20S, R37E, Lea County, New Mexico and dated August 30, 1955.
- This acreage, 120 acres, is part of an existing 320 acre gas proration unit approved by the New Mexico Oil and Gas Conservation Commission. This Assignment and Bill of Sale DOES NOT include any interest in the remaining 200 acres in the proration unit described as the W/2NE/4, E/2NW/4 and the NESW of Section 7, T20S, R37E, Lea County, New Mexico.

Burdens:

Royalty: 12.5% (Sliding Scale)
ORRI: 7.5%

SUBJECT TO:

C-No. 3322 - Drilling and Farming out Contract dated February 13, 1935 between Continental Oil Company, et al and R. H. Henderson recorded at Book 13, Page 3 in Lea County Courthouse, Lea Co., NM.

C-No. 3564 - Joint Operating Agreement dated July 1, 1935, as amended, by and between Continental Oil Co., The California Co., Stanolind Oil and Gas Co. and Atlantic Oil Producing Co. (NMFU)

Gas Contract No. 4037 dated July 17, 1948, as subsequently amended, By and Between Continental Oil Company (now Conoco Inc.), Standard Oil Company of Texas (now Chevron USA Inc.) The Atlantic Refining Company (now ARCO Oil and Gas Company, a Division of Atlantic Richfield), and Stanolind Oil and Gas Company (now Amoco Production Company) as "Seller" and El Paso Natural Gas Company as "Buyer."

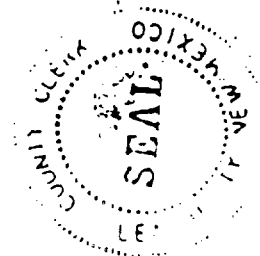
(Please be advised that the contract with El Paso Natural Gas Company is subject to a conditional abandonment pursuant to FERC Order No. 490)

Rollover Gas Contract No. 131 dated January 12, 1984, as subsequently amended, By and Between Conoco Inc., as "Seller" and Warren Petroleum Company, a Division of Gulf Oil Corporation (now Chevron USA Inc.) as "Buyer".

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

SEP 15 1989

at 11:49 o'clock A. M.
and recorded in Book _____
Page _____
Sherry Hooper, Lea County Clerk
By Sherry Hooper Deputy



51870

ATTEST:

Certified this 24th day of Sept.
19 91, as a true and correct copy of
the original on file in this office.

PAZ CHAPPELLE, LEA COUNTY CLERK

Patti Bridgforth Deputy

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

L-17993

FORM APPROVED
OMB NO. 1004-0034
Expires: August 31, 1989

TRANSFER OF OPERATING RIGHTS (SUBLEASE) IN A
LEASE FOR OIL AND GAS OR GEOTHERMAL RESOURCES

Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.)
Act for Acquired Lands of 1947 (30 U.S.C. 351-359)
Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025)
Department of the Interior Appropriations Act, Fiscal Year 1981 (42 U.S.C. 6508)

Lease Serial No.

LC-031621(a)

Type or print plainly in ink and sign in ink.

PART A: TRANSFER

1. Transferee (Sublessee)* DOYLE HARTMAN
Street P. O. Box 10426
City, State, ZIP Code Midland, TX 79702

*If more than one transferee, check here ☐ and list the name(s) and address(es) of all additional transferees on the reverse of this form or on a separate attached sheet of paper.

This transfer is for: (Check one) ☒ Oil and Gas Lease, or ☐ Geothermal Lease

Interest conveyed: (Check one or both, as appropriate) ☒ Operating Rights (sublease) ☐ Overriding Royalty, payment out of production or other similar interests or payments

2. This transfer (sublease) conveys the following interest:

Land Description	Percent of Interest			Percent of Overriding Royalty or Similar Interests	
	Owned	Conveyed	Retained	Reserved	Previously reserved or conveyed
a	b	c	d	e	f
Township 20 South, Range 37 East, Lea Co., NM Section 7: SE/4SW/4, W/2SE/4 Surface to the base Eunice Monument Grayburg San Andres (5,105') as identified by Schlumberger's Electrical log on Anderson Pritchard Oil Corp's. Britt #13, located 2310' FSL & 1650' FEL, Sec. 7, T20S R37E, Lea Co., NM and dated August 30, 1955.	50%	50%	-0-	-0-	7.5%

FOR BLM USE ONLY—DO NOT WRITE BELOW THIS LINE

THE UNITED STATES OF AMERICA

This transfer is approved solely for administrative purposes. Approval does not warrant that either party to this transfer holds legal or equitable title to this lease.

OCT 1 1989

NOV 6 1989

☐ Transfer approved effective

By Doyle Hartman
(Authorized Officer)

NOV 1 1989

(Title)

(Date)

PART B: CERTIFICATION AND REQUEST FOR APPROVAL

1. The transferor certifies as owner of an interest in the above designated lease that he/she hereby transfers to the above transferee(s) the rights specified above.
2. Transferee certifies as follows: (a) Transferee is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or territory thereof. For the transfer of NPR-A leases, transferee is a citizen, national, or resident alien of the United States or associations of such citizens, nationals, resident aliens or private, public or municipal corporations, (b) Transferee is not considered a minor under the laws of the State in which the lands covered by this transfer are located; (c) Transferee's chargeable interests, direct and indirect, in either public domain or acquired lands, do not exceed 200,000 acres in oil and gas options or 246,080 in oil and gas leases in the same State, or 300,000 acres in leases and 200,000 acres in options in each leasing District in Alaska, if this is an oil and gas lease issued in accordance with the Mineral Leasing Act of 1920 or 51,200 acres in any one state if this is a geothermal lease; and (d) All parties holding an interest in the transfer are otherwise in compliance with the regulations (43 CFR Group 3100 or 3200) and the authorizing Acts. (e) Transferee is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (f) Transferee is not in violation of sec. 41 of the Mineral Leasing Act.
3. Transferee's signature to this assignment constitutes acceptance of all applicable terms, conditions, stipulations and restrictions pertaining to the lease described herein. Applicable terms and conditions include, but are not limited to, an obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any operations as described in the lease, and to furnish and maintain such bond as may be required by the lessor pursuant to regulations 43 CFR 3104, 3134, or 3206.

For geothermal transfers, an overriding royalty may not be less than one-fourth (1/4) of one percent of the value of output, nor greater than 50 percent of the rate of royalty due to the United States when this transfer is added to all previously created overriding royalties (43 CFR 3241).

I certify that the statements made herein by me are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this _____ day of _____, 19 _____

Name of Transferor Comco Inc
Please type or print

Transferor _____
or _____ (Signature)
Attorney-in-fact David C. Strope
(Signature)

PO Box 460
(Transferor's Address)
Helena MT 59620
(City) (State) (Zip Code)

Executed this 12th day of September, 1989

Transferee Daugh Hart
or _____ (Signature)

Attorney-in-fact _____
(Signature)

ATTACHMENT SIGNATURES TO
BLM FORM OF ASSIGNMENT

USA Lease No. LC-031621(e)

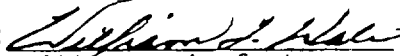
dated _____, 1989

I certify that the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

TRANSFERORS

P.O. Box 3092
Houston, TX 77253

AMOCO PRODUCTION COMPANY

BY: 
Attorney-in-fact

P.O. Box 1610
Midland, TX 79702

ATLANTIC RICHFIELD COMPANY

BY: _____
Attorney-in-fact

P.O. Box 1635
Houston, TX 77251

CHEVRON U.S.A., INC.

BY: _____
Assistant Secretary

ATTACHMENT SIGNATURES TO
BLM FORM OF ASSIGNMENT

USA Lease No. LC-031621(R)

dated _____, 1989

I certify that the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

TRANSFERORS

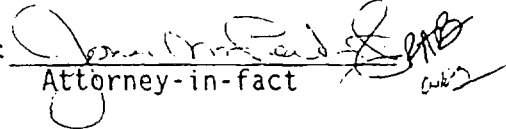
P.O. Box 3092
Houston, TX 77253

AMOCO PRODUCTION COMPANY

BY: _____
Attorney-in-fact

P.O. Box 1610
Midland, TX 79702

ATLANTIC RICHFIELD COMPANY

BY: 
Attorney-in-fact

P.O. Box 1635
Houston, TX 77251

CHEVRON U.S.A., INC.

BY: _____
Assistant Secretary

ATTACHMENT SIGNATURES TO
BLM FORM OF ASSIGNMENT

USA Lease No. _____

dated _____, 1989

I certify that the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

TRANSFERORS

P.O. Box 3092
Houston, TX 77253

AMOCO PRODUCTION COMPANY

BY: _____
Attorney-in-fact

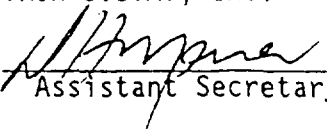
P.O. Box 1610
Midland, TX 79702

ATLANTIC RICHFIELD COMPANY

BY: _____
Attorney-in-fact

P.O. Box 1635
Houston, TX 77251

CHEVRON U.S.A., INC.

BY:  _____
Assistant Secretary



Union Texas Petroleum

September 9, 1991

1330 Post Oak Boulevard
P.O. Box 2120
Houston, Texas 77252
(713) 623-6544

WORKING INTEREST OWNERS

RE: GAS BALANCING STATEMENTS
EUMONT (MONUMENT) FIELD
BRITT #3, #A-6 AND #12 WELLS
LEA COUNTY, NEW MEXICO

Gentlemen:

The attached balancing statements have been revised to reflect the following assignments.

- 1) Britt #3 and #12 Wells:
Amoco, Arco, Conoco and Chevron assigned an 18.75% working interest to Hartman effective September 1, 1989.
- 2) Phillips assigned a 21.875% working interest to Hartman and a 3.125% working interest to Davidson effective June 1, 1991.

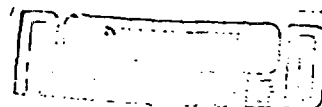
If you have any questions concerning the revision of the attached statements for these assignments please call me at (713) 968-3618.

Sincerely,

David F. Black
Natural Gas Marketing

DFB:dma

DB-50



SEP 11 1991

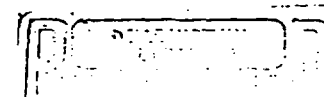
UNION TEXAS PETROLEUM CORP
 GAS BALANCING - JULY, 1991
 BRITT #3 WELL
 RUMONT FIELD
 LBA CO., NM

CURRENT MONTH:

Deliveries to El Paso 0 MCF
 Deliveries to Northern 4,495
 Deliveries to Phillips 0

 4,495

Working Interest Owners	Ownership Interest	Entitlement	0 Sales	Current Under/(Over)	Beginning Under/(Over)	Cumulative Under/(Over)
Amoco	7.81250%	351	0	351	8,244	8,595
Arco	7.81250%	351	0	351	(17,648)	(17,296)
Chevron	7.81250%	351	0	351	72,879	73,231
Conoco	7.81250%	351	0	351	(17,648)	(17,296)
Hartman	43.58725%	1,959	533	1,427	40,384	41,811
Fletcher	0.03255%	1	6	(4)	(121)	(126)
Davidson	4.16667%	187	187	(0)	(3,598)	(3,598)
Burr	0.03255%	1	6	(4)	(121)	(126)
Herny	0.06510%	3	12	(9)	(242)	(251)
Phillips Petro	0.00000%	0	0	0	(4,419)	(4,419)
Sutton	0.03255%	1	6	(4)	(121)	(126)
Union Texas	20.83333%	936	3,746	(2,809)	(77,590)	(80,399)
Total Sales	100.00000%	4,495	4,495	(0)	0	0



SEP 11 1991

UNION TEXAS PETROLEUM CORP
GAS BALANCING - JULY, 1991
BRITT #12 WELL
BUXMONT FIELD
LEA CO., NM

CURRENT MONTH:

Deliveries to El Paso	0 MCF
Deliveries to Northern	9,462
Deliveries to Phillips	0
Deliveries to Spot Mkt	0

9,462

Working Interest Owners	Ownership Interest	Entitlement	Current Month Sales	Current Under/(Over)	Beginning Under/(Over)	Cumulative Under/(Over)
-----	-----	-----	-----	-----	-----	-----
Amoco	14.98128%	1,418	0	1,418	4,827	6,244
Arco	14.98128%	1,418	0	1,418	4,826	6,243
Chevron	14.98128%	1,418	0	1,418	5,393	6,810
Conoco	14.98128%	1,418	0	1,418	4,826	6,243
Hartman	0.00000%	0	0	0	385	385
Fletcher	0.06241%	6	15	(9)	(31)	(40)
Davidson	0.00000%	0	0	0	(54)	(54)
Burr	0.06241%	6	15	(9)	(31)	(40)
Wernmyr	0.00000%	0	0	0	(3)	(3)
Phillips Petro	0.00000%	0	0	0	(227)	(227)
Sutton	0.00000%	0	0	0	(1)	(1)
Union Texas	39.95006%	3,780	9,433	(5,652)	(19,909)	(25,562)
-----	-----	-----	-----	-----	-----	-----
Total Sales	100.00000%	9,462	9,462	(0)	(0)	(0)
=====	=====	=====	=====	=====	=====	=====

1/1 x 5.9247
2.9622 x 18.75

UNION TEXAS PETROLEUM CORP
 GAS BALANCING - JULY, 1991
 BRITT A-6 WELL
 HUNOMT FIELD
 LEA CO., NM

CURRENT MONTH:

NORTHERN	1,280 MC?
PHILLIPS	0

	1,280
	=====

Working Interest Owners	Ownership Interest	Entitlement	Current Month Sales	Current Under/(Over)	Beginning Under/(Over)	Cumulative Under/(Over)
-----	-----	-----	-----	-----	-----	-----
Hartman	49.67447%	636	152	484	(881)	(397)
Fletcher	0.06510%	1	2	(1)	(48)	(49)
Davidson	8.33333%	107	53	53	(1,042)	(989)
Burr	0.06510%	1	2	(1)	(48)	(49)
Kernyr	0.13020%	2	3	(2)	(96)	(93)
Phillips Petro	0.00000%	0	0	0	33,024	33,024
Sutton	0.06510%	1	2	(1)	(48)	(49)
Union Texas	41.66670%	533	1,067	(533)	(30,860)	(31,393)
-----	-----	-----	-----	-----	-----	-----
Total Sales	100.00000%	1,280	1,280	0	(0)	(0)
	=====	=====	=====	=====	=====	=====

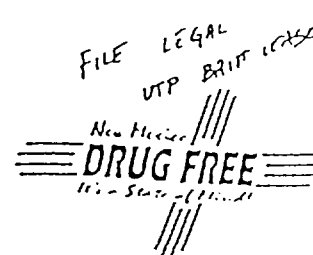
SEP 11 1991

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

October 11, 1991

POST OFFICE BOX 2068
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5600Mr. Doyle Hartman
Oil Operator
P. O. Box 10426
Midland, Texas 79702Re: Order R-5448
W/2 E/2 and E/2 W/2 of Sec. 7,
T-20-S, R-37-E

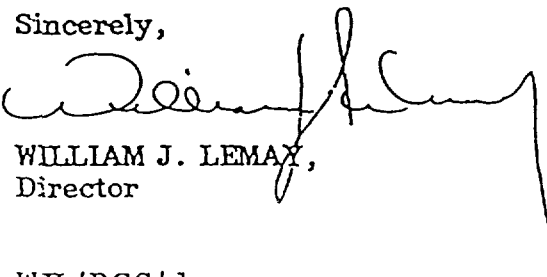
Dear Mr. Hartman:

We received your letter of October 8, 1991, requesting the Division to cancel the allowable granted to the Britt No. 3 and No. 12 Wells. You are correct that the W/2 of the E/2 and the E/2 of the W/2 of Section 7 are an approved non-standard proration unit. It is also correct that that proration unit is simultaneously dedicated to the Britt Wells Nos. 3 and 12, both of which are at approved unorthodox locations. Therefore it would be correct that all production from either or both of those wells should be allocated to the interest owners in the entire proration unit.

However, it appears that from Division records that these wells are being fully operated in accordance with the rules and regulations of the Division. Any dispute between Doyle Hartman and Union Texas Petroleum and Meridian Oil is contractual and the Oil Conservation Division does not have the jurisdiction or authority to enter into or resolve such disputes. Nor does the Division have the authority to cancel the allowable of the well based upon a private contract dispute.

Therefore your request to cancel the allowable for this proration unit is hereby denied.

Sincerely,


WILLIAM J. LEMAX,
Director

WJL/RGS/dr

cc: Jerry Sexton
OCD - Hobbs

[OCT 21 1991]

History: Laws 1935, ch. 72, § 12; 1941 Comp., § 69-213; Laws 1949, ch. 168, § 12; 1953 Comp., § 65-3-13; Laws 1977, ch. 255, § 50; 1985, ch. 6, § 1.

Cross-references. — As to duties of oil conservation division, see 70-2-6 NMSA 1978.

Meaning of "this act". — See same catchline in notes to 70-2-3 NMSA 1978.

New proration formula to be based on recoverable gas. — Lacking a finding that a new gas proration formula is based on amounts of recoverable gas in pool and under tracts, insofar as these amounts can be practically determined and obtained without waste, a supposedly valid order in current use cannot be replaced. Such findings are necessary requisites to validity of the order, for it is upon them that the very power of the commission to act depends. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Findings required before correlative rights ascertained. — In order to protect correlative rights, it is incumbent upon commission to determine, "so far as it is practical to do so," certain foundational matters, without which correlative rights of various owners cannot be ascertained. Therefore, the commission, by "basic conclusions of fact" (or what might be termed "findings"), must determine, insofar as practicable: (1) amount of recoverable gas under each producer's tract; (2) total amount of recoverable gas in the pool; (3) proportion that (1) bears to (2); and (4) what portion of arrived at proportion can be recovered without waste. That extent of correlative rights must first be determined before commission can act to protect them is manifest. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Relationship between prevention of waste and protection of correlative rights. — Prevention of waste is of paramount interest to legislature and protection of correlative rights is interrelated and inseparable from it. The very definition of "correlative rights" emphasizes term "without waste." However, protection of correlative rights is necessary adjunct to prevention of waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Production must be limited to the allowable even if market demand exceeds that amount, since the setting of allowables was made necessary in order to prevent waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

When Subsection C of this section and 70-2-19E NMSA 1978 are read together, one fact is evident:

even after a pool is prorated, market demand must be determined, since, if allowable production from the pool exceeds market demand, waste would result if allowable is produced. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Commission to prevent drainage between producing tracts. — In addition to making findings to protect correlative rights, commission, "insofar as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage," under the provisions of Subsection C of this section. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Property rights of natural gas owners. — The legislature has stated definitively the elements contained in property right of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Keeping of false records as actionable offense. — The Connally Hot Oil Act (15 U.S.C. § 715 et seq.) applies only to states which have in effect proration statutes for the purpose of preventing waste of oil and gas resources, encouraging conservation of oil and gas deposits, etc., and New Mexico is among those states which has enacted a valid comprehensive oil conservation law; since Connally Act applies to this state, keeping of false records, though not in violation of any New Mexico proration order, constitutes an actionable offense under Connally Act. *Humble Oil & Ref. Co. v. United States*, 198 F.2d 753 (10th Cir.), cert. denied, 344 U.S. 909, 73 S. Ct. 328, 97 L. Ed. 701 (1952).

Law reviews. — For comment on *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962), see 3 *Nat. Resources J.* 178 (1963).

For article, "State Conservation Regulation and the Proposed R-199," see 6 *Nat. Resources J.* 223 (1966).

For comment on geothermal energy and water law, see 19 *Nat. Resources J.* 445 (1979).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 *Am. Jur. 2d Gas and Oil* §§ 161, 164.

Rights and obligations, with respect to adjoining landowners, arising out of secondary recovery of gas, oil, and other fluid minerals, 19 *A.L.R.4th* 1182.

58 *C.J.S. Mines and Minerals* § 240.

70-2-17. Equitable allocation of allowable production; pooling; spacing.

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number

of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the

production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

History: Laws 1935, ch. 72, § 12; 1941 Comp., § 69-213½; Laws 1949, ch. 168, § 13; 1953, ch. 76, § 1; 1953 Comp., § 65-3-14; Laws 1961, ch. 65, § 1; 1973, ch. 250, § 1; 1977, ch. 255, § 51.

Meaning of "this act". — See same catchline in notes to 70-2-3 NMSA 1978.

The terms "spacing unit" and "proration unit" are not synonymous and the commission has power to fix spacing units without first creating proration units. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

Proration formula required to be based on recoverable gas. — Lacking a finding that new gas proration formula is based on amounts of recoverable gas in pool and under tracts, insofar as these amounts can be practically determined and obtained without waste, a supposedly valid order in current use cannot be replaced. Such findings are necessary requisites to validity of the order, for it is upon them that the very power of the commission to act depends. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Findings required before correlative rights ascertained. — In order to protect correlative rights, it is incumbent upon commission to determine, "so far as it is practical to do so," certain foundational matters, without which the correlative rights of various owners cannot be ascertained. Therefore, the commission, by "basic conclusions of fact" (or what might be termed "findings"), must determine, insofar as practicable: (1) amount of recoverable gas under each producer's tract; (2) the total amount of recoverable gas in pool; (3) proportion that (1) bears to (2); and (4) what portion of arrived at proportion can be recovered without waste. That the extent of the correlative rights must first be determined before commission can act to protect them is manifest. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

In addition to making such findings the commission, "insofar as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage," under the provisions of 70-2-16 NMSA 1978. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Four basic findings required to adopt a production formula under this section can be made in language equivalent to that required in previous decision construing this section. *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966) (explaining *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962)).

Although subservient to prevention of waste and perhaps to practicalities of the situation, protection of correlative rights must depend upon commission's (now division's) findings as to extent and limitations of the right. This the commission is required to do under the legislative mandate. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Division found not to have primary jurisdiction over suit seeking an order to join in an oil well free of risk penalty. *Mountain States Natural Gas Corp. v. Petroleum Corp.*, 693 F.2d 1015 (10th Cir. 1982).

Grant of forced pooling is determined on case-to-case basis. — The granting of or refusal to grant forced pooling of multiple zones with an election to participate in less than all zones, the amount of costs to be reimbursed to the operator, and the percentage risk charge to be assessed, if any, are determinations to be made by the commission (now the division) on a case-to-case basis and upon the particular facts in each case. *Viking Petroleum, Inc. v. Oil Conservation Comm'n*, 100 N.M. 451, 672 P.2d 280 (1983).

As to forced pooling of multiple zones with an election to participate in less than all zones. See *Viking Petroleum, Inc. v. Oil Conservation Comm'n*, 100 N.M. 451, 672 P.2d 280 (1983).

Division's findings upheld. — Commission's (now division's) findings that it would be unreasonable and contrary to the spirit of conservation statutes to drill unnecessary and economically wasteful well were held to be sufficient to justify creation of two nonstandard gas proration units, and the force pooling thereof, and were supported by substantial evidence. Likewise, participation formula adopted by commission, which gave each owner a share in production in same ratio as his acreage bore to acreage of the whole, was upheld despite limited proof as to extent and character of pool. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

Relation between prevention of waste and protection of correlative rights. — Prevention of waste is of paramount interest to the legislature and protection of correlative rights is interrelated and inseparable from it. The very definition of "correlative rights" emphasizes the term "without waste." However, protection of correlative rights is necessary adjunct to the prevention of waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Division's authority to pool separately owned tracts. — Since commission (now division)

has power to pool separately owned tracts within a spacing or proration unit, as well as concomitant authority to establish oversize nonstandard spacing units, commission also has authority to pool separately owned tracts within an oversize nonstandard spacing unit. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

Elements of property right of natural gas owners. — The legislature has stated definitively the elements contained in property right of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without

waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Law reviews. — For article, "Compulsory Pooling of Oil and Gas Interests in New Mexico," see 3 *Nat. Resources J.* 316 (1963).

For comment on *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966), see 7 *Nat. Resources J.* 425 (1967).

For comment on geothermal energy and water law, see 19 *Nat. Resources J.* 445 (1979).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 *Am. Jur. 2d Gas and Oil* §§ 159, 161, 164.

38 *C.J.S. Mines and Minerals* §§ 229, 230.

70-2-18. Spacing or proration unit with divided mineral ownership.

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

History: 1953 Comp., § 65-3-14.5, enacted by Laws 1969, ch. 271, § 1; 1977, ch. 255, § 52.

Constitutionality. — Standards of preventing waste and protecting correlative rights, as laid out in 70-2-11 NMSA 1978, are sufficient to allow commission's power to prorate and create standard or nonstandard spacing units to remain intact, and this section is not unlawful delegation of legislative power under N.M. Const., art. III, § 1. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

The terms "spacing unit" and "proration unit" are not synonymous and commission has power to fix spacing units without first creating proration units. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

Authority to pool separately owned tracts. — Since commission has power to pool separately owned tracts within a spacing or proration unit, as well as concomitant authority to establish oversize nonstandard spacing units, the commission also has authority to pool separately owned tracts within an oversize nonstandard spacing unit. *Rutter & Wilbanks Corp.*

v. Oil Conservation Comm'n, 87 N.M. 286, 532 P.2d 582 (1975).

Creation of proration units, force pooling and participation formula upheld. — Commission's (now division's) findings that it would be unreasonable and contrary to spirit of conservation statutes to drill an unnecessary and economically wasteful well were held sufficient to justify creation of two nonstandard gas proration units, and force pooling thereof, and were supported by substantial evidence. Likewise, participation formula adopted by commission, which gave each owner a share in production in same ratio as his acreage bore to the acreage of whole, was upheld despite limited proof as to extent and character of the pool. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

Law reviews. — For comment on geothermal energy and water law, see 19 *Nat. Resources J.* 445 (1979).

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 *Am. Jur. 2d Gas and Oil* §§ 159, 164, 172.

58 *C.J.S. Mines and Minerals* §§ 230, 240.