

COPY

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF EDDY
STATE OF NEW MEXICO

SHACKELFORD, WILBUR L.,

Plaintiff

No. 05-03-CV-84-00558

vs.

BELL, DALTON, et al.,

Defendants.

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT 1

CV-85-189
CV-85-357
CV-85-512
CV-85-383
CV-85-384
CV-85-431
CV-85-249

STATE OF NEW MEXICO)

) SS.

COUNTY OF EDDY)

SPECIAL MASTER'S DEED

In the Judgment Quieting Title, Decreeing Priorities and Providing for Foreclosure of Liens entered on August 26, 1994, in the District Court of Eddy County, New Mexico, in the consolidated suit pending in said court in which Wilbur L. Shackelford and others were the Plaintiffs and Dalton Bell, et. al. were defendants, the same being the Cause Numbers captioned above on the docket of said Court, it was ordered that the property and property rights, described therein be sold at public sale by the Special Master named therein to satisfy the judgment of Arapaho Oil & Gas, Inc.

In accordance with said Judgment, and after publication of notice as required by law, Henry M. Saunders, Special Master, sold said property on November 15, 1994 at 10:00 a.m., on the steps of the Eddy County Courthouse, Carlsbad, New Mexico. Said property is the same property which is described below

marks & Gaener Production Co
PO Box 70
Hobbs NM 88240

RECEPTION
9113002

including all operating rights, royalty interests, mineral interests, and working interest heretofore held by JEM Resources, Inc., Diamondback Petroleum, Dalton Bell and Doris Bell, and Arapaho Oil & Gas, Inc. in such property.

At the sale, the property was sold to Marks & Garner Production Ltd. Co., which made the highest bid received by the Special Master. The Special Master thereafter made his report of sale to the Court, which as been approved and confirmed by the Court.

The Order Approving Special Master's Report and Confirming Foreclosure Sale ordered the Special Master to deliver his Special Master's Deed to Marks & Garner Production Ltd. Co.

Therefore, Henry M. Saunders, Special Master, GRANTS and CONVEYS to Marks & Garner Production Ltd. Co. without warranties, the following described property located in Eddy County, New Mexico, to-wit:

	Working Interest	Net Revenue Interest (Working) - As of <u>the Date of Sale</u>
<u>Lease No. 1</u>		
U.S. LC-037777(a) - surface to 2600' subsurface under T-16-S, R-29-E, N.M.P.M.		
Section 33:		
NE/4, E/2NW/4, NE/2SW/4, SE/4SW/4	100%	.75
Section 33:		
NW/4SW/4 and SW/4SW/4	98%	.735

Lease No. 2

U.S. LC-058594-A - all debts
(without limitation): T-16-S,
R-29-E, N.M.P.M.

Section 33:

NW/4NW/4 and N/2SE/4 100% .80*

* Subject to 5% of 8/8 ORRI below 4000 feet to
Wilbur L. Shackelford

Lease No. 3

U.S. LC-058594-C
Surface to 2,656' subsurface:
T-16-S, R-29-E, N.M.P.M.

Section 33:

S/2SE/4 100% .76

U.S. LC-058594-C
2656' to 3675'
T-16-S, R-29-E, N.M.P.M.

Section 33:

SW/4SE/4 100% .75

U.S. LC-058594-C
2656' to 3650'
T-16-S, R-29-E, N.M.P.M.

Section 33:

SE/4SE/4 100% .75

Lease No. 4

U.S. NM-011331 - surface to
3000' subsurface: T-17-S,
R-29-E, N.M.P.M.

Section 5:

Lot 1 (NE/4NE/4) and
Lot 2 (NW/4NE/4) 100% .875*

* Subject to 2% of working interest owned by
Dale Rogers from surface to 2450' subsurface
in Lot 1 (NE/4NE/4) of Section 5, EXCEPT in
the unitized formation of CAVE POOL UNIT, in
which Dale Rogers has no interest.

Lease No. 5

U.S. L.C. 028480(b) Limited to
the CAVE POOL UNIT only:
T-17-S, R-29-E, N.M.P.M.

Section 5: W/2SW/4;	100%	.825
Section 7: SE/4NE/4	100%	.825

Lease 6

State B-7071 - no depth
limitation: T-17-S,
R-29-E, N.M.P.M.

Section 4: SE/4NW/4, SE/4SW/4	100%	.75
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Lease No. 7

State B-7596 - surface to
3000' subsurface;
T-17-S, R-29-E, N.M.P.M.

Section 4: Lot 2 (NW/4NE/4), SW/4NE/4 and SW/4NW/4; Section 5: NE/4SE/4 and SW/4SE/4	100%	.875
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State B-7596 3000' to 3500'
subsurface
T-17-S, R-29-E

Section 5: NE/4SE/4 and SW/4SE/4	100%	.75
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Lease No. 8

State B-8569 surface to 3000'
subsurface
T-17-S, R-29-E, N.M.P.M.

Section 5: SE/4SW/4	100%	.875
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Lease No. 9

State B-11662 - surface
to 3000' subsurface
T-17-S, R-29-E, N.M.P.M.

Section 4:

Lot 3 (NE/4NW/4), Lot 4

(NW/4NW/4) NE/4SW/4,

SW/4SW/4, W/2SE/4 100%

.75 *

* Lots 3 and 4, are subject to a 2% working interest owned by Dale Rogers from surface to 2450' subsurface, except Dale Rogers has no interest in the unitized formation known as the CAVE POOL UNIT, hereinafter described.

Lease No. 10

State B-11662 surface to

2800' subsurface

T-17-S, R-29-E, N.M.P.M.

Section 4:

Lot 1 (NE/4NE/4), E/2SE/4,

and

Section 3:

SW/4NW/4 100%

.73828

(including all operating rights under Operating Agreement dated June 23, 1958 from Gulf Oil to Bill Shelton and Jess L. Warren)

Lease No. 11

State E-950 - surface to

3000' subsurface

T-17-S, R-29-E, N.M.P.M.

Section 9:

NW/4NW/4 100%

.875

Lease No. 12

State E-950 - surface to

2550' T-17-S, R-29-E,

N.M.P.M.

Section 9:

SE/4NE/4 100%

.875

Lease No. 13

State E-4200 - surface to
3000' subsurface under:
T-17-S, R-29-E, N.M.P.M.

Section 4:
SE/4NE/4;

Section 5:
SE/4NE/4 and NW/4SE/4;

Section 8:
S/2NE/4;

Section 9:
NE/4SE/4 and N/2NE/4 100% .875

State E-4200 - 3000' subsurface
to 3451' subsurface
T-17-S, R-29-E, N.M.P.M.

Section 4:
SE/4NE/4 100% .75

Lease No. 14

State 3-7639 -surface to
3000' subsurface under:
T-17-S, R-29-E, N.M.P.M.

Section 8:
N/2NE/4 100% .875

Lease No. 15

State 3-10163 - surface to
3000' subsurface
T-17-S, R-29-E, N.M.P.M.

Section 5:
SW/4NE/4, SE/4NW/4,
NE/4SW/4 and SE/4SE/4 100% .875

State E-10163 - 3000'
subsurface to 3500'
subsurface T-17-S, R-29-E,
N.M.P.M.

Section 5:
NE/4SW/4 100% .75

Lease No. 13

State E-4200 - surface to
3000' subsurface under:
T-17-S, R-29-E, N.M.P.M.

Section 4:
SE/4NE/4;

Section 5:
SE/4NE/4 and NW/4SE/4;

Section 8:
S/2NE/4;

Section 9:
NE/4SE/4 and N/2NE/4 100% .875

State E-4200 - 3000' subsurface
to 3451' subsurface
T-17-S, R-29-E, N.M.P.M.

Section 4:
SE/4NE/4 100% .75

Lease No. 14

State 3-7639 -surface to
3000' subsurface under:
T-17-S, R-29-E, N.M.P.M.

Section 8:
N/2NE/4 100% .875

Lease No. 15

State 3-10163 - surface to
3000' subsurface
T-17-S, R-29-E, N.M.P.M.

Section 5:
SW/4NE/4, SE/4NW/4,
NE/4SW/4 and SE/4SE/4 100% .875

State E-10163 - 3000'
subsurface to 3500'
subsurface T-17-S, R-29-E,
N.M.P.M.

Section 5:
NE/4SW/4 100% .75

Lease No. 16

State E6353 - the rights
under this lease are limited
to only the unitized formation
of the CAVE POOL UNIT
T-17-S, R-29-E, N.M.P.M.

Section 8:

N/2SW/4, SE/4SW/4 and

NW/4SE/4 67.5%

.485156
(together with an
overriding royalty
interest of .15625)

Lease No. 17

State E-741 - the rights
under this lease are limited
only to the unitized formation
of the CAVE POOL UNIT
T-17-S, R-29-E, N.M.P.M.

Section 7: N/2NE/4; and

Section 8: N/2NW/4,

SE/4NW/4 50%

.40625

Lease No. 18

State E-134 - the rights under
this lease are limited only
to the unitized formation of
the CAVE POOL UNIT T-17-S,
R-29-E, N.M.P.M.

Section 4: NW/4SW/4 100%

.875

The defined "CAVE POOL UNIT" (CPU) is used herein was established by that certain unit agreement dated July 1, 1962, recorded in Book 133 Page 326, et seq. MISC. REC. of Eddy County, New Mexico and was affective as of May 1, 1963. It was approved by the New Mexico Oil Conservation Division on July 25, 1963 and by the United States Geological Survey on April 16, 1963.

The CAVE POOL UNIT covers a unit of area of approximately 1,959.678 acres of land, and the unit agreement covers the "unitized substances", including oil and gas, within the "UNITIZED FORMATION", which is defined as:

"The Premier Sand of the Grayburg Formation in the Guadalupe Series, as found between the subsurface depths of 2374' and 2005', measured from the Kelly Bushing in Continental Oil Company Well State P-4#1 located 1980' from the North line and 660' from the West line of Section 4, T-17-S, R-29-E, N.M.P.M.

The CAVE POOL UNIT exist, as defined above, in the following tracts: T-16-S, R-29-E or that

Section 33: S/2SE4; T-17-S, R-29-E, N.M.P.M.;

Section 3: SW/4NW/4;

Section 5: NE/4, SE/4NW/4, S/2;

Section 9: E/2NE/4, NW/4NE/4, NW/4NW/4, NE/4SE/4;

Section 8: N/2, N/2SW/4, SE/4SW/4, NW/4SE/4; and,

Section 7: E/2NE/4, NW/4NE/4.

The entire CAVE POOL UNIT, as defined above acreage, in the above-described leases is subject to a working interest held by Loury Grieg of .00871178.

TOGETHER with all wells, operating rights, appurtenances and hydrocarbons produced after the effective date.

Lease No. 2 is subject to a 5% of 8/8ths ORRI below 4000 ft. owned by Wilbur L. Shackelford.

Lease Nos. 4 and 9 are subject to a working interest held by Dale Rogers as provided above.

SUBJECT TO all leases, assignments, rights of way and assignments of operating rights of records, and the terms and conditions thereof.

EXECUTED this 28th day of November, 1994, but effective
for all purposes December 1, 1994, at 7:00 a.m.

Henry M. Saunders
HENRY M. SAUNDERS
SPECIAL MASTER

STATE OF NEW MEXICO)
)ss.
COUNTY OF CHAVES)

On this 28 day of November, 1994, personally appeared
before me HENRY M. SAUNDERS, Special Master, who acknowledged
this instrument for the purposes and considerations therein
expressed in his capacity as Special Master.

Maria J. Craig
Notary Public

My Commission Expires:

7:15 - 7:5

STATE OF NEW MEXICO
County of Eddy

FILED NOV 30 1994

FOR
RECORD

at 1:58 P. M., and was duly

recorded in BOOK 204 PAGE 656

of the Records of Eddy County

Karen Davis, County Clerk

By: [Signature] Deputy

