

*Applicant: Johnny G. Jones*

July 15, 1991

Michael Stogner  
Chief Engineer  
Oil Conservation Commission  
State of New Mexico  
P.O. Box 2088  
Sante Fe, NM 87501

10368

Dear Michael,

As of July 1, 1991, I have been made operator of the Moore 34-1 well in the SE/4 of the NE/4 of Section 34, T-24-S, R-34-E, Lea County, New Mexico. The previous operator (BWA Oil & Gas) has been producing the well since June 3, 1991 even though one assignment of a lease from J. Hiram Moore, Ltd had not been recorded.

J. Hiram Moore, Ltd is the lessee (Originally leased from the estate of Stephen Scott Moore) for 16.666% of the acreage in the Moore 34-1 well proration unit.

Richard Moore of J. Hiram Moore, Ltd made a commitment to deliver the assignment of Scott Moore's interest in this section to Midland Phoenix. (See Letter agreement dated March 7, 1989 between Midland Phoenix and Richard L. Moore, representing J. Hiram Moore, Ltd.)

Later Midland Phoenix conveyed all of it's interest in this section to BWA by way of assignment.

Although, BWA has been relying in good faith on J. Hiram Moore, Ltd to deliver the committed assignment, BWA has not been successful in getting J. Hiram Moore, Ltd to deliver the assignment within the last year.

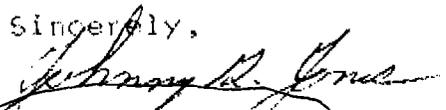
It appears that promises to deliver this assignment will never materialize and it has become necessary that I Force Pool J. Hiram Moore, Ltd in order that those who have invested over \$400,000 in this well will not be prevented from recovering their investment. Additionally, many other royalty owners are desirous that this well be produced without delay.

Jul.16.91 10:56 P.03

I request that you hold a Forced Pooling Hearing on August 8, 1991 for the SE/4 of the NE/4 of Section 34, T-24-S, R-34-E, Lea County, NM. to cover J. 'Hiram Moore, Ltd's interest in all formations from 13,800' to the surface that can be pooled on a 40 acre proration unit in the SE/4 of the NE/4 of this section.

If you have any questions, please feel free to call me at the number below. Thank you.

Sincerely,

  
Johnny G. Jones  
Box 5126  
Midland, TX 79704  
915-684-5132

July 15, 1991

Richard Moore  
J. Hiram Moore, LTD  
310 W. Wall  
Suite 404  
Midland, TX 79702

Dear Richard,

I have tried to get in touch with you for the last week to straighten out this situation regarding what appears to be a forged assignment from J. Hiram Moore, LTD to BWA Oil & Gas.

As you know, it was not until approx 10 days ago that I was made aware, by yourself, that the recorded assignment from J. Hiram Moore, Ltd to BWA Oil & Gas might be a forgery.

At that time, you indicated that you had the signed, original, assignment from J. Hiram Moore, Ltd to BWA Oil & Gas in your possession. You said that it had been waiting for Bill Grillos to pick up at the bank in exchange for \$7,500 but that he had not brought the funds to collect the assignment. You informed me that if I would bring the \$7,500 to you, that you would give me the assignment.

I came over the next day prepared to do as you had asked only to be informed that you now needed an attorney to look over the situation to determine what needed to be done to declare that previous document a forgery. That was two weeks ago.

I have made several attempts to contact you in the past two weeks but my calls have not been returned, although your secretary has indicated that you have received the messages while out of town.

Early this year, I met with you and Bill Grillos in your office to find out what was holding up the assignment of J. Hiram Moore, Ltd's interest in the 200 acres in Section 34 as guaranteed by a letter agreement dated March 7, 1989. (A copy of the letter is attached) You indicated that there was no problem but that you wanted to sell the overriding royalty interest to BWA and include it in any assignment. I asked you, at that time, if you acknowledged your requirement to turn over the assignment (Subject to the overriding royalty and working interest back in provisions) for no cash consideration. You said you did.

Bill claims that he has tried to get you to do this and you have refused without this buyout of the overriding royalty and backin working interest.

Additionally, when I talked with your assistant last week, she claims that you do not now recognize the letter agreement between J. Hiram Moore, Ltd and Midland Phoenix.

I am confused because I am getting contradictory signals from you and others at your office. I feel like you have been playing games with BWA for the past year regarding this assignment and are now doing so with me.

The Moore 34-1 well has been completed in the Strawn formation and has been producing since June 4, 1991 at a rate of less than 100 MCF per day. We have encountered water problems that are inhibiting the wells performance and it is uncertain what kind of a well we have.

So if you feel like you might get a better deal from being forced pooled, then let's get on with it. I know one thing. I am not giving up on this well and will do whatever is necessary to complete the title work and make this well pay the best it can for everyone.

I have already spoken with Robert G. Stoval, General Counsel for the New Mexico Oil Commission about the entire situation. He felt that, due to the circumstances, this interest may be held to a 1/8 royalty until three times payout. Payout is currently over \$400,000 for the Moore 34-1 and may rise if it becomes necessary for us to move up the hole to get the Wolfcamp.

If J. Hiram Moore, Ltd is forced pooled, it will be required to pay the Chartier Estate out of it's own pocket until after three times payout because 1/8 will not cover the Production payment and non-participating royalty commitments that are of record.

Attached is a letter from Johnny G. Jones, (New Operator) regarding the forced pooling hearing set for August 8, 1991 in Sante Fe, New Mexico. You are requested to be there. Once I turn over the money to an attorney, there will be no turning back.

I am going on vacation this weekend and will be going by Sante Fe to hire a lawyer with the \$7,500 that I had intended to pay you, if we can not settle this matter by then.

Sincerely,

*Doc Anderson*

Doc Anderson  
1400 S. Rankin Hwy.  
Suite 25  
Midland, TX 79701

LETTER AGREEMENT

Entered into on this 7th day of March, 1989 between Richard L. Moore and Robert Cannon, terms of agreement as follows:

1. In reference to the interest of Richard Lyons Moore and Michael Harrison Moore (Lessors) in Section 34, T-24-S, R-34-E in Lea County, New Mexico. Lessors agree to lease their interest in the referenced section to Midland Phoenix Corp. by lease form used previously on February 7, 1986 from Richard Lyons Moore, Michael Harrison Moore and Stephen Scott Moore by and through Richard L. Moore his Attorney in-Fact, to G.F. Whitlow. This lease form will be used with the omission of clause #12. Terms for the lease will consist of a primary term of 3 years, 25% Lessor Royalty and a bonus of \$225 per net acre.

2. The interest in the above referenced section of the Estate of Stephen Scott Moore will be leased with the same terms listed in #1 to J. Hiram Moore, Ltd.

3. Should Midland Phoenix Corp propose a well, J. Hiram Moore, Ltd. will have the option to either join in the well or Farm Out it's interest under the following terms:

2 1/2% Overriding Royalty with <sup>THE OPTION TO CONVERT</sup> ~~will be convertible~~ to a 25% Working Interest at Pay Out. *Ra*

4. J. Hiram Moore Ltd will have 30 days in which to exercise it's option to either participate or Farm Out at which point the well must be spud within 90 days or J. Hiram Moore Ltd. will have another 30 day period to exercise this option.

AGREED AND ACCEPTED ON THIS 7TH DAY OF MARCH, 1989

*Richard L. Moore*

Richard L. Moore  
J. Hiram Moore Ltd.

*Robert Cannon*

Robert Cannon  
Midland Phoenix Corp.

OFFICE TELEPHONE  
AREA CODE 915  
682-2504



T. C. TUBB - REALTOR  
1400 SOUTH BIG SPRING ST. SUITE 25  
MIDLAND, TEXAS 79701

TELECOPIER COVER SHEET

TO: Oil Conservation Commission FROM: Johnny G. Jones  
Dee Anderson

ATTN: Michael Stagner DATE: 7/16/91

RE: Forced Pooling Hearing TELECOPIER # 1-505-827-5741

WE ARE SENDING FROM THE FOLLOWING MACHINE: TA ADLER ROYAL FX 910

COMMENTS:

NUMBER OF PAGES: 6 INCLUDING COVER SHEET

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IF YOU DID NOT RECEIVE ALL OF THE PAGES, PLEASE CALL (915) 682-2504

OUR TELECOPIER NUMBER IS (915) 682-2505

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DATE 07/03/91,CLOCK 13/02/25

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// JOB 003NDSRC BOND SEARCH FOR DESIRED OPERATOR CODE
* STEP 1 PRINT STATISTICAL WELL LIST OF SELECTED OPERATOR
// ASSIGN SYS022,SYSLST
1T20I SYS022 HAS BEEN ASSIGNED TO X'FEE' (TEMP)
// DLBL IJYSYCT,'VSAM.MASTER.CATALOG',,VSAM
// DLBL IJYSYU1,'USER.VSAM.CATALOG.ONE',,VSAM,CAT=IJYSYCT
// DLBL IJYSYU2,'USER.VSAM.CATALOG.TWO',,VSAM,CAT=IJYSYCT
// DLBL SYS026,'OCD.STAT.WELL.SE',,VSAM,CAT=IJYSYU1
// DLBL SYS015,'OCD.STAT.WELL.NW',,VSAM,CAT=IJYSYU1
// DLBL SYS011,'OCD.MASTER.OPER',,VSAM,CAT=IJYSYU2
// EXEC BONDSRCH,SIZE=64K
```



DATE 07/08/91,CLOCK 13/02/28

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// JOB OCBNDSRC BOND SEARCH FOR DESIRED OPERATOR CODE
* STEP 1 PRINT STATISTICAL WELL LIST OF SELECTED OPERATOR
// ASSGN SYS022,SYSLST
1T20I SYS022 HAS BEEN ASSIGNED TO X'FEE' (TEMP)
// DLBL IJYSYCT,'VSAM.MASTER.CATALOG',VSAM
// DLBL IJYSU1,'USER.VSAM.CATALOG.ONE',VSAM,CAT=IJYSYCT
// DLBL IJYSU2,'USER.VSAM.CATALOG.TWO',VSAM,CAT=IJYSYCT
// DLBL SYS026,'OCD.STAT.WELL.SE',VSAM,CAT=IJYSU1
// DLBL SYS015,'OCD.STAT.WELL.NW',VSAM,CAT=IJYSU1
// DLBL SYS011,'OCD.MASTER.OPER',VSAM,CAT=IJYSU2
// EXEC BONDSRCH,SIZE=64K
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