

MURPHY OPERATING CORPORATION UNITED BANK PLAZA, SUITE 300



UNITED BANK PLAZA, SUITE 300 400 NORTH PENNSYLVANIA AVENUE POST OFFICE BOX 2648 ROSWELL, NEW MEXICO 88202-2648

TELEPHONE 505 623-7210

December 12, 1985

Mr. Francis R. Cherry, Jr.
District Manager
Bureau of Land Management
Roswell District Office
United States Department of the Interior
Post Office Box 1397
Roswell, New Mexico 88202-1397

Attention: Mr. Armando Lopez

Mr. Ray D. Graham, Director State Land Office Oil and Gas Division Post Office Box 1148 Santa Fe, New Mexico 87504-1148

Mr. Richard L. Stamets, Director State of New Mexico Oil Conservation Division Post Office Box 2088 Santa Fe, New Mexico 87501

> Re: 1986 Plan of Operation Bluitt San Andres Unit Roosevelt County, New Mexico

Gentlemen:

Murphy Operating Corporation, as designated unit operator for the Bluitt San Andres Unit Area, Roosevelt County, New Mexico, pursuant to the provisions of \$11 of the Unit Agreement, respectfully submits for your consideration and approval this plan of operation for the secondary recovery of oil by waterflood on the subject unitized land.

I. Proposed Plan of Operation for 1986.

We propose the initiation of a 320-acre pilot injection program during the second half of 1986. This plan which is set out on the attached map ("Supplemental Waterflood Survey, Bluitt San Andres Field") includes:

- 1. Development of a satisfactory water source;
- 2. Construction of necessary production and injection facilities;
- 3. Clean out, certain remedial and conformance work and the return to production of the following wells (marked in red):

	Name of Current Operator	Name of Well		Location
(-)	M = lo Occuption Communication	Window a book a la	JL C	W 10 90 27E
(a)	Murphy Operating Corporation	.	#5	M-12-8S-37E
(b)	Murphy Operating Corporation	Baetz KGS	#1	E-13-8S-37E
(c)	Murphy Operating Corporation	Baetz Federal	#3	H-13-8S-37E
(d)	Murphy Operating Corporation	Baetz Federal	<i>‡</i> 4	C-13-8S-37E
(e)	Murphy Operating Corporation	Baetz Federal	<i>#</i> 5	N-13-8S-37E
(f)	Murphy Operating Corporation	Bluitt Federal	#2	J-13-8S-37E
(g)	Murphy Operating Corporation	Shaw Federal	#1	L-18-8S-38E
(h)	Murphy Operating Corporation	Shaw Federal	#2	M-18-8S-38E
(i)	Murphy Operating Corporation	Roden Federal	#2	C-19-8S-38E
(j)	Murphy Operating Corporation	McCaw Federal	#1	A-24-8S-37E
(k)	Tom L. Ingram	Federal E	#1	C-24-8S-37E
(1)	Tom L. Ingram	Federal E	#2	B-24-8S-37E
(m)	Baumgartner Oil Company	U.S.A.	#1	B-19-8S-38E
(n)	Rhonda Operating Company	Roden Federal	#1	E-18-8S-38E
(o)	Rhonda Operating Company	Roden Federal	#2	D-19-8S-38E;

Conversion of the following wells to injection service (marked in blue):

	Name	of Current	Operator	Name of Well		Location
(a)	Murphy	Operating	Corporation	Baetz Federal	#1	G-13-8S-37E
(b)	Murphy	Operating	Corporation	Baetz Federal	#2	K-13-8S-37E
(c)	Murphy	Operating	Corporation	Bluitt Federal	#1	I-13-8S-37E
(d)	Murphy	Operating	Corporation	Bluitt Federal	#3	0-13-8S-37E

II. Further Development.

Additional development will be proposed as dictated by results of the pilot.

III. Modifications.

This plan of operation may be modified or supplemented during the year with your approval to meet changed conditions or to protect the interest of all parties to the Unit Agreement.

We would greatly appreciate your assistance in expediting the approval of our Plan of Operation. Should you have any questions or comments, please contact the undersigned.

Sincerely,

MURPHY OPERATING CORPORATION Designated Unit Operator for the Bluitt San Andres Unit Area

A. J. Murphy

A. J. Murphy, Esq. Chairman of the Board and Chief Executive Officer

AJM/fnr

Attachment: "Supplemental Waterflood Survey, Bluitt San Andres Field" map.

cc: Ms. Melba Carpenter State of New Mexico Oil Conservation Division Hobbs District Office Post Office Box 1980 Hobbs, New Mexico 88240

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	OMION SIMIS MONON	•	FED-174 UNION F REDFORD F REDFORD F REDFORD ARENIEN APEXCO NOCH		NOCH FED		The state of the s
ANSWARE	HTW-M2.N.G.	PAUL SAMS (17)	FED-17 TENNECO	<u> </u>	6.45×EW-1.E.D.	E	SCALE Co. Strong Co. S
MWJ WEINER	U S A MARGATAL	Medina.t	FED-19 BAIMSARINER	SARBERA TINNECO	YATES	R 38	
	4.174.24 6.19/45.17 6.19/46.4	MATRIA CORP (IB)	STAW / ED RHYDDA MURPHY	AACHW FED MONEY FED MODEN FED BY TINNELD P	M. 3. FEO		TER FLOOD SURVEY US CORPORATION VORES) FIELD Y, NEW MEXICO MAP
(12)	MURPHY OPERATING CORP	(13) #42772-720 (14) #448747 OPER CORP	BAETZ-FED BUSHTY RED INGRAM MURRAYY	д сым. сым. сым. сым. сым. сым. сым. сым.	A DOK WE - 10		SUPPLEMENTAL WATER FLOOD SURVEY MURPHY OPERATING CORPORATION BLUIT (SAN ANORES) FIELD HOSSEVELT COUNTY, NEW WEXICO FIELD MAP
*	MURPHY OPER CORP	○	INGRAM BASE	INGRAM	(F)	R 37 E	REPAIDT) 14 TER PAIDT) 15 TER PAIDT) 15 TER PAIDT)
MAHATHON (I)	STANGAL	(Q)	SPE4M3 MURPHY OFER CORP	MCINTYRE (23)	8 8 9		* PROGRAM WILL * PROGRAM WILL * PROGRAM WILL * SA MILL * GAS MILL * SA M
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Treating Chemicals, Inc.

P. O. BOX 728 LOVINGTON, NM 88260 • PHONE (505) 396-5674

WATER ANALYSIS REPORT

Company Murphy Operati	ng Corpor	Date Sampled 12-5-85		
Field Bluitt		County -		
Lease Baetz Federal			State N.	М.
Well_#2	· · · · · · · · · · · · · · · · · · ·		Formatio	n San Andreas
Type of Water Produced	<u> </u>		Water, B	/ D
Sampling Point Well Hea	ıd		Sampled	By Blackwell
DISSOLVED SOLIDS				OTHER PROPERTIES
CATIONS	mg/1	m	leq/1	pH 5.6
Sodium, Na+(Calc)	55,039	÷ 23	2393	Specific Gravity
Calcium, Ca++	16600	÷ 20	830	1.150
Magnesium, Mg++	4666	÷ 12.2	382	H ₂ S Pos.
Barium, Ba++		÷ 68.7		Total Dissolved
Iron, Fe (Total)	3			Solids 204,467
	•			Total Hardness
				60,700
ANIONS .				
Chloride, Cl-	127,500	÷ 35.5	3592	
Sulfate, So ₄ =	375	÷ 48	8.	
Carbonate, Co ₃ =	_	÷ 30		
Bicarbonate, HCo ₃ -	293	÷ 61	.5	
			· · · · ·	
Remarks and Recommenda	tions		· · · · · · · · · · · · · · · · · · ·	
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PERMIAN Treating Chemicals, Inc.

P. O. BOX 728 LOVINGTON, NM 88260 PHONE (505) 396-5674

WATER ANALYSIS REPORT

Company Murphy Operating Corporation Date Sampled 12-5-85						
Field Bluitt				County		
Lease Bluitt Federal	 			State <u>N.N</u>	1.	
Well_#2				Formatio	n <u>San Andreas</u>	
Type of Water <u>Produced</u>				. Water, B	/D	
Sampling Point Well Hea	ad		·	Sampled	By Blackwell	
DISSOLVED SOLIDS					OTHER PROPERTIES	
CATIONS	mg/l		II	eq/l	pH5.4	
Sodium, Na+(Calc)	54,510	•	23	2370	Specific Gravity	
Calcium, Ca++	16,760	+	20	838	1.150	
Magnesium, Mg++	5,006	. ÷	12.2	410	H ₂ S Pos.	
Barium, Ba++		. ÷	68.7		Total Dissolved	
Iron, Fe (Total)	4	•	٠		Solids204935	
		•			Total Hardness	
					62,500	
ANIONS						
Chloride, Cl-	128,000	. ÷	35.5	3606		
Sulfate, So ₄ =	350	. ÷	48	7.		
Carbonate, Co ₃ =		. ÷	30	<u> </u>		
Bicarbonate, HCo ₃ -	305	. ÷	61	5		
		-				
Remarks and Recommenda	tions			•		
				•		

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Baetz Federal #1 G Section 13-T8S-R37E 1980' FNL & 1980' FEL Elevation 3999.4 GR	Bluitt Federal #3 0 Section 13-T8S-R37E 660' FSL & 1980' FEL Elevation 3997' GR	Bluitt Federal #2 J Section 13-T8S-R37E 1980' FSL & 1980' FEL Elevation 3997.5 GR	Bluitt Federal #1 I Section 13-T8S-R37E 1980' FSL & 660" FEL Elevation 3991.3 GR	Well Name & Location
IP	IP	ъ	IP	Well Type*
292.53' 8 5/8" 24# in 12 1/4" hole cmt. w/150 sks cmt. Circ to surf. 4783.67' 4 1/2" 9.5# J-55 in 7 7/8" hole Cmt.w/200sks TOC 4030'by CBL	402' 8 5/8" 24# 12 1/4" hole 325 sxs cmt. Circ to surf.4750' 4 1/2" 10/.5# 1300 sxs cmt. Circ 240 sxs to surf.	286' 8 5/8" 20# 12 1/4" hole 175 sxs cmt. Circ to surf.4694' 5 1/2" 14# 275 sxs cmt TOC 3850'by CBL	295' 8 5/8" 20# 12 1/4" hole 150 sxs cmt.Circ to surf.4756' 5 1/2" in 7 7/8" hole 275 sks cmt TOC 3850' by CBL	Casing Record
12/6 68 12/26 68	10/2 77 11/11 77	12/10 68 12/22 68	10/1 68 10/17 68	Date Drlg. & Comp.
5050' PB TD 4788"	4750'	4694'	4756'	Total Depth
1 JSPF 4649,4649 1/2,4655, 4655 1/2,4661,4661 1/2,4667, 4667 1/2,4671, 4671 1/2,4675 4675 1/2,4679,4679 1/2	1 JSPF 4640, 4642, 4644, 4646, 4648, 4650, 4652, 4654 4656, 4658, 4660, 4662, 4664 4666, 4668, 4670	1 JSPF 4645, 4648, 4651, 4657, 4658, 4664, 4667, 4669	l JSPF at selected intervals from 4661'-4680' 9 holes	Perforations/Open Hole
Acidize w/6000 gal of 15% DS-30	Acidize w/16000 gal 20% Hcl-Ne & 1000 gal Xylene	Acidize w/9000 gal 15% Hcl	Acidize with 3000 gal 15% DS-30	Completion
2 3/8"4.7# J-55 PVC lined set approx. 4550'	2 3/8"4.7# J-55 PVC lined set approx. 4550'	2 3/8"4.7# J-55 PVC lined set approx. 4550'	2 3/8" 4.7# J-55 PVC lined set approx 4550'	Proposed Downhole Tubing
4 1/2" Uni-I packer set approx. 4553'	4 1/2" Uni-I packer set approx. 4553'	5 1/2" Uni-I packer set approx. 4553'	5 1/2" Uni-I packer set approx. 4553'	Injection Equipment Packer

KEY: P-Producing I-Injection

IP-Proposed Injection TA-Temporarily Abandoned

TABULATED LIST OF DRILLING AND COMPLETION INFORMATION BLUITT SAN ANDRES ASSOCIATED PROPOSED INJECTION WELLS AND WELLS WITHIN AREA OF REVIEW

_		-	_	
Baetz Federal #5 N Section 13-T8S-R37E 660' FSL & 1980' FWL Elevation 3992.2' GR	Baetz Federal #4 L Section 13-T8S-R37E 587' FNL & 1849' FWL Elevation 4011' GR	Baetz Federal #3 H Section 13-T8S-R37E 1908' FNL & 660' FEL Elevation 3995.3 GR	Baetz Federal #2 K Section 13-T8S-R37E 1980' FSL & 1980' FWL Elevation 3997.5 GR	Well Name & Location
đ	Ď.	Ф	טי	Well Type*
294' 8 5/8" 28# in 12 1/4" hole cmt.w/150 sxs Circ to surf. 4733'KB 4 1/2" in 7 7/8" hole cmt. w/200 sxs TOC 3878' by CBL	292' 8 5/8" 28# in 12 1/4" hole cmt. w/150 sxs Circ to surf. 4751' 4 1/2"9.5# in 7 7/8" hole cmt. w/200 sxs. TOP 3956' by CBL	303' 8 5/8" 24# in 12 1/4" hole cmt w/150 sxs Circ to surf. 4667' 4 1/2" in 7 7/8" hole cmt. w/200 sxs TOC above 4050' by calculation	295' 8 5/8" 24# 12 1 4" hole cmt w/150 sxs.Circ to surf.4786.82 4 1/2" 9.5# in 7 7/8" hole Cmt w/200 sxs. TOC 4100' by calculation	Casing Record
7/12 69 7/23 69	6/23 69 7/15 69	2/14 69 2/26 69	2/4/ 69 2/26 69	Date Drlg. & Comp.
4733' KB PBTD 4715'	4760' PBTD 4717'	4780' PBTD 4746' KB	4800, KB PBTD 4729' KB	Total Depth
1 JSPF 4669,4672,4678,4680, 4684,4687,4691,4694,4698	1 JSPF 4633,4640,4644,4645 4653,4656,4659,4662 KB	1 JSPF 4670,4672,4677,4683, 4685,4692,4694,4698	1 JSPF 4623,4625,4628,4634, 4635,4636,4652	Perforations/Open Hole
Acidize w/6000 gal 15%	Acidize w/6000 gal 15%	Acidize w/6000 gal 15%	Acidize w/6000 gal 15%	Completion
2 3/8" 4.7# J-55 PVC lined set approx 4550'	2 3/8" 4.7# J-55 PVC lined set approx 4550'	2 3/8" 4.7# J-55 PVC lined set approx 4550'	2 3/8" 4.7# J-55 PVC lined set approx 4550'	Proposed Downhole Tubing
4 1/2" Uni-I packer set approx. 4553'	4 1/2" Uni-I packer set approx. 4553'	4 1/2" Uni-I packer set approx. 4553'	4 1/2" Uni-I packer set approx. 4553'	Injection Equipment Packer

Page 2

BLUITT SAN ANDRES ASSOCIATED PROPOSED INJECTION WELLS AND WELLS WITHIN AREA OF REVEIW Date

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Section 19-T8S-R38E Section 24-T8S-R37E 660' FSL & 660' FWL Section 18-T8S-R36E Elevation 3984.7' GR Section 18-T8S-R38E 1874' FWL & 550' FNL Roden Federal # 2 C Elevation 3997.9' GR 660' FNL & 660' FEL McCaw Federal #1 A Elevation 4000' GR Shaw Federal #2 M Shaw Federal #1 L Elevation 3994.2 GR 1980' FSL & 660' FWL Well Name & Location Type* Ъ þ Ъ ש w/175 sxs Circ to surf. 4740'5 1/2" 4765'KB 5 1/2"14 4748' KB 5 1/2"
14# in 7 7/8"hole w/275 sxsin 12 1/4" hole 295'KB 8 5/8"20# 7 7/8" hole cmt. to surf. 4733' 295' 8 5/8" in TOP 3900' by CBL cmt w/275 sxsin 7 7/8" hole cmt.w/175 sks Circ to surf. cmt.w/175 sxs in 12 1/4" hole 295'KB 8 5/8"20# TOC 4430' by CBL KB 5 1/2" 14# in in 12 1/4" hole TOC 3870' by CBL cmt.w/275 sxs in 7 7/8" hole Circ. to surf. TOC 4150' by CBL cmt. w/275 sxs175 sxs cmt. Circ 293' KB 8 5/8"20 12 1/4" hole cmt Casing Record 4/15 2/24 12/168 12/1 4/25 69 69 3/5 69 Comp. Drlg. 82 Depth Total 1 JSPF 4724,4726,4727,4728, 1 JSPF 4702,4704,4708,4710, 1 JSPF 4688,4690,4692,4693 4732,4734,4744,4746,4747 4714,4717,4718,4725,4726, 1JSPF 4690,4692,4693,4696, 4711,4712 4698,4699,4703,4704,4709, 4696,4697,4700,4702,4704 Perforations/Open Hole Acidize w/3000 gal DS-30 Acidize w/3500 gal Acidize w/3500 gal Acidize w/3000 gai Completion 4550 set approx PVC lined 4.7# J-55 set approx approx. 4.7# J-55 set approx approx. 4.7# J-55 set approx approx. PVC lined 4.7# J-55 2 3/8" PVC lined PVC lined Tubing Downhole Equipment Proposed Injection packer se packer se Uni-I packer se packer set Uni-I approx. Uni-I Uni-I 5 1/2" Packer

TABULATED LIST OF DRILLING AND COMPLETION INFORMATION Page 4 BLUITT SAN ANDRES ASSOCIATED PROPOSED INJECTION WELLS AND WELLS WITHIN AREA OF REVIEW Date

_	Well Name & Location	Federal E #1 C Section 24-T8S-R37E 660' FNL & 1980' FWL Elevation 3993' GR		Federal E #2 B Section 24-T8S-R37E 554' FWL & 1874' FEL Elevation 3987' GR	Federal E #2 B Section 24-T8S-R37E 554' FWL & 1874' FEL Elevation 3987' GR Roden Bluitt Federal #1 E Section 18-T8S-R38E 2086' FNL & 554' FWL Elevation 4004.5' GR
-	Type	TA	TA		PB PB
_	* Casing Record	339' 8 5/8" 32# in 11" hole cmt. w/375 sxs. Circ to surf. 4830' 4 1/2" in 9" hole cmt. w/275 sxs. TOC 3700' by calculation	315' 8 5/8" 24# in 11" hole cmt. w/200 sxs. Circ to surf. 4750' 4 1/2" in 7 7/8"	hole cmt.w/275sxs TOC 3650' by calculation	hole cmt.w/275sxs TOC 3650' by calculation 301' 8 5/8" 24# in 12 1/4" hole cmt w/200sxs Circ to surf. 4738' 5 1/2" 14# in 7 7/8" hole cmt. w/275 sxs. TOC above 4400' by calculation
Drlg.	Comp.	2/24 69 6/15 69	3/31 69 4/21 69		1/17 69 2/24 69
	Depth	4830' GL PBTD 4725'	4750' KB		4738' 4720' PBTD
-	Perforations/Open Hole	1 JSPF 4746,4747,4749,4750, 4751,4753,4756,4758,4768 Reperforated 1 JSPF 4618, 4620,4636,4638,4643,4649, 4650,4668,4669,4673,4674, 4675,4681,4685,4689,4691	1 JSPF 4703,4705,4707,4709, 4711,4716,4717,4724,4725, 4729		Eleven perforations at selected intervals from 4697'-4717'
_	Completion	Acidize w/4500 gal DS-30 Reacidized w/2500 gal 15% Second stage 6000 gal 15% Frac w/20,000 gal of lease oil & 16,000# sand	, Acidize w/3000 gal 15% DS-30		Acidize w/3500 gal 15% Hcl
Proposed	Tubing	2 3/8" 4.7# J-55 PVC lined set approx 4550'	2 3/8" 4.7# J-55 PVC lined set approx 4550'		2 3/8" 4.7# J-55 PVC lined set approx 4550'
Injection	Packer	4 1/2" Uni-I packer set approx. 4553'	4 1/2" Uni-I packer set approx. 4553'	5 1/2"	T

RATIFICATION OF AGREEMENT ENTITLED "UNIT AGREEMENT" BLUITT SAN ANDRES UNIT ROOSEVELT COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a record title interest or interests hereby acknowledges receipt of a true and correct copy of that certain agreement dated November 1, 1985, entitled "Unit Agreement, Bluitt San Andres Unit, County of Roosevelt, State of New Mexico," which said agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Bluitt San Andres Unit as initially constituted; and

WHEREAS, each of the undersigned represents that it is a "Lessee of Record" as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, each undersigned "Lessee of Record", being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement.

NOW THEREFORE, each of the undersigned who is the owner of a record title interest or interests only does hereby ratify and confirm said Unit Agreement, each owner with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

and the state of t	Entity: HNG OIL COMPANY
WITNESS-OR ATTEST:	(Name of business entity if applicable)
() A. 71) Af	By: (Signature of "Lessee of Record") R. W. Usrey, Vice President
	Its:
	(Signature and capacity as fiduciary if applicable)
STATE OFTEXAS)	
COUNTY OF MIDLAND) ss	
day of December, 1985, by	was acknowledged before me this 5th R. W. Usrey,
Vice President of HNG O	IL COMPANY
My Commission Expires:	Notary Public Carmen Landin

RATIFICATION OF AGREEMENTS ENTITLED "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT" BLUITT SAN ANDRES UNIT ROOSEVELT COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of an overriding royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain agreement dated November 1, 1985, entitled "Unit Agreement, Bluitt San Andres Unit, County of Roosevelt, State of New Mexico," which said agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain agreement dated November 1, 1985, entitled "Unit Operating Agreement, Bluitt San Andres Unit, County of Roosevelt, State of New Mexico," which said agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Bluitt San Andres Unit as initially constituted; and

WHEREAS, each of the undersigned represents that it is an Overriding Royalty Interest Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, each undersigned Overriding Royalty Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW THEREFORE, each of the undersigned who is the owner of an overriding royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and overriding royalty interest or interests does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

WITNESS: ON ATTEST: July Walters, Asst. Secretary	By: (Signature of Working Interest Owner and/or Overriding Royalty Interest Owner as applicable) R. W. Usvey, Vice President
DATE:	Its: (Signature and capacity as fiduciary if applicable)
STATE OF TEXAS) COUNTY OF MIDLAND)	s s
day of December , 1985,	nt was acknowledged before me this <u>5th</u> by R. W. Usrey HNG OIL COMPANY
My Commission Expires: 7/10/88	Cannen Landin RETURN THIS COPY

RATIFICATION OF AGREEMENTS ENTITLED "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT" BLUITT SAN ANDRES UNIT ROOSEVELT COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of an overriding royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain agreement dated November 1, 1935, entitled "Unit Agreement, Bluitt San Andres Unit, County of Roosevelt, State of New Mexico," which said agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain agreement dated November 1, 1985, entitled "Unit Operating Agreement, Bluitt San Andres Unit, County of Roosevelt, State of New Mexico," which said agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Bluitt San Andres Unit as initially constituted; and

WHEREAS, each of the undersigned represents that it is an Overriding Royalty Interest Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, each undersigned Overriding Royalty Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW THEREFORE, each of the undersigned who is the owner of an overriding royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and overriding royalty interest or interests does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

	Entity:
	(Name of business entity if applicable)
WITNESS OR ATTEST:	
	By: Every E. C. C. C. C. Signature of Working Interest Owner and/or Overriding Royalty Interest Owner as applicable)
DATE:	
12/05/85	Its: (Signature and capacity as fiduciary if applicable)
STATE OF Colorado) ss	
day of December , 1985, by	was acknowledged before me this 5th George B. Judd
My Commission Expires: December 2, 1987	Notary Public RETURN THIS COPY

E

James H. Hamersley Box 282A Snug Harbor Station Duxbury, Massachusetts 02331 August 15, 1985

A.J. Murphy, Esq. Chairman and Chief Executive Officer Murphy Operating Corporation United Bank Plaza, Suite 300 P.O. Box 2648 Roswell, New Mexico 88202-2648

Dear Ms. Hurphy:

I have been away for extended periods this summer and I think the questionaire referred to (dtd July 17) in your letter of 8/8/85 has been misplaced or lost. Perhaps I can save you the trouble of sending along another questionaire by stating again (as I have in previous questionaires) that I essentially go along with whatever Frank Baumgartner does as concerns USA #1 Well. I will tell you as I have said to Mr. Baumgartner that I hope USA #1 can be sold to your organization and that I don't wish to participate in the project.

Please send the questionaire if necessary. I'll be at my home address through August 25th. I appologize for any inconvenience that I may have caused.

Thely yours,

James H. Hamersley

James H. Hameesey

QUESTIONNAIRE

1)	Do you	wish	to	proceed	with	the	unitization	of	the	proposed	Bluitt
San	Andres	Unit	?								

Provisional upon cost and decision of Frank Baumgartner .

YES

NO

a) Assuming Ingram is in agreement, will you accept economic responsibility for a portion of the costs attributable to the Ingram unit interest in exchange for a return of your investment and interest plus a portion of the net operating profit interest?

I can't afford to pick up tab on Mr. Ingram's interest

YES

NO

b) Assuming Ingram will not agree to some negotiated net profits arrangement, do you agree to execute the unit documents and authorize Murphy Operating Corporation to undertake statutory unitization proceedings on behalf of and at the joint expense of the proposed Bluitt San Andres Unit?

I really don't know what's implied by statuatory proceedings.

YES

NO

- c) Your comments or questions, if any (attach additional pages as necessary). Mr. Murphy as stated in a previous letter I will take my cues in this matter from Frank Baumgartner and thusfar he's been in no rush to make a decision. Should Frank decide to go ahead but the expense of the project proves prohibitive to me and I might add that I've seen no estimates I would hope to transfer my interest to another party. Financially I'm not prepared to make much of a committment to this project. I am also interested in the tax implications.
 - 2) If you do not intend to participate in the proposed unit, please outline below the terms of any offer you wish to make for transferring your interest to those wishing to go forward with the proposed unit and waterflood project.

As stated

3) If you do not wish to participate in the unit or to transfer your interest, what are your recommendations for the future disposition of the property as it approaches economic limit (i.e., continue current operations as long as possible, plug project, etc.)?

I will either participate or transfer my interest should the project move ahead.

Your prompt and complete replies to the above questions will be most appreciated. We will contact you with a proposal for going forward as soon as we have your response and know of Mr. Ingram's decision.

Please feel free to call me with any questions you may have.

Sincerely,

MURPHY OPERATING CORPORATION
Designated Unit Operator
Proposed Bluitt San Andres Unit

A. J. Murphy, Esq. President

AJM/fnr

cc: T. Calder Ezzell, Jr., Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
Post Office Box 10
Roswell, New Mexico 88202-0010

James H. Landrold Page 2 of 2

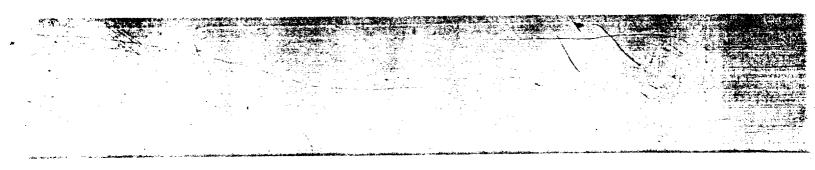
James H. Hamersley Box 282A SHS Duxbury, Ma 02331 2/11/84

A.J. Murphy President Murphy Operating Corporation P.O. Box 2648 Roswell, N.M. 88201

Dear Mr. Murphy:

I am in receipt of your communications of 12/2/83 and 1/26/84. I am awaiting word from Frank Baumgartner concerning your proposal as he knows a heck of a lot more about this matter than I do. Also - my dealings on USA 1 have all been with him.

James H. Hamarejen



ARTHUR F. KELLY
KIRKEBY CENTER
10889 WILSHIRE BOULEVARD, SUITE 1032
LOS ANGELES, CALIFORNIA 90024
(213) 208-6864

March 13, 1985

Dear Mr. Murphy:

I am forwarding your status report of the proposed Bluitt San Andres Unit to Frank Baumgartner, the manager of our interest in this project. I have discussed this with Mr. Baumgartner and I have asked him to answer the questionaire, which will represent our response to your letter.

Thank you for your interest in this project and you will be hearing from Mr. Baumgartner.

ARTHUR F. KELLY KIRKEBY CENTER 10889 WILSHIRE BOULEVARD, SUITE 1032 LOS ANGELES, CALIFORNIA 90024 (213) 208-6864

March 13, 1985

Dear Mr. Murphy:

I am forwarding your status report of the proposed Bluitt San Andres Unit to Frank Baumgartner, the manager of our interest in this project. I have discussed this with Mr. Baumgartner and I have asked him to answer the questionaire, which will represent our response to your letter.

Thank you for your interest in this project and you will be hearing from Mr. Baumgartner.

Regards,

CHAIRMAN EMERITUS/CONSULTANT WESTERN AIRLINES, VICE-CHRM./DIRECTOR HOLLYWOOD PARK, INC.
DIRECTOR MGM/UA HOME ENTERTAINMENT, DIRECTOR FIREMAN'S FUND/AMERICAN EXPRESS

ARTHUR F. KELLY KIRKEBY CENTER 10889 WILSHIRE BOULEVARD, SUITE 1032 Los Angeles, California 90024

(213) 208-6864

June 27, 1984

Dear Mr. Murphy:

Thank you very much for the water flooding information relating to the Baumgartner interests and as you know, he is the spokesman for our group on this development. With that thought in mind, I'm sending him the information with the request that he keep me informed on his advice to you and decision on this matter.

Regards,

Frank Baumgartner

CHAIRMAN EMERITUS/CONSULTANT WESTERN AIRLINES, VICE-CHRM./DIRECTOR HOLLYWOOD PARK, INC. DIRECTOR MGM/UA HOME ENTERTAINMENT, DIRECTOR FIREMAN'S FUND/AMERICAN EXPRESS

Western Airlines



February 8, 1984

Dear Frank,

I assume that you have received the Status Report on the water flooding that Murphy Oil is proposing.

By copy of this letter, I'm advising Mr. A.J. Murphy that you are our spokesman on this project and any instructions that you forward to them, I would appreciate being copied on.

Best regards,

An

cc: Mr. A.J. Murphy

Mr. Frank Baumgartner 5670 So. Syracuse Circle Plaza West Suite 418 Englewood, CA 80111

Post Office Box 92005 World Way Postal Center Los Angeles, California 90009

Southworth & Go.



REALTOR COMMERCIAL REAL ESTATE

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MANAGEMENT

July 30, 1984

MURPHY OPERATING CORPORATION Attention: A. J. Murphy, Esq. P. O. Drawer 2648 Roswell, New Mexico 88201

RE: Proposed Bluitt San Andres Unit Roosevelt County, New Mexico

Dear Ms. Murphy:

I have received your recent correspondence concerning the above and wish only to acknowledge that fact and further let you know that my interest in the future development of the subject will be directed by Mr. Frank W. Baumgartner.

I appreciate your keeping me informed as to your proposal.

Very truly yours,

Frank K. Southworth

:mh

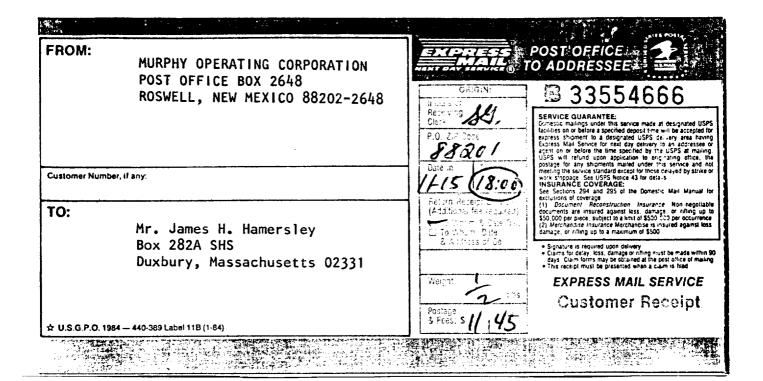
cc: F. W. Baumgartner

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Suite 306 • 5600 So. Syracuse Circle • Englewood, Colorado 80110 • 303: 779-1263

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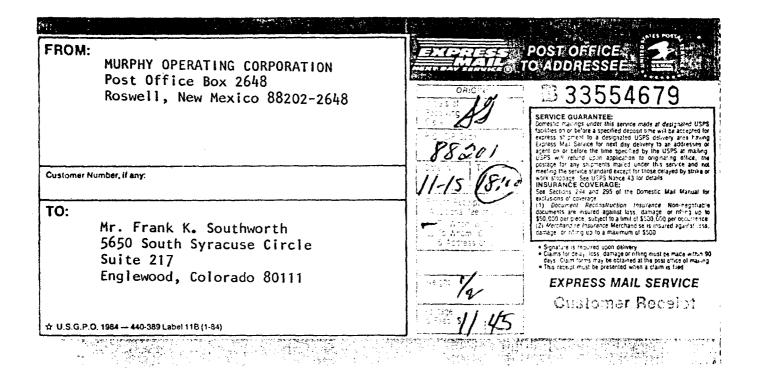
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(2) Merchandise Insurance Merchandise is insured against loss damage, or rolling up to a maximum of \$500. Customer Number, if any: TO: (Additional fee required) To Whom & Data Data To Whom, Data Mr. Willis L. Sanburg 🗓 To Whom. 22156 Highway 550 & Address c Signature is required upon delivery.
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MURPHY OPERATING CORPORATION UNITED BANK PLAZA, SUITE 300 400 NORTH PENNSYLVANIA AVENUE POST OFFICE BOX 2648 ROSWELL, NEW MEXICO 88202-2648

TELEPHONE 505 623-7210

November 15, 1985

Ms. A. J. Murphy, Chairman and Chief Executive Officer Murphy Operating Corporation Post Office Box 2648 Roswell, New Mexico 88202-2648

URGENT

HAND DELIVERED -- RECEIPT VERIFICATION REQUESTED URGENT TRANSMITTAL -- IMMEDIATE RESPONSE REQUESTED

Dear Ann:

Re: Proposed Bluitt San Andres Unit Roosevelt County, New Mexico Final Documentation

REQUEST FOR RATIFICATION

As you may know, since 1979 the owners of working interests in leases within the designated unit area for the proposed Bluitt San Andres Unit have attempted to complete negotiations and documentation required to initiate unit operations. After numerous delays and complex negotiations between the interest owners and with the various governmental agencies, we are very pleased to inform you that the unit documents are now in final form and are awaiting execution by all owners of interests within the unit area. Please he advised that a hearing before the New Mexico Oil Conservation Division (OCD) is scheduled for December 4th, 1985 in Santa Fe, New Mexico. At this hearing, we will request approval for the unit itself, approval for the proposed waterflood plan, and approval to unitize by statute (essentially "force pool") a certain group of small interests (the Baumgartner group comprising 2.5383% of the total unit interest) who after numerous discussions and correspondence have indicated that they will not voluntarily join the unit or farmout their interests, nor will they sell their interests at a price we deemed to represent fair market value. (The BLM has indicated that it will approve the unit subject to the statutory unitization of the Baumgartner group's interest.) Assuming that we have a prompt return of all of the ratification forms, we will also apply for final approval from the Bureau of Land Management (BLM) during the first week of December. With some luck, we will receive the necessary approvals from the OCD and the BLM sometime in December in time to meet our goal of initiating unit operations at 7 A.M. on January 1, 1986. As you can see, it is imperative that we receive your fullyexecuted ratification forms as soon as possible but in any event no later than November 29, 1985 to prepare the application to the BLM and for the OCD hearing.

We have enclosed herewith the following documents for your review and approval. With the exception of Exhibit "B" to the Unit Agreement, Exhibit "D" to the Unit Operating Agreement (both exhibits discussed below), typographical and other small corrections, the documents are identical to those previously circulated and approved by the working interest owners.

1. "Unit Agreement with Exhibits "A" and "B" attached (one copy enclosed for your file). Please note that Exhibit "A" has been corrected to show tract numbers which correctly correspond to Exhibit "B". Exhibit "B" has become a very complex and extensive document (24 pages) due to the following arrangements: (a) the decision by certain working interest owners (Ingram 15.3087% unit interest, Harvard 1.837051562%, Kaiser-Francis 1.433436%, Viney 2.107233333%) to farmout their interests to certain unit participants in

exchange for a 50% "back-in" after payout of 150% of costs; (b) the decision by Ingram and Dillard to participate in the unit but only to the extent of a fixed interest, 6.09350% and 2.107233333% respectively; (c) the condition of the BLM that we statutorily unitize the Baumgartner group's interest of 2.5383%; and (d) the previously existing obligation of Hanover, Harvard, Trinity and Murphy to carry the McClellan interest through payout of the waterflood project. As you have now surmised, the calculations were quite complicated and tedious but please be assured that they have been carefully checked by this office and by T. Calder Ezzell, Jr., our oil and gas title attorney with the law firm of Hinkle, Cox, Eaton, Coffield and Hensley. Revisions may be necessary as we continue to receive information on assignments and transfers not of record. Any such revisions will be promptly forwarded to you for substitution in this set of documents. I will be most happy to review these calculations with you should you so desire.

- "Unit Operating Agreement with Exhibits "D", "E" and "F" (one copy enclosed). Exhibit "D" is a compilation of unit participation factors from Exhibit "B" and has been revised accordingly.
- Ratification forms (six (6) copies of each applicable form with selfaddressed stamped envelope enclosed for your <u>immediate execution and return</u>). It is necessary that we receive six (6) originally executed copies of <u>each</u> applicable ratification form for submittal to the appropriate agency. For example, if you are a Lessee of Record, a Working Interest Owner and an Overriding Royalty Interest (ORRI) Owner, two different formats are enclosed; one format for record title holders and a single format which covers both working interests and ORRIs. Please execute and return each set enclosed.

Again, I must emphasize to you the importance of your reply by November 29th, 1985. The field's primary reserves are very depleted and it becomes increasingly difficult to operate the leases economically. We must implement secondary recovery operations as soon as possible or begin to plug and abandon the field.

Thank you for your patience and continuing cooperation with the unitization effort. Please feel free to contact me should you have any questions.

Sincrely,

MURPHY OPERATING CORPORATION Designated Unit Operator for Proposed Bluitt San Andres Unit

A. J. Murphy, Esq.

Chairman of the Board and Chief Executive Officer

A. J. Murphy

AJM:dk

Enclosures:

Unit Agreement with Exhibits "A" and "B"

Unit Operating Agreement with Exhibits "D", "E", and "F" Ratification Forms (six copies)

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MURPHY OPERATING CORPORATION UNITED BANK PLAZA, SUITE 300 400 NORTH PENNSYLVANIA AVENUE

POST OFFICE BOX 2648
ROSWELL, NEW MEXICO 88202-2648

TELEPHONE 505 623-7210

November 15, 1985

Ms. Ann J. Murphy, Esq. Chairman and CEO Murphy Operating Corporation Post Office Box 2648 Roswell, New Mexico 88202-2648

HAND DELIVERED -- RECEIPT VERIFICATION REQUESTED URGENT TRANSMITTAL -- IMMEDIATE RESPONSE REQUESTED

Re: Proposed Bluitt San Andres Unit Roosevelt County, New Mexico Final Documentation REQUEST FOR RATIFICATION

Dear Amn:

Our records indicate that you (or your company) hold or control an overriding royalty interest (ORRI) and/or a record title interest within the designated unit area for the proposed Bluitt San Andres Unit and therefore your ratification of certain unit documents is necessary to complete the documentation process for the unit. As you may know, since 1979 the owners of working interests in leases within the unit area have attempted to complete negotiations and documentation required to initiate unit operations. After numerous delays and complex negotiations between the interest owners and with the various governmental agencies, we are very pleased to inform you that the unit documents are now in final form and are awaiting execution by all owners of interests within the unit area. The leases within the unit area are essentially depleted of primary reserves and, thus, it becomes increasingly difficult to maintain economic operations. Secondary recovery operations must be implemented as soon as possible or it will become necessary to plug and abandon the field. A plan for a pilot water flood project has been approved by a majority of the working interest owners and development of this pilot should commence in the summer of 1986. Assuming that the pilot project is successful, an engineering study (Stephens Engineering report, "Supplemental Water Flood Survey," September 1, 1983) indicates that as much as 1,699,181 barrels of additional oil may be recovered through a full-scale water flood program. It is believed that the water flood program should increase production for the leases within the unit area and will be implemented by the working interest owners at no cost to the owners of overriding royalty interests and/or record title interests.

By copy of this letter, Murphy Operating Corporation, as the designated unit operator for the Bluitt San Andres Unit, requests that the owners of ORRIs and/or record title interests ratify the Unit Agreement. The owners of ORRIs who join the unit will share in production from the entire unit area in an interest equal to their original ORRI reduced by the participation interest assigned to each of the unit's tracts by engineering analysis (refer to Exhibit "B" of enclosed Unit Agreement for ownership and tract participation factors). In other words, by joining the unit, an ORRI owner will share in production from the unit as a whole regardless of whether the lease under which it currently owns an interest continues to produce. The Bureau of Land Management (BLM) requires that the owners of record title interests ("lessees of record") be asked to join the unit to complete the formal documentation process but such owners do not share in unit production except through another form of ownership such as a working interest or ORRI.

Please be advised that a hearing before the New Mexico Oil Conservation Division (OCD) is scheduled for December 4th, 1985 in Santa Fe, New Mexico. At this hearing, we will request approval for the unit itself, approval for the proposed waterflood plan, and approval to unitize by statute a certain group of small interests. Assuming that we have a prompt return of all of the ratification forms, we will also apply for final approval from the (BLM) during the first week of December. With some luck, we will receive the necessary approvals from the OCD and the BLM sometime in December in time to meet our goal of initiating unit operations at 7 A.M. on January 1, 1986. As you can see, it is imperative that we receive your fully-executed ratification forms as soon as possible but in any event no later than November 29, 1985 to prepare the application to the BLM and for the OCD hearing.

We have enclosed herewith the following documents for your review and approval:

- 1. "Unit Agreement with Exhibits "A" and "B" attached (one copy enclosed for your file). Please note that Exhibit "B" to this unit agreement lists the percentage of unit participation by tract applicable to each overriding royalty owner and/or lessee of record who ratifies the agreement. This exhibit is being revised as we receive information on assignments and transfers made subsequent to previous revisions. It may be necessary to locate your interest by tract description rather than by name until we have been informed of new assignments and have received proper documentation.
- 2. Ratification forms (six (6) copies of each applicable form with self-addressed stamped enclosed for your immediate execution and return). It is necessary that we receive six (6) originally executed copies of each applicable ratification form for submittal to the appropriate agency. For example, if you are a lessee of record and an overriding royalty interest (ORRI) owner, two different formats are enclosed; one format for record title holders and a single format which covers both working interests and ORRIs. Please execute and return each set enclosed.

Again, I must emphasize to you the importance of your reply by November 29, 1985. A secondary recovery program must be implemented as soon as possible or the leases will not continue to be perpetuated by economic production.

Thank you for your cooperation with the unitization effort. Please feel free to contact me should you have any questions.

MURPHY OPERATING CORPORATION
Designated Unit Operator
for the Proposed Bluitt San Andres Unit

A. J. Murphy, Esq.
Chairman of the Board and
Chief Executive Officer

AJM:1jw

Enclosures: Unit Agreement with

Exhibits "A" and "B"

Ratification Forms (six copies)