

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use Form 9-331-C for such proposals.)

1. oil well gas well other

2. NAME OF OPERATOR
Minerals, Inc.

3. ADDRESS OF OPERATOR
P.O. Box 1320 - Hobbs, New Mexico 88240

4. LOCATION OF WELL (REPORT LOCATION CLEARLY. See space 17 below.)
AT SURFACE: 1650' FNL & 1650' FWL
AT TOP PROD. INTERVAL:
AT TOTAL DEPTH:

16. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

5. LEASE
NM-033312

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Government "A"

9. WELL NO.
1

10. FIELD OR WILDCAT NAME
Grama Ridge Morrow

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 10, T22S, R34E, N.M.P.M.

12. COUNTY OR PARISH
Lea

13. STATE
NM

14. API NO.
3583 DF, 3585 KB

15. ELEVATIONS (SHOW DF, KDB, AND WD)

REQUEST FOR APPROVAL TO:

TEST WATER SHUT-OFF

FRACTURE TREAT

SHOOT OR ACIDIZE

REPAIR WELL

PULL OR ALTER CASING

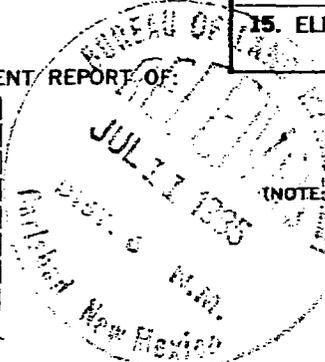
MULTIPLE COMPLETE

CHANGE ZONES

ABANDON*

(other)

SUBSEQUENT REPORT OF:



(NOTE: Report results of multiple completion or zone change on Form 9-330.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

6/07/85 - 6/17/85 MIRU PU. Swab tstd storage zone interval 12,963 - 12,985'. TOH w/2 3/8" tbg, Model "D" stinger. Set Baker Model "G" RBP @ 12,800' & spotted 250 gal. 10% acetic. TOH. Schlumberger ran GR-CCL & perf. Morrow "X" zone 12,694 - 12,714 w/2 JSPF w/3 3/8" Ultra jet guns. Set Baker Model "C" Fullbore Retrievable PKR @ 12,380' & swabbed well in.

6/28/85 On sales to Llano, Inc. pipeline @ 7:00 PM w/400 MCFPD rate, LP-680 psig, FTP-2800 psig on 10/64" ck. Well unloading.

7/08/85 FTP-2075 psig, F920 MCF, 40 B0 & 83 BWP on 11/64" ck.

Subsurface Safety Valve: Manu. and Type _____ Set @ _____ Ft.

18. I hereby certify that the foregoing is true and correct

SIGNED Chlaas TITLE Vice President DATE July 9, 1985

(This space for Federal or State office use)

APPROVED BY ACCEPTED FOR RECORD TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

JUL 12 1985

*See Instructions on Reverse Side

CARLSBAD, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 12622 & 12908
Exhibit # E
Submitted By: Redrock Operating
Hearing Date: October 21 & 22, 2002

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use Form 9-331-C for such proposals.)

1. oil well gas well other

2. NAME OF OPERATOR
Llano, Inc.

3. ADDRESS OF OPERATOR
P. O. Box 1320 - Hobbs, New Mexico 88241

4. LOCATION OF WELL (REPORT LOCATION CLEARLY. See space 17 below.)
AT SURFACE: 1650' FNL & 1650' FWL
AT TOP PROD. INTERVAL:
AT TOTAL DEPTH:

5. LEASE
NM-033312

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME
Grama Ridge Morrow

8. FARM OR LEASE NAME
GRM Unit

9. WELL NO.
5

10. FIELD OR WILDCAT NAME
Grama Ridge Morrow (Gas)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 10, T22S, R34E N.M.P.M.

12. COUNTY OR PARISH
Lea

13. STATE
NM

14. API NO.

15. ELEVATIONS (SHOW DF, KDB, AND WD)
3583 DF

16. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

REQUEST FOR APPROVAL TO:	SUBSEQUENT REPORT OF:
TEST WATER SHUT-OFF <input type="checkbox"/>	<input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	<input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	<input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	<input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	<input type="checkbox"/>
MULTIPLE COMPLETE <input type="checkbox"/>	<input type="checkbox"/>
CHANGE ZONES <input checked="" type="checkbox"/>	<input type="checkbox"/>
ABANDON* <input type="checkbox"/>	<input type="checkbox"/>
(other) _____	

(NOTE: Report results of multiple completion or zone change on Form 9-330.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Propose to temporarily abandon storage zone interval. (Perfs 12,985'-12,963'). *Isolate w/pecker - R.P.*

Propose to perf 12,695'-12,714' w/2 SPF in the Upper Morrow and evaluate for primary gas production.

RECEIVED

APR 29 1985

HOBBS, NEW MEXICO

Subsurface Safety Valve: Manu. and Type _____

18. I hereby certify that the foregoing is true and correct

SIGNED Al Klaar TITLE Vice President DATE April 12, 1985

(This space for Federal or State office use)

APPROVED BY [Signature] TITLE _____ DATE 5-16-85

CONDITIONS OF APPROVAL, IF ANY: [Signature]

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN DUPLICATE

Form approved,
Budget Bureau No. 42-R355.5.

5. LEASE DESIGNATION AND SERIAL NO.

NM-033312

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Government "A"

9. WELL NO.

1

10. FIELD AND POOL, OR WILDCAT

Gamma Ridge-Morrow Gas

11. SEC., T. R., M., OR BLOCK AND SURVEY OR AREA

**Section 10, T-22-S, R-3
NMPM Survey**

12. COUNTY OR PARISH

Lea

13. STATE

New Mexico

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

1b. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other _____

2. NAME OF OPERATOR
The Superior Oil Company

3. ADDRESS OF OPERATOR
P. O. Box 1900, Midland, Texas 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface **1650 FNL & 1650 FWL, Section 10, T-22-S, R-34-E**
NMPM Survey
At top prod. interval reported below
At total depth

14. PERMIT NO. DATE ISSUED

15. DATE SPUDDED **12-9-65** 16. DATE T.D. REACHED **3-7-66** 17. DATE COMPL. (Ready to prod.) **3-16-66** 18. ELEVATIONS (DF, REE, RT, GR, ETC.)* **3583 DF, 3585 KB** 19. ELEV. CASINGHEAD **3569 GL**

20. TOTAL DEPTH, MD & TVD **13,400** 21. PLUG, BACK T.D., MD & TVD **13,000** 22. IF MULTIPLE COMPL., HOW MANY* **→** 23. INTERVALS DRILLED BY **→** ROTARY TOOLS **0-13,400** CABLE TOOLS **None**

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
12,958-12,963 Pennsylvanian - Morrow 25. WAS DIRECTIONAL SURVEY MADE
No

26. TYPE ELECTRIC AND OTHER LOGS RUN
Gamma Ray-Sonic, Dual Induction-Laterolog, Proximity-Microlog 27. WAS WELL CORED
Yes, see attachment

28. CASING RECORD (Report all strings set in well)					
CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
16"	65#	388	22"	755 sks w/2% CaCl	None
10-3/4"	51#	5750	13-3/4"	800 sks thru shoe & 1170 sks thru DV tool @ 3845	None
7-5/8"	29.7 & 33.7#	11,920	9-5/8"	600 sks Trinity Inferno	None

29. LINER RECORD				30. TUBING RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
5"	11,745	13,400	375		2-3/8"		12,880

31. PERFORATION RECORD (Interval, size and number)		32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
INTERVAL (MD)	SIZE	DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
12,958-12,963	w/4 Jets/ft by Welex	12,958-12,963	No treatment
(See reverse side for non-commercial perforations)			

33.* PRODUCTION							
DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)					
3-23-66	Flowing	Shut-in					
DATE OF TEST	HOURS TESTED	CHOKER SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
3-23-66	52	Various	→		CAOP 1675 MCF/D	1 bbl/MMCF	78.431
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)	
1134 to 3213	psig PKR	→				49.6	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) **Vented** TEST WITNESSED BY _____

35. LIST OF ATTACHMENTS
Cored intervals, DST's, and Deviation Record

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED *Herman High* TITLE Petroleum Engineer DATE 4-12-66

*(See Instructions and Spaces for Additional Data on Reverse Side)

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on items 22 and 24, and 38, below regarding separate reports for separate completions.

If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see item 85.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 18: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in item 22, and in item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in item 38. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Sacks Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for items 22 and 24 above.)

37. SUMMARY OF POROUS ZONES:

SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF: CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CUSHION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	MEAS. DEPTH	TOP	TRUE VERT. DEPTH
				Anhydrite	1692		(+1893)
				Base Salt	3708		(-123)
				Delaware Sand	5655		(-2070)
				Bone Springs	8412		(-4827)
				Wolfcamp	10,064		(-6479)
				Strawn ls	11,656		(-8071)
				U. Morrow 3d	12,866		(-9281)
				L. Morrow 5d	13,027		(-9442)

GOVERNMENT "A" NO. 1

WORKOVER CONSISTS OF ACIDIZING TO RESTORE PRODUCTION.

- 4-28-83 NOWSCO acdzz w/5000 gals 7-1/2% HCL 65 quality foamed acid containing 4 gals NAI-161, 40# NIS-546, 5 gals NIS-547, 10 gals NMP-703, 10 gals NFA-341, 2 gals NCS-227, 1 gal NFR-42. Max press 8600 - broke back to 8100. Total pump time 33 mins. Avg inj press 8100, avg inj rate 5.2 BPM. Displaced w/2000 gal 2% KCL wtr & SI for 1 hr. ISIP 7000, 5 min SIP 5400, 10 min SIP 4800, 15 min SIP 4700. Well flowed back approx 50 BLW & died. 40 BLW to rec. SION.
- 4-29-83 Rig up Cobra swab unit. FL 2600' at beginning. Swab 0 BO & 26 BLW 6 hrs. FL 8600' at end. SION. 14 BLW to rec.
- 4-30-83 Swab 14 BLW 8 hrs. Swab dry. FL 8600' beginning, 12,000 at end, total load rec.
- 5-1-83 Swab 17 BW 7 hrs. Swab dry. FL 11,600 beginning, 12,200 at end. Rig down Cobra. Leave well open to pit.
- 5-2-83
5-3-83
5-4-83
Flowing minor gas amount to pit.
- 5-5-83 Flowing gas to sales line this AM, 5-5-83.
- 5-6-83 Flowing 18 MCF in 24 hrs. TPF 260.
- 5-10-83 FLW 36 MCF 24 hrs. to sales line. TPF 230.
- 5-11-83 Prep to frac Morrow.
- 5-12-83 Halliburton frac well as follows:
 (1) Pump 1200 gal methanol & 800 gal CO₂ pre-pad at 9130 PSIG & 6.5 BPM.
 (2) Pump 1500 gal gel & 1000 gal CO₂ pad at 9160 PSIG & 7.0 BPM.
 (3) Pump 3000 gal gel & 2000 gal CO₂ containing 1#/gal 20/40 sand at 9100 PSIG & 7.0 BPM.
 (4) Pump take-in of 1500 gal gel & 1000 gal CO₂ containing 1#/gal 20/40 Super-Prop.
 (5) Flush w/2150 gal gel & CO₂. ISIP 5010 PSIG, 15 min SIP 4500 PSIG, AIR 7.0 BPM, max press 10,000 PSIG, avg inj press 9250 PSIG, total load 207 BLW. SI 2 hrs. Flow back 90% of load & died.
Leave open to pit overnight.
- 5-13-83 Lee Swab Svc swab 2 BO & 20 BLW in 8 hrs. FL 12,700. Leave open to pit overnight.
- 5-14-83 NOWSCO blew hole dry w/nitrogen. Leave open to pit overnight.
- 5-15-83
5-16-83
Flow minor amount of gas to pit.
- 5-17-83 Connected flowline to sales line. FINAL REPORT.

Government "A" No. 1
Morrow Treatments

- 11-20-82 Halliburton: acdz w/2000 gal. 7½% HCL containing 10 gals Pen-5, 2 gal HAI-50, and 2000 SCF/BBL N₂. Max press 7500 - broke back to 7200. Ave inj press 7500, avg. inj. rate 1.8 BPM acid - 2.8 BPM acid + N₂ ISIP 7300. 5 min. SIP 6600, 10 min SIP 6300, 15 min SIP 6050.
- 12-2-82 Halliburton: acdz w/ 500 gal 35% HCL plus 3500 gal methanol alcohol, containing 8 gal NE agent, 40 gal clay sta, 6 gal HAI-50. Plus 24 tons CO₂. Pump 50/50 acid - CO₂ mixture Max press 7600 - broke back to 6800, ave. inj. rate 4.6 BPM overall. ISIP 4600, 5 min SIP 4000, 10 min SIP 3300, 15 min SIP 3000.
- 4-28-83 NOWSCO: acdz w/5000 gals 7½% HCL 65 quality foamed acid containing 4 gals NAI-161, 40# NIS-546, 5 gals NIS-547, 10 gal NMP-703, 10 gals NFA-341, 2 gals NCS-227, 1 gal NFR-42. Ma press 8600 - broke back to 8100. Avg inj press 8100, avg inj rate 5.2 BPM. Displaced w/2000 gal 2% KCL wtr & SI for 1 hr. ISIP 7000, 5 min SIP 5400, 10 min SIP 4800, 15 min SIP 4700.

This is an underground gas storage well in the Morrow. BHP is now 3450 PSIG. Barite fines have ruined permeability and flow capacity.

Dwight's Energydata Inc.
Rocky Mountain
New Mexico Gas

Run Date: 11/4/97
Published 8/97
(#250,025,22534E10F00PM)

Operator:	APACHE ENERGY RES CORP	
Well/Lease Name:	GOVERNMENT A	
Well #:	1	
Location:	10F 22S 34E	Last Production Date: 09/95
State:	NM	Cum. Thru L. P. Date Oil: 20,087
District:	002	
County:	LEA	Cum. Thru L. P. Date Gas 2,779,197
Regulatory #:	56210	
API #:	30-025-2171900	
Field:	GRAMA RIDGE (MORROW) PM	Upper Perforation: 12,958
Reservoir:	MORROW	Lower Perforation: 12,963
Basin:	PERMIAN BASIN	Gas Gravity: 0.65
Gas Gatherer:	LLANO	Liquid Gravity: 49.0
Liquid Gatherer:	KOCHO	Temperature Gradient: 0.955
Status Date:		N-Factor: 1.000
Status:	INA	

Dwights

6400

Lease: GOVERNMENT A (1)

Retrieval Code: 250,025.22S34E10F00PM

11/04/97

7200

8

5600

6300

7

4800

5400

6

4000

4500

5

3200

3600

4

2400

2700

3

1600

1800

2

800

900

1

0

0

0

0 250 500 750 1000 1250 1500 1750 2000 2250 Gas(MMCF)

BHP/Z



County: LEA, NM

F.P. Date: N/A

WHFP

WHSIP



Field: GRAMA RIDGE (MORROW) PM

Oil Cum: 20.09 mbbbl

Reservoir: MORROW

Gas Cum: 2779 mmcf

Operator: APACHE ENERGY RES CORP

Location: 10F 22S 34E

Gas Test Date	Cum Prod To Test	WHSIP	BHP	BHP/Z	BHP Type	BHP Potential Type	Potential	Water B/D	Cond. B/D	WHFP	Initial Test
3/23/66	1,006,609	6,163	7,764	6,343	C	1	1,675				N
7/14/70	1,115,983	2,368	3,275	3,627	C						N
8/26/71	1,306,796	2,135	2,958	3,316	C						N
8/3/72	1,438,992	1,960	2,715	3,064	C						N
7/12/73	1,558,128	1,871	2,589	2,925	C						N
7/16/74	1,674,681	1,732	2,393	2,701	C						N
10/30/75	1,804,197	1,578	2,173	2,447	C						N
8/12/76	1,898,867	1,809	2,502	2,827	C						N
8/23/77	2,007,989	1,589	2,189	2,465	C						N
11/10/80	2,261,284	1,825	2,524	2,852	C						N
7/28/81	2,301,519	1,518	2,088	2,349	C						N
4/7/82	2,359,920	1,539	2,118	2,382	C						N
9/7/83	2,460,457	13	17	17	C						N

Year	Oil Prod BBLs	Gas Prod MCF	Water BBLs	# of Wells	Days On	Allowables
1970	1,447	194,455		1		
1971	1,211	157,516		1		
1972	1,081	132,982		1		
1973	998	122,764		1		
1974	842	110,088	81	1		
1975	773	98,533	84	1		
1976	606	118,123	28	1		
1977	495	106,246	46	1		
1978	382	101,272	28	1		
1979	344	67,262		1		
1980	317	53,383		1		
1981	334	62,797		1		
1982	285	72,492		1	304	
1983	10	125,110		1	307	
1984		1,955		1	31	
1985	950	44,996	7,020	1	57	
1986	277	39,651	5,229	1	221	
1987	39	35,223	110	1	334	
1988	3	26,510	2	1	328	
1989	164	30,466	5,591	1	224	
1990	35	20,849	154	1	365	
1991	18	14,635		1	335	
1995	13	35,280	700		30	

Date MO/YR	Oil Prod BBLs	BBLs /Day	Cum. Oil Prod. BBLs	Gas Prod MCF	Cum. Gas MCF	YIELD BBLs/MMCF	Water	% Water	# of Wells	Days On	Allowables
01/70	127	4	9,590	16,527	1,023,136	7.68			1		
02/70	117	4	9,707	16,480	1,039,616	7.10			1		
03/70	147	5	9,854	17,623	1,057,239	8.34			1		
04/70	123	4	9,977	17,520	1,074,759	7.02			1		
05/70	125	4	10,102	17,175	1,091,934	7.28			1		
06/70	119	4	10,221	16,175	1,108,109	7.36			1		
07/70	123	4	10,344	16,754	1,124,863	7.34			1		
08/70	117	4	10,461	16,214	1,141,077	7.22			1		
09/70	112	4	10,573	15,371	1,156,448	7.29			1		
10/70	119	4	10,692	15,460	1,171,908	7.70			1		
11/70	89	3	10,781	15,127	1,187,035	5.88			1		
12/70	129	4	10,910	14,029	1,201,064	9.20			1		
Totals	1,447		194,455								
01/71	95	3	11,005	13,578	1,214,642	7.00			1		
02/71	100	3	11,105	12,706	1,227,348	7.87			1		
03/71	112	4	11,217	14,531	1,241,879	7.71			1		
04/71	109	4	11,326	13,671	1,255,550	7.97			1		
05/71	89	3	11,415	13,522	1,269,072	6.58			1		
06/71	121	4	11,536	13,007	1,282,079	9.30			1		
07/71	107	4	11,643	13,666	1,295,745	7.83			1		
08/71	97	3	11,740	12,702	1,308,447	7.64			1		
09/71	95	3	11,835	13,530	1,321,977	7.02			1		
10/71	103	3	11,938	12,895	1,334,872	7.99			1		
11/71	83	3	12,021	12,612	1,347,484	6.58			1		
12/71	100	3	12,121	11,096	1,358,580	9.01			1		
Totals	1,211		157,516								
01/72	101	3	12,222	13,011	1,371,591	7.76			1		
02/72	88	3	12,310	11,437	1,383,028	7.69			1		
03/72	100	3	12,410	12,048	1,395,076	8.30			1		
04/72	91	3	12,501	10,705	1,405,781	8.50			1		
05/72	104	3	12,605	10,845	1,416,626	9.59			1		
06/72	82	3	12,687	10,016	1,426,642	8.19			1		
07/72	94	3	12,781	11,237	1,437,879	8.37			1		
08/72	72	2	12,853	11,133	1,449,012	6.47			1		
09/72	95	3	12,948	11,290	1,460,302	8.41			1		
10/72	79	3	13,027	10,255	1,470,557	7.70			1		
11/72	94	3	13,121	11,111	1,481,668	8.46			1		
12/72	81	3	13,202	9,894	1,491,562	8.19			1		
Totals	1,081		132,982								
01/73	67	2	13,269	11,326	1,502,888	5.92			1		
02/73	65	2	13,334	9,729	1,512,617	6.68			1		
03/73	85	3	13,419	10,834	1,523,451	7.85			1		
04/73	81	3	13,500	10,073	1,533,524	8.04			1		
05/73	95	3	13,595	10,248	1,543,772	9.27			1		
06/73	90	3	13,685	10,035	1,553,807	8.97			1		

Date MO/YR	Oil Prod BBLs	BBLs /Day	Cum. Oil Prod. BBLs	Gas Prod MCF	Cum. Gas MCF	YIELD BBLs/MMCF	Water	% Water	# of Wells	Days On	Allowables
07/73	92	3	13,777	10,802	1,564,609	8.52			1		
08/73	84	3	13,861	10,304	1,574,913	8.15			1		
09/73	83	3	13,944	9,685	1,584,598	8.57			1		
10/73	87	3	14,031	9,231	1,593,829	9.42			1		
11/73	87	3	14,118	10,571	1,604,400	8.23			1		
12/73	82	3	14,200	9,926	1,614,326	8.26			1		
Totals	998			122,764							
01/74	67	2	14,267	10,211	1,624,537	6.56	7	9.46	1		
02/74	72	2	14,339	9,024	1,633,561	7.98	7	8.86	1		
03/74	98	3	14,437	9,371	1,642,932	10.46	7	6.67	1		
04/74	66	2	14,503	8,887	1,651,819	7.43	7	9.59	1		
05/74	75	2	14,578	8,898	1,660,717	8.43	7	8.54	1		
06/74	68	2	14,646	9,110	1,669,827	7.46	7	9.33	1		
07/74	67	2	14,713	9,159	1,678,986	7.32	7	9.46	1		
08/74	87	3	14,800	8,837	1,687,823	9.84	7	7.45	1		
09/74	60	2	14,860	8,738	1,696,561	6.87	7	10.45	1		
10/74	42	1	14,902	9,342	1,705,903	4.50	7	14.29	1		
11/74	72	2	14,974	9,639	1,715,542	7.47	4	5.26	1		
12/74	68	2	15,042	8,872	1,724,414	7.66	7	9.33	1		
Totals	842			110,088			81				
01/75	33	1	15,075	5,631	1,730,045	5.86	7	17.50	1		
02/75	76	3	15,151	8,995	1,739,040	8.45	7	8.43	1		
03/75	65	2	15,216	9,570	1,748,610	6.79	7	9.72	1		
04/75	75	2	15,291	8,030	1,756,640	9.34	7	8.54	1		
05/75	68	2	15,359	8,210	1,764,850	8.28	7	9.33	1		
06/75	68	2	15,427	7,535	1,772,385	9.02	7	9.33	1		
07/75	61	2	15,488	8,337	1,780,722	7.32	7	10.29	1		
08/75	66	2	15,554	8,340	1,789,062	7.91	7	9.59	1		
09/75	69	2	15,623	7,715	1,796,777	8.94	7	9.21	1		
10/75	65	2	15,688	7,420	1,804,197	8.76	7	9.72	1		
11/75	70	2	15,758	9,125	1,813,322	7.67	7	9.09	1		
12/75	57	2	15,815	9,625	1,822,947	5.92	7	10.94	1		
Totals	773			98,533			84				
01/76	61	2	15,876	10,821	1,833,768	5.64	7	10.29	1		
02/76	48	2	15,924	9,517	1,843,285	5.04	7	12.73	1		
03/76	59	2	15,983	9,980	1,853,265	5.91	7	10.61	1		
04/76	53	2	16,036	9,266	1,862,531	5.72	0	0.00	1		
05/76	64	2	16,100	9,406	1,871,937	6.80	0	0.00	1		
06/76	48	2	16,148	13,350	1,885,287	3.60	0	0.00	1		
07/76	50	2	16,198	9,723	1,895,010	5.14	0	0.00	1		
08/76	47	2	16,245	9,643	1,904,653	4.87	0	0.00	1		
09/76	42	1	16,287	9,173	1,913,826	4.58	0	0.00	1		
10/76	54	2	16,341	8,888	1,922,714	6.08	0	0.00	1		
11/76	45	1	16,386	9,472	1,932,186	4.75	0	0.00	1		
12/76	35	1	16,421	8,884	1,941,070	3.94	7	16.67	1		

Date MO/YR	Oil Prod BLS	BLS /Day	Cum. Oil Prod. BLS	Gas Prod MCF	Cum. Gas MCF	YIELD BLS/MMCF	Water	% Water	# of Wells	Days On	Allowables
Totals	606			118,123			28				
01/77	35	1	16,456	10,189	1,951,259	3.44	7	16.67	1		
02/77	30	1	16,486	8,879	1,960,138	3.38	6	16.67	1		
03/77	34	1	16,520	9,063	1,969,201	3.75	0	0.00	1		
04/77	50	2	16,570	8,164	1,977,365	6.12	0	0.00	1		
05/77	48	2	16,618	8,212	1,985,577	5.85	0	0.00	1		
06/77	36	1	16,654	7,693	1,993,270	4.68	7	16.28	1		
07/77	49	2	16,703	8,721	2,001,991	5.62	7	12.50	1		
08/77	38	1	16,741	7,790	2,009,781	4.88	7	15.56	1		
09/77	39	1	16,780	8,798	2,018,579	4.43	0	0.00	1		
10/77	41	1	16,821	9,698	2,028,277	4.23	0	0.00	1		
11/77	47	2	16,868	9,392	2,037,669	5.00	7	12.96	1		
12/77	48	2	16,916	9,647	2,047,316	4.98	7	12.73	1		
Totals	495			106,246			48				
01/78	33	1	16,949	8,492	2,055,808	3.89	0	0.00	1		
02/78	40	1	16,989	9,199	2,065,007	4.35	7	14.89	1		
03/78	38	1	17,027	9,759	2,074,766	3.89	7	15.56	1		
04/78	35	1	17,062	9,128	2,083,894	3.83	7	16.67	1		
05/78	21	1	17,083	9,348	2,093,242	2.25	7	25.00	1		
06/78	33	1	17,116	8,750	2,101,992	3.77	0	0.00	1		
07/78	35	1	17,151	9,596	2,111,588	3.65	0	0.00	1		
08/78	41	1	17,192	10,009	2,121,597	4.10	0	0.00	1		
09/78	26	1	17,218	6,010	2,127,607	4.33	0	0.00	1		
10/78	9	0	17,227	2,098	2,129,705	4.29	0	0.00	1		
11/78	38	1	17,265	9,956	2,139,661	3.82	0	0.00	1		
12/78	33	1	17,298	8,927	2,148,588	3.70	0	0.00	1		
Totals	382			101,272			28				
01/79	33	1	17,331	8,038	2,156,626	4.11			1		
02/79	34	1	17,365	6,945	2,163,571	4.90			1		
03/79	26	1	17,391	4,108	2,167,679	6.33			1		
04/79	37	1	17,428	5,936	2,173,615	6.23			1		
05/79	35	1	17,463	5,819	2,179,434	6.01			1		
06/79	35	1	17,498	5,844	2,185,278	5.99			1		
07/79	26	1	17,524	5,513	2,190,791	4.72			1		
08/79	29	1	17,553	5,207	2,195,998	5.57			1		
09/79	25	1	17,578	5,230	2,201,228	4.78			1		
10/79	17	1	17,595	4,710	2,205,938	3.61			1		
11/79	20	1	17,615	4,318	2,210,256	4.63			1		
12/79	27	1	17,642	5,594	2,215,850	4.83			1		
Totals	344			67,262							
01/80	33	1	17,675	5,051	2,220,901	6.53			1		
02/80	35	1	17,710	5,437	2,226,338	6.44			1		
03/80	28	1	17,738	5,855	2,232,193	4.78			1		
04/80	36	1	17,774	5,116	2,237,309	7.04			1		

Date	Oil Prod BBSL	BBSL /Day	Cum. Oil Prod. BBSL	Gas Prod MCF	Cum. Gas MCF	YIELD BBSL/MMCF	Water	% Water	# of Wells	Days On	Allowables
05/80	30	1	17,804	5,125	2,242,434	5.85			1		
06/80	25	1	17,829	4,509	2,246,943	5.54			1		
07/80	25	1	17,854	4,245	2,251,188	5.89			1		
08/80	0	0	17,854	0	2,251,188				0		
09/80	24	1	17,878	4,112	2,255,300	5.84			1		
10/80	27	1	17,905	4,647	2,259,947	5.81			1		
11/80	25	1	17,930	4,050	2,263,997	6.17			1		
12/80	29	1	17,959	5,236	2,269,233	5.54			1		
Totals	317			53,383							
01/81	31	1	17,990	4,716	2,273,949	6.57			1		
02/81	25	1	18,015	4,393	2,278,342	5.69			1		
03/81	24	1	18,039	4,661	2,283,003	5.15			1		
04/81	27	1	18,066	5,199	2,288,202	5.19			1		
05/81	30	1	18,096	5,157	2,293,359	5.82			1		
06/81	24	1	18,120	4,586	2,297,945	5.23			1		
07/81	21	1	18,141	3,843	2,301,788	5.46			1		
08/81	25	1	18,166	4,358	2,306,146	5.74			1		
09/81	22	1	18,188	3,793	2,309,939	5.80			1		
10/81	32	1	18,220	6,533	2,316,472	4.90			1		
11/81	40	1	18,260	7,699	2,324,171	5.20			1		
12/81	33	1	18,293	7,859	2,332,030	4.20			1		
Totals	334			62,797							
01/82	35	1	18,328	8,654	2,340,684	4.04			1	31	
02/82	33	1	18,361	8,343	2,349,027	3.96			1	28	
03/82	36	1	18,397	9,133	2,358,160	3.94			1	31	
04/82	26	0	18,423	7,651	2,365,811	3.40			1	30	
05/82	30	0	18,453	8,403	2,374,214	3.57			1	31	
06/82	28	0	18,481	7,372	2,381,586	3.80			1	30	
07/82	35	1	18,516	6,278	2,387,864	5.58			1	31	
08/82	27	0	18,543	6,804	2,394,668	3.97			1	31	
09/82	23	0	18,566	6,204	2,400,872	3.71			1	30	
10/82	12	0	18,578	3,650	2,404,522	3.29			1	31	
11/82	0	0	18,578	0	2,404,522				0	0	
12/82	0	0	18,578	0	2,404,522				0	0	
Totals	285			72,492						304	
01/83	0	0	18,578	0	2,404,522				0	0	
02/83	0	0	18,578	8	2,404,530	0.00			1	1	
03/83	10	0	18,588	637	2,405,167	15.70			1	31	
04/83	0	0	18,588	1,098	2,406,265	0.00			1	30	
05/83	0	0	18,588	257	2,406,522	0.00			1	31	
06/83	0	0	18,588	4,430	2,410,952	0.00			1	30	
07/83	0	0	18,588	21,011	2,431,963	0.00			1	31	
08/83	0	0	18,588	23,265	2,455,228	0.00			1	31	
09/83	0	0	18,588	22,736	2,477,964	0.00			1	30	
10/83	0	0	18,588	23,334	2,501,298	0.00			1	31	

Date	Oil Prod BBLs	BLS /Day	Cum. Oil Prod. BLS	Gas Prod MCF	Cum. Gas MCF	YIELD BLS/MCF	Water	% Water	# of Wells	Days On	Allowables
01/83	0	0	18,588	19,536	2,520,834	0.00			1	30	
12/83	0	0	18,588	8,798	2,529,632	0.00			1	31	
Totals	10	0		125,110						307	
01/84				1,946	2,531,578	0.00			1	31	
02/84				9	2,531,587	0.00			1	0	
03/84				0	2,531,587				0	0	
04/84				0	2,531,587				0	0	
05/84				0	2,531,587				0	0	
06/84				0	2,531,587				0	0	
07/84				0	2,531,587				0	0	
08/84				0	2,531,587				0	0	
09/84				0	2,531,587				0	0	
10/84				0	2,531,587				0	0	
11/84				0	2,531,587				0	0	
12/84				0	2,531,587				0	0	
Totals				1,955						31	
01/85	0	0	18,588	0	2,531,587		0	0.00	0	0	
02/85	0	0	18,588	0	2,531,587		0	0.00	0	0	
03/85	0	0	18,588	0	2,531,587		0	0.00	0	0	
04/85	0	0	18,588	0	2,531,587		0	0.00	0	0	
05/85	0	0	18,588	0	2,531,587		0	0.00	0	0	
06/85	31	5	18,619	1,986	2,533,573	15.61	0	0.00	1	6	
07/85	594	19	19,213	25,716	2,559,289	23.10	3,349	84.94	1	31	
08/85	308	51	19,521	15,478	2,574,767	19.90	3,671	92.26	1	6	
09/85	9	0	19,530	106	2,574,873	84.91	0	0.00	1	0	
10/85	0	0	19,530	972	2,575,845	0.00	0	0.00	1	0	
11/85	8	0	19,538	376	2,576,221	21.28	0	0.00	1	14	
12/85	0	0	19,538	362	2,576,583	0.00	0		1	0	
Totals	950	0		44,996			7,020			57	
01/86	8	8	19,546	107	2,576,690	74.77	172	95.56	1	1	
02/86	0	0	19,546	402	2,577,092	0.00	0		1	8	
03/86	0	0	19,546	303	2,577,395	0.00	0		1	0	
04/86	0	0	19,546	1,653	2,579,048	0.00	186	100.00	1	0	
05/86	0	0	19,546	1,926	2,580,974	0.00	155	100.00	1	0	
06/86	0	0	19,546	2,188	2,583,162	0.00	321	100.00	1	30	
07/86	0	0	19,546	3,479	2,586,641	0.00	717	100.00	1	31	
08/86	126	4	19,672	9,588	2,596,229	13.14	1,789	93.42	1	31	
09/86	98	3	19,770	8,619	2,604,848	11.37	1,270	92.84	1	30	
10/86	32	1	19,802	4,629	2,609,477	6.91	427	93.03	1	30	
11/86	13	0	19,815	3,301	2,612,778	3.94	147	91.88	1	29	
12/86	0	0	19,815	3,456	2,616,234	0.00	45	100.00	1	31	
Totals	277			39,651			5,229			221	
01/87	4	0	19,819	3,561	2,619,795	1.12	48	92.31	1	0	
02/87	3	0	19,822	3,010	2,622,805	1.00	0	0.00	1	28	

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Date	Oil Prod	BLS	BLS /Day	Cum. Oil	Gas Prod	Cum. Gas	YIELD	Water	%	# of	Days	Allowables
MO/YR	BLS			Prod. BLS	MCF	MCF	BLS/MCF	Water	Water	Wells	On	
03/87	2		0	19,824	3,310	2,626,115	0.60	3	60.00	1	31	
04/87	8		0	19,832	3,048	2,629,163	2.62	0	0.00	1	30	
05/87	13		0	19,845	3,107	2,632,270	4.18	3	18.75	1	31	
06/87	7		0	19,852	2,942	2,635,212	2.38	9	56.25	1	30	
07/87	0		0	19,852	2,902	2,638,114	0.00	6	100.00	1	31	
08/87	2		0	19,854	2,822	2,640,936	0.71	3	60.00	1	31	
09/87	0		0	19,854	2,701	2,643,637	0.00	6	100.00	1	30	
10/87	0		0	19,854	2,719	2,646,356	0.00	11	100.00	1	31	
11/87	0		0	19,854	2,487	2,648,843	0.00	7	100.00	1	30	
12/87	0		0	19,854	2,614	2,651,457	0.00	14	100.00	1	31	
Totals	39		0	19,854	35,223			110			334	
01/88	0		0	19,854	2,489	2,653,946	0.00	2	100.00	1	31	
02/88	0		0	19,854	2,380	2,656,326	0.00	0	0.00	1	29	
03/88	0		0	19,854	2,458	2,658,784	0.00	0	0.00	1	31	
04/88	0		0	19,854	2,344	2,661,128	0.00	0	0.00	1	30	
05/88	3		0	19,857	2,392	2,663,520	1.25	0	0.00	1	31	
06/88	0		0	19,857	2,255	2,665,775	0.00	0	0.00	1	30	
07/88	0		0	19,857	2,295	2,668,070	0.00	0	0.00	1	31	
08/88	0		0	19,857	2,189	2,670,259	0.00	0	0.00	1	31	
09/88	0		0	19,857	2,063	2,672,322	0.00	0	0.00	1	30	
10/88	0		0	19,857	2,075	2,674,397	0.00	0	0.00	1	0	
11/88	0		0	19,857	1,999	2,676,396	0.00	0	0.00	1	30	
12/88	0		0	19,857	1,571	2,677,967	0.00	0	0.00	1	24	
Totals	3		0	19,857	26,510			2			328	
01/89	10		0	19,867	1,386	2,679,353	7.22	327	97.03	1	26	
02/89	2		0	19,869	0	2,679,353		960	99.79	1	0	
03/89	0		0	19,869	1,987	2,681,340	0.00	822	100.00	1	19	
04/89	0		0	19,869	2,902	2,684,242	0.00	255	100.00	1	0	
05/89	0		0	19,869	2,152	2,686,394	0.00	249	100.00	1	30	
06/89	0		0	19,869	0	2,686,394		0		0	0	
07/89	18		0	19,887	2,137	2,688,531	8.42	351	95.12	1	27	
08/89	39		1	19,926	3,831	2,692,362	10.18	654	94.37	1	30	
09/89	35		1	19,961	4,504	2,696,866	7.77	686	95.15	1	30	
10/89	31		1	19,992	5,162	2,702,028	6.01	638	95.37	1	31	
11/89	18		1	20,010	3,436	2,705,464	5.24	396	95.65	1	0	
12/89	11		0	20,021	2,969	2,708,433	3.70	253	95.83	1	31	
Totals	164		0	20,021	30,466			5,591			224	
01/90	2		0	20,023	2,175	2,710,608	0.92	33	94.29	1	31	
02/90	0		0	20,023	1,689	2,712,297	0.00	7	100.00	1	28	
03/90	0		0	20,023	2,092	2,714,389	0.00	15	100.00	1	31	
04/90	6		0	20,029	1,829	2,716,218	3.28	9	60.00	1	30	
05/90	7		0	20,036	1,803	2,718,021	3.88	3	30.00	1	31	
06/90	7		0	20,043	1,645	2,719,666	4.26	0	0.00	1	30	
07/90	0		0	20,043	1,704	2,721,370	0.00	3	100.00	1	31	
08/90	3		0	20,046	1,899	2,723,269	1.58	0	0.00	1	31	

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Date	Oil Prod MO/YR	BLS	BLS /Day	Cum. Oil Prod. BLS	Gas Prod MCF	Cum. Gas MCF	YIELD BLS/MCF	Water	% Water	# of Wells	Days On	Allowables
09/90		10	0	20,056	1,515	2,724,784	6.60	0	0.00	1	30	
10/90		0	0	20,056	1,441	2,726,225	0.00	63	100.00	1	31	
11/90		0	0	20,056	1,698	2,727,923	0.00	21	100.00	1	30	
12/90		0	0	20,056	1,359	2,729,282	0.00	0		1	31	
Totals		35			20,849			154			365	
01/91		5	0	20,061	686	2,729,968	7.29			1	31	
02/91		13	0	20,074	595	2,730,563	21.85			1	28	
03/91		0	0	20,074	760	2,731,323	0.00			1	31	
04/91		0	0	20,074	1,465	2,732,788	0.00			1	30	
05/91		0	0	20,074	1,652	2,734,440	0.00			1	31	
06/91		0	0	20,074	1,607	2,736,047	0.00			1	30	
07/91		0	0	20,074	1,647	2,737,694	0.00			1	31	
08/91		0	0	20,074	1,639	2,739,333	0.00			1	31	
09/91		0	0	20,074	1,577	2,740,910	0.00			1	0	
10/91		0	0	20,074	1,626	2,742,536	0.00			1	31	
11/91		0	0	20,074	1,364	2,743,900	0.00			1	30	
12/91		0	0	20,074	17	2,743,917	0.00			1	31	
Totals		18			14,635						335	
01/95		0	0	20,074	0	2,743,917		0			0	
02/95		0	0	20,074	0	2,743,917		0			0	
03/95		0	0	20,074	0	2,743,917		0			0	
04/95		0	0	20,074	0	2,743,917		0			0	
05/95		0	0	20,074	0	2,743,917		0			0	
06/95		0	0	20,074	0	2,743,917		0			0	
07/95		0	0	20,074	0	2,743,917		0			0	
08/95		0	0	20,074	0	2,743,917		0			0	
09/95		13	0	20,087	35,280	2,779,197	0.37	700	98.18		30	
10/95		0	0	20,087	0	2,779,197		0			0	
11/95		0	0	20,087	0	2,779,197		0			0	
12/95		0	0	20,087	0	2,779,197		0			0	
Totals		13			35,280			700			30	

Apl Number	Well Number	Well Type	Latitude	Longitude	Lat/Long Source	Dwights Well ID
30-025-2133400	4 1	GAS				S1345430

LAW OFFICES
TURNER & DAVIS
 A PROFESSIONAL CORPORATION

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 P. O. BOX 2796
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 MEMBER TEXAS AND NEW MEXICO BARS

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Davis
 CC: CL&F
 Great Western
 Kathie

July 17, 2000

ORIGINAL DIVISION ORDER TITLE OPINION

Nearburg Producing Company
 3300 N. "A" St., Bldg. 2, Ste. 120
 Midland, TX 79705-5408

Attention: Mr. Bob Shelton

Re: Your Grama Ridge East "34" Fed No. 1 Well – ownership of the oil and gas produced and saved from said well, situated on the following-described land:

Township 21 South, Range 34 East, N.M.P.M.
 Section 34: N/2

Lea County, New Mexico, containing 320 acres, more or less, from the surface down to 13,500 feet below the surface.

Gentlemen:

For division order purposes, we have examined the following:

MATERIALS EXAMINED

Abstract

Abstract No. 7475, certified by Schutz Abstract Company, Inc. as covering the Records in the Offices of the Commissioner of Public Lands of the State of New Mexico, as to the oil and gas mineral rights under State Lease V-5683, covering captioned land, from the inception of such records to July 12, 2000 at 8:00 a.m., containing 56 pages.

Examination of the Records

We have examined all of the instruments affecting the title to State Lease V-5683, covering captioned land, from the date of such lease to June 22, 2000 at 7:00 a.m., as reflected by the indices of Caprock Title Company.

Instruments

1. Copy of the Operating Agreement described below.
2. Copy of your ownership and calculations of interests for captioned well.
3. Unexecuted copies of Assignment Nos. 4 through 10, analyzed below.

BEFORE THE
 OIL CONSERVATION COMMISSION
 Case No. 12622 & 12908
 Exhibit # E-7
 Submitted By: Redrock Operating
 Hearing Date: October 21 & 22, 2002

Nearburg Producing Company

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July 17, 2000

OWNERSHIP OF PRODUCTION

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find the oil and gas produced and saved from captioned well, as to captioned land and depths, is owned as follows:

Royalty Interest:

<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
State of New Mexico	All of 1/6	.16666667
<u>Overriding Royalty Interests:</u>		
Wayne Newkumet	.45% of 2%	.00900000
James E. Brown	15% of 2%	.00300000
Brent D. Hilliard	15% of 2%	.00300000
Wendell R. Creech	15% of 2%	.00300000
David F. Alderks	10% of 2%	.00200000
Ted F. Gawloski	.5% of 50%	.00250000
Nearburg Producing Company, for the benefit of the Nearburg Producing Company Employee Fund	1% of 50%	.00500000
Total Overriding Royalty Interests		<u>.02750000</u>
Total Lease Burdens		<u>.19416667</u>

Working Interests:

Great Western Drilling Company	.25 x .81333333	.20333333
Continental Land & Fur Co., Inc.	.25 x .81333333	.20333333
Leesburg Investments, Ltd.	.04 x .39916667	.01596666
Roy G. Niederhoffer	.03 x .39916667	.01197500
Holsurn, Inc.	.03 x .39916667	.01197500
Madison Capital (Tristan)	.02 x .39916667	.00798333
Menpart Associates	.0175 x .39916667	.00698541
AAR Limited Partnership	.015 x .39916667	.00598750
R-N Limited Partnership	.015 x .39916667	.00598750
LJR Resources Ltd. Co.	.01 x .39916667	.00399167
Gene Reischman	.01 x .39916667	.00399167
J. Kenneth Smith	.01 x .39916667	.00399167
Wright Family Living Trust	.01 x .39916667	.00399167
Duane A. Davis	.0025 x .39916667	.00099791
Timothy R. MacDonald	.00083333 x .39916667	.00033264
Dean A. Homing	.00083333 x .39916667	.00033264

Nearburg Producing Company

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<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
Robert G. Shelton	.00083333 x .39916667	.00033264
Duke W. Roush	.00083333 x .39916667	.00033264
Herbert R. Willis	.00083333 x .39916667	.00033264
Nearburg Exploration Company, L.L.C.	.78583335 x .39916667	<u>.31367848</u>
Total Working Interests		.80583333

After Payout, as defined in Assignment No. 1, described below, (assuming that Great Western Drilling Company elects to receive an additional 25% of 75% (18.75%) working interest in captioned well):

Royalty Interest:

<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
State of New Mexico	All of 1/6	.16666667

Overriding Royalty Interests:

Wayne Newkumet	.45% of 2%	.00900000
James E. Brown	15% of 2%	.00300000
Brent D. Hilliard	15% of 2%	.00300000
Wendell R. Creech	15% of 2%	.00300000
David F. Alderks	10% of 2%	.00200000
Ted F. Gawloski	.5% of .375%	.00187500
Nearburg Producing Company, for the benefit of the Nearburg Producing Company Employee Fund	1% of .375%	.00375000

Total Overriding Royalty Interests **.02562500**

Total Lease Burdens **.19229167**

Working Interests:

Great Western Drilling Company	.4375 x .81333333	.35583333
Continental Land & Fur Co., Inc.	.1875 x .81333333	.15250000
Leesburg Investments, Ltd.	.04 x .299375	.01197500
Roy G. Niederhoffer	.03 x .299375	.00898125
Holsum, Inc.	.03 x .299375	.00898125
Madison Capital (Tristan)	.02 x .299375	.00598750
Menpart Associates	.0175 x .299375	.00523906
AAR Limited Partnership	.015 x .299375	.00449062
R-N Limited Partnership	.015 x .299375	.00449062
LJR Resources Ltd. Co.	.01 x .299375	.00299375

Nearburg Producing Company

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<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
Gene Reischman	.01 x .299375	.00299375
J. Kenneth Smith	.01 x .299375	.00299375
Wright Family Living Trust	.01 x .299375	.00299375
Duane A. Davis	.0025 x .299375	.00074844
Timothy R. MacDonald	.00083333 x .299375	.00024948
Dean A. Horning	.00083333 x .299375	.00024948
Robert G. Shelton	.00083333 x .299375	.00024948
Duke W. Roush	.00083333 x .299375	.00024948
Herbert R. Willis	.00083333 x .299375	.00024948
Nearburg Exploration Company, L.L.C.	.78583335 x .299375	<u>.23525886</u>
Total Working Interests		.80770833

After "Prospect Payout" (being "Payout" as defined in the Proposals and Agreements described in Assignment Nos. 6, 7 and 8, below):

Royalty Interest:

<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
State of New Mexico	All of 1/6	.16666667

Overriding Royalty Interests:

Wayne Newkumet	.45% of 2%	.00900000
James E. Brown	15% of 2%	.00300000
Brent D. Hilliard	15% of 2%	.00300000
Wendell R. Creech	15% of 2%	.00300000
David F. Alderks	10% of 2%	.00200000
Ted F. Gawloski	.5% of .375%	.00187500
Nearburg Producing Company, for the benefit of the Nearburg Producing Company Employee Fund	1% of .375%	.00375000

Total Overriding Royalty Interests .02562500

Total Lease Burdens .19229167

Working Interests:

Great Western Drilling Company	.4375 x .81333333	.35583333
Continental Land & Fur Co., Inc.	.1875 x .81333333	.15250000
Leesburg Investments, Ltd.	.03 x .299375	.00898125
Roy G. Niederhoffer	.0225 x .299375	.00673594
Holsum, Inc.	.03 x .299375	.00898125

Nearburg Producing Company

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<u>Owner</u>	<u>Calculation</u>	<u>Interest in Production</u>
Madison Capital (Tristan)	.015 x .299375	.00449062
Mcnpart Associates	.013125 x .299375	.00392930
AAR Limited Partnership	.015 x .299375	.00449062
R-N Limited Partnership	.015 x .299375	.00449062
LJR Resources Ltd. Co.	.01 x .299375	.00299375
Gene Reischman	.01 x .299375	.00299375
J. Kenneth Smith	.01 x .299375	.00299375
Wright Family Living Trust	.01 x .299375	.00299375
Duane A. Davis	.0025 x .299375	.00074844
Timothy R. MacDonald	.00083333 x .299375	.00024948
Dean A. Horping	.00083333 x .299375	.00024948
Robert G. Shelton	.00083333 x .299375	.00024948
Duke W. Roush	.00083333 x .299375	.00024948
Herbert R. Willis	.00083333 x .299375	.00024948
Nearburg Exploration Company, L.L.C.	.81270835 x .299375	<u>.24330456</u>
Total Working Interests		.80770833

EXISTING OIL AND GAS LEASE

Serial No.: V-5683.

Date: January 1, 2000.

Recorded: Book 1001, page 553 of the Lea County Records.

Lessor: State of New Mexico.

Lessee: Great Western Drilling Company.

Land Covered: Captioned land.

Interest Covered: All interest therein.

Primary Term: Five (5) years from date.

Royalties: 1/6 on oil and gas, payable in the manner prescribed by state regulations.

Shut-in Gas Well Royalty: This lease shall not expire at the end of the primary term if there is a well capable of producing gas in paying quantities located on the leased premises or lands communitized therewith, where such well is shut in due to the inability of Lessee to obtain a pipeline connection or to market the gas therefrom, and if Lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the

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expiration of 90 days from the date the well is shut in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities, and upon commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable under the lease to Lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leased premises and through no fault of Lessee, the pipeline connection or market is lost or ceases, in which case the lease shall not expire so long as said annual royalty is paid as provided in the lease. The amount of any annual royalty payable under this section shall equal twice the annual rental due by Lessee under the terms of the lease, but not less than \$320.00 per well per year; provided, however, that any such annual royalty for any year beginning on or after ten years from the date of the lease shall equal four times the annual rental due by Lessee under the terms of the lease, but not less than \$2,000.00 per well per year. No annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by Lessor and if such other lease includes lands communitized with the leased premises for the purpose of proratically sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, the lease shall not be continued after five years from the date thereof for any period of more than ten years by payment of said annual royalty unless, for good cause shown, the Commissioner of Public Lands, in his discretion, grants such a continuance.

- Annual Rentals:** Rentals in the sum of \$1.00 per acre are payable on or before each anniversary date of the lease, regardless of drilling operations on or production from the leased premises or on lands communitized or unitized therewith.
- Pooling Provision:** None provided for in the lease; however, communitization is authorized by state statute and state regulation.
- Lease Form:** Discovery Form.
- Status of Lease:** This lease is in the first year of its primary term. Annual rentals have been paid through January 1, 2001.

ASSIGNMENTS

1. By Assignment of Overriding Royalty Interest dated February 16, 2000, recorded in Book 1006, page 101 of the Lea County Records, Great Western Drilling Company assigned to the following parties, in the proportions set forth opposite their names, an overriding royalty interest equal to 2% of the oil and gas produced and saved from captioned land:

Wayne Newkumet	45%
James E. Brown	15%
Brent D. Hilliard	15%
Wendell R. Creech	15%
David F. Alderks	10%

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2. By Assignment dated March 3, 2000, recorded in Book 1008, page 69 of the Lea County Records, Great Western Drilling Company assigned an undivided 75% interest in the operating rights and working interest in the lease analyzed above to Nearburg Exploration Company, L.L.C. Upon payout of the first well drilled under the provisions of this lease, the "Initial Well", Assignor has the right to back-in for an undivided 25% of the operating rights and working interest in the lease assigned herein. "Payout" means the date upon which Assignee has recovered from its net share of the oil and gas produced from the Initial Well an amount equal to Assignee's share of the costs of drilling, testing, completing and equipping the Initial Well (collectively, the "Drilling Costs") and the cost of operating such well during the time the Drilling Costs were being recovered. For purposes hereof, Assignor's "net share" of the oil and gas production from the Initial Well shall mean its share of gross production from such well, less its share of the royalties, overriding royalty and ad valorem, severance and production taxes paid thereon.

This assignment is subject to the following agreements:

- (a) Letter Agreement dated February 22, 2000, between Assignor and Assignee, covering captioned land;
- (b) Operating Agreement dated February 17, 2000, between Nearburg Producing Company, as Operator, and Assignor, as Non-Operator, designating captioned land as the contract area covered thereby; and
- (c) Assignment of Overriding Royalty Interest described as Assignment No. 1, above.

3. By Assignment dated April 1, 2000, recorded in Book 1016, page 587 of the Lea County Records, Nearburg Exploration Company, L.L.C. assigned an undivided 25% of its right, title and interest in the lease analyzed above to Continental Land & Fur Co., Inc. This assignment is subject to the following agreements:

- (a) Assignment of Overriding Royalty Interest described as Assignment No. 1, above;
- (b) Assignment described as Assignment No. 2, above; and
- (c) Operating Agreement described below.

4. By unexecuted Assignment of Overriding Royalty Interest, to be effective as of February 18, 2000, Nearburg Exploration Company, L.L.C. will assign an overriding royalty interest equal to 1% of 50% of the oil, gas or other hydrocarbons produced, saved and sold from the lease analyzed above, to Nearburg Producing Company, for the benefit of the Nearburg Producing Company Employee Fund. If title fails to all or a portion of the lands described by this assignment, or if Assignor's interest in said lease decreases after payout due to any force pooling order or conversion of overriding royalty interest to a working interest, the overriding royalty interest assigned herein shall be reduced proportionately. Similarly, if the working interest of Assignor increases after payout in accordance with the terms of any payout provision, the overriding royalty interest assigned herein shall be increased proportionately.

Assignor, its successors and assigns, shall free and exclusive control of all matters pertaining to said lease without liability, including the right to release and/or abandon the leasehold premises, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof, all without the joinder of the owner of the overriding royalty interest assigned hereby.

5. By unexecuted Assignment of Overriding Royalty Interest, to be effective as of February 21, 2000, Nearburg Exploration Company, L.L.C. will assign an overriding royalty interest equal to 1/2 of 1% of 50% of the oil, gas or other hydrocarbons produced, saved and sold from the lease analyzed above, to Ted F. Gawloski. If title fails to all or a portion of the lands described by this assignment, or if Assignor's interest in said lease decreases after payout due to any force pooling order or conversion of overriding royalty interest to a working interest, the overriding royalty interest assigned herein shall be reduced proportionately. Similarly, if the working interest of Assignor

Nearburg Producing Company

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increases after payout in accordance with the terms of any payout provision, the overriding royalty interest assigned herein shall be increased proportionately.

Assignor, its successors and assigns, shall have free and exclusive control of all matters pertaining to said lease without liability, including the right to release and/or abandon the leasehold premises, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof, all without the joinder of the owner of the overriding royalty interest assigned hereby.

6. By unexecuted Assignment, to be effective as of February 23, 2000, Nearburg Exploration Company, L.L.C. will assign an undivided 4% of its interest in the lease analyzed above, insofar as it covers acreage within the producing unit formed or to be formed for the Morrow Formation in captioned well from the surface down to 13,500 feet below the surface in said well, limited to the right to receive production from the borehole of said well, to Leesburg Investments, Ltd.; provided, however, that Assignee shall have the right to participate in the drilling of a replacement well for said well, the drilling of which may be necessitated by mechanical failure of said well.

This assignment is made subject to the following:

- (a) Any and all valid subsisting royalties, overriding royalties, excess royalties and production payments to which said lease is subject;
- (b) Proposal and Agreement dated March 13, 2000, by and between Assignor and Leesburg Investments, Ltd. pertaining to said well;
- (c) The Operating Agreement described below;
- (d) Operating Agreement dated March 1, 2000, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators;
- (e) Letter Agreement dated February 12, 2000, by and between Nearburg Exploration Company, L.L.C. and Great Western Drilling Company;
- (f) Assignment No. 2, above;
- (g) Letter Agreement dated March 8, 2000, by and between Nearburg Exploration Company, L.L.C. and Continental Land & Fur Co., Inc.;
- (h) Assignment No. 3, above;
- (i) The 1.00% of 50.00% overriding royalty interest assigned to Nearburg Producing Company for the benefit of its Employee Fund by Assignment No. 4, above; and
- (j) The 1/2 of 1.00% of 50.00% overriding royalty interest assigned to Ted F. Gawloski by Assignment No. 5, above.

This assignment is further subject to said lease and all term assignment agreements, and any other agreement by and between Assignor and third parties which have been entered into by Assignor or Assignor's predecessors, of record in Lea County, New Mexico.

Assignor reserves, upon Payout (as defined in the Proposal and Agreements) 25% of the working interest and net revenue interest in said well being assigned herein to Assignee.

In addition, Assignors, its successors and assigns, shall have free and exclusive control of all matters pertaining to the oil and gas lease assigned herein, without liability, including the right to release and/or abandon the leasehold lands, pool or unitize all or any part of the lands covered

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thereby with lands and leases in the vicinity thereof for the purpose of creating oil and gas producing units, all without the joinder of the owner of the leasehold interest herein conveyed.

If the leasehold estate herein conveyed is dedicated, pooled or unitized to a proration unit for the production of oil or gas, the production allocation to the lands herein assigned shall be in conformity with the allocation, allowable or order of any governmental regulatory body, or in the absence of any such allocation, allowable, or order, in the same ratio that the leasehold surface lands herein assigned bears to the total surface lands contained in such production unit.

If the Lessor in said lease owns a less interest in the premises covered hereby than the entire undivided fee simple estate in all or any part of the lands described therein or oil and gas mineral rights relating thereto, then the leasehold interest herein assigned shall be proportionately reduced. If title fails to all or a portion of the lands described on said Exhibit "A", or should Assignor's interest in and to said lease decrease after payout due to any forced pooling order or conversion of overriding royalty interest to a working interest, the interest herein assigned shall be reduced proportionately. In a like manner, if the working interest of Nearburg Exploration Company, L.L.C. should increase after payout in accordance with the terms of any payout provision, the interest herein assigned shall be increased proportionately.

7. By unexecuted Assignment, to be effective as of February 25, 2000, Nearburg Exploration Company, L.L.C. will assign an undivided 3% of its interest in the lease analyzed above, insofar as it covers acreage within the producing unit formed or to be formed for the Morrow Formation in captioned well from the surface down to 13,500 feet below the surface in said well, limited to the right to receive production from the borehole of said well, to Roy G. Niederhoffer; provided, however, that Assignee shall have the right to participate in the drilling of a replacement well for said well, the drilling of which may be necessitated by mechanical failure of said well.

This assignment is made subject to the following:

- (a) Any and all valid subsisting royalties, overriding royalties, excess royalties and production payments to which said lease is subject;
- (b) Proposal and Agreement dated _____ 2000, by and between Assignor and Roy G. Niederhoffer pertaining to said well;
- (c) Exploration and Development Agreement dated November 1, 1990, by and between Nearburg Producing Company, et al, and Roy Niederhoffer ("Exploration Agreement");
- (d) The Operating Agreement described below;
- (e) Operating Agreement dated March 1, 2000, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators;
- (f) Letter Agreement dated February 12, 2000, by and between Nearburg Exploration Company, L.L.C. and Great Western Drilling Company;
- (g) Assignment No. 2, above;
- (h) Letter Agreement dated March 8, 2000, by and between Nearburg Exploration Company, L.L.C. and Continental Land & Fur Co., Inc.;
- (i) Assignment No. 3, above;
- (j) The 1.00% of 50.00% overriding royalty interest assigned to Nearburg Producing Company for the benefit of its Employee Fund by Assignment No. 4, above; and

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- (k) The 1/2 of 1.00% of 50.00% overriding royalty interest assigned to Ted F. Gawloski by Assignment No. 5, above.

This assignment is further subject to said lease and all term assignment agreements, and any other agreement by and between Assignor and third parties which have been entered into by Assignor or Assignor's predecessors, of record in Lea County, New Mexico.

Assignor reserves, upon Payout (as defined in the Proposal and Agreements) 25% of the working interest and net revenue interest in said well being assigned herein to Assignee.

In addition, Assignors, its successors and assigns, shall have free and exclusive control of all matters pertaining to the oil and gas lease assigned herein, without liability, including the right to release and/or abandon the leasehold lands, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof for the purpose of creating oil and gas producing units, all without the joinder of the owner of the leasehold interest herein conveyed.

If the leasehold estate herein conveyed is dedicated, pooled or unitized to a proration unit for the production of oil or gas, the production allocation to the lands herein assigned shall be in conformity with the allocation, allowable or order of any governmental regulatory body, or in the absence of any such allocation, allowable, or order, in the same ratio that the leasehold surface lands herein assigned bears to the total surface lands contained in such production unit.

If the Lessor in said lease owns a less interest in the premises covered hereby than the entire undivided fee simple estate in all or any part of the lands described therein or oil and gas mineral rights relating thereto, then the leasehold interest herein assigned shall be proportionately reduced. If title fails to all or a portion of the lands described on said Exhibit "A", or should Assignor's interest in and to said lease decrease after payout due to any forced pooling order or conversion of overriding royalty interest to a working interest, the interest herein assigned shall be reduced proportionately. In a like manner, if the working interest of Nearburg Exploration Company, L.L.C. should increase after payout in accordance with the terms of any payout provision, the interest herein assigned shall be increased proportionately.

8. By unexecuted Assignment, to be effective as of February 28, 2000, Nearburg Exploration Company, L.L.C. will assign an undivided 2% of its interest in the lease analyzed above, insofar as it covers acreage within the producing unit formed or to be formed for the Morrow Formation in captioned well from the surface down to 13,500 feet below the surface in said well, limited to the right to receive production from the borehole of said well, to Madison Capital (Tristan), and a 1.75% of assignor interest to Menpart Associates; provided, however, that Assignee shall have the right to participate in the drilling of a replacement well for said well, the drilling of which may be necessitated by mechanical failure of said well.

This assignment is made subject to the following:

- (a) Any and all valid subsisting royalties, overriding royalties, excess royalties and production payments to which said lease is subject;
- (b) Proposal and Agreement dated March 14, 2000, by and between Assignor and Madison Capital (Tristan);
- (c) Proposal and Agreement dated March 15, 2000, by and between Assignor and Menpart Associates pertaining to said well;
- (d) The Operating Agreement described below;
- (e) Operating Agreement dated March 1, 2000, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators;

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- (f) Letter Agreement dated February 12, 2000, by and between Nearburg Exploration Company, L.L.C. and Great Western Drilling Company;
- (g) Assignment No. 2, above;
- (h) Letter Agreement dated March 8, 2000, by and between Nearburg Exploration Company, L.L.C. and Continental Land & Fur Co., Inc.;
- (i) Assignment No. 3, above;
- (j) The 1.00% of 50.00% overriding royalty interest assigned to Nearburg Producing Company for the benefit of its Employee Fund by Assignment No. 4, above; and
- (k) The 1/2 of 1.00% of 50.00% overriding royalty interest assigned to Ted F. Gawloski by Assignment No. 5, above.

This assignment is further subject to said lease and all term assignment agreements, and any other agreement by and between Assignor and third parties which have been entered into by Assignor or Assignor's predecessors, of record in Lea County, New Mexico.

Assignor reserves, upon Payout (as defined in the Proposal and Agreements) 25% of the working interest and net revenue interest in said well being assigned herein to Assignee.

In addition, Assignors, its successors and assigns, shall have free and exclusive control of all matters pertaining to the oil and gas lease assigned herein, without liability, including the right to release and/or abandon the leasehold lands, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof for the purpose of creating oil and gas producing units, all without the joinder of the owner of the leasehold interest herein conveyed.

If the leasehold estate herein conveyed is dedicated, pooled or unitized to a proration unit for the production of oil or gas, the production allocation to the lands herein assigned shall be in conformity with the allocation, allowable or order of any governmental regulatory body, or in the absence of any such allocation, allowable, or order, in the same ratio that the leasehold surface lands herein assigned bears to the total surface lands contained in such production unit.

If the Lessor in said lease owns a less interest in the premises covered hereby then the entire undivided fee simple estate in all or any part of the lands described therein or oil and gas mineral rights relating thereto, then the leasehold interest herein assigned shall be proportionately reduced. If title fails to all or a portion of the lands described on said Exhibit "A", or should Assignor's interest in and to said lease decrease after payout due to any forced pooling order or conversion of overriding royalty interest to a working interest, the interest herein assigned shall be reduced proportionately. In a like manner, if the working interest of Nearburg Exploration Company, L.L.C. should increase after payout in accordance with the terms of any payout provision, the interest herein assigned shall be increased proportionately.

9. By unexecuted Assignment, to be effective as of March 1, 2000, Nearburg Exploration Company, L.L.C. will assign to the following parties:

<u>Proposal and Agreement Date</u>	<u>Assignee</u>	<u>Interests</u>
03/19/00	Holsum, Inc.	3.00%
03/10/00	AAR Limited Partnership	1.50%
03/14/00	R-N Limited Partnership	1.50%
03/14/00	Gene Reischman, Separate Estate	1.00%
03/10/00	LJR Resources Ltd. Co.	1.00%
03/20/00	J. Kenneth Smith	1.00%
03/10/00	Wright Family Living Trust	1.00%

Nearburg Producing Company

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July 17, 2000

the interest set forth opposite their names in and to Assignor's interest in the lease analyzed above, insofar as it covers acreage within the producing unit formed or to be formed for the Morrow Formation in captioned well from the surface down to 13,500 feet below the surface in said well, limited to the right to receive production from the borehole of said well, provided, however, that Assignee shall have the right to participate in the drilling of a replacement well for said well, the drilling of which may be necessitated by mechanical failure of said well.

This assignment is made subject to the following:

- (a) Any and all valid subsisting royalties, overriding royalties, excess royalties and production payments to which said lease is subject;
- (b) Proposal and Agreement dated as shown opposite each Assignee's name, by and between Assignor and such Assignee, pertaining to said well;
- (c) The Operating Agreement described below;
- (d) Operating Agreement dated March 1, 2000, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators;
- (e) Letter Agreement dated February 12, 2000, by and between Nearburg Exploration Company, L.L.C. and Great Western Drilling Company;
- (f) Assignment No. 2, above;
- (g) Letter Agreement dated March 8, 2000, by and between Nearburg Exploration Company, L.L.C. and Continental Land & Fur Co., Inc.;
- (h) Assignment No. 3, above;
- (i) The 1.00% of 50.00% overriding royalty interest assigned to Nearburg Producing Company for the benefit of its Employee Fund by Assignment No. 4, above; and
- (j) The 1/2 of 1.00% of 50.00% overriding royalty interest assigned to Ted F. Gawloski by Assignment No. 5, above.

This assignment is further subject to said lease and all term assignment agreements, and any other agreement by and between Assignor and third parties which have been entered into by Assignor or Assignor's predecessors, of record in Lea County, New Mexico.

In addition, Assignors, its successors and assigns, shall have free and exclusive control of all matters pertaining to the oil and gas lease assigned herein, without liability, including the right to release and/or abandon the leasehold lands, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof for the purpose of creating oil and gas producing units, all without the joinder of the owner of the leasehold interest herein conveyed.

If the leasehold estate herein conveyed is dedicated, pooled or unitized to a proration unit for the production of oil or gas, the production allocation to the lands herein assigned shall be in conformity with the allocation, allowable or order of any governmental regulatory body, or in the absence of any such allocation, allowable, or order, in the same ratio that the leasehold surface lands herein assigned bears to the total surface lands contained in such production unit.

If the Lessor in said lease owns a less interest in the premises covered hereby then the entire undivided fee simple estate in all or any part of the lands described therein or oil and gas mineral rights relating thereto, then the leasehold interest herein assigned shall be proportionately reduced. If title fails to all or a portion of the lands described on said Exhibit "A", or should Assignor's interest in and to said lease decrease after payout due to any forced pooling order or conversion of

Nearburg Producing Company

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July 17, 2000

overriding royalty interest to a working interest, the interest herein assigned shall be reduced proportionately. In a like manner, if the working interest of Nearburg Exploration Company, L.L.C. should increase after payout in accordance with the terms of any payout provision, the interest herein assigned shall be increased proportionately.

10. By unexecuted Assignment, to be effective as of March 3, 2000, Nearburg Exploration Company, L.L.C. will assign to the following parties:

<u>Proposal and Agreement Date</u>	<u>Assignee</u>	<u>Interests</u>
03/13/00	Duane A. Davis	.250000%
03/09/00	Timothy R. MacDonald	.083333%
03/10/00	Dean A. Horning	.083333%
03/10/00	Robert G. Shelton	.083333%
03/10/00	Duke W. Roush	.083333%
03/10/00	Herbert R. Willis	.083333%

the interest set forth opposite their names in and to Assignor's interest in the lease analyzed above, insofar as it covers acreage within the producing unit formed or to be formed for the Morrow Formation in captioned well from the surface down to 13,500 feet below the surface in said well, limited to the right to receive production from the borehole of said well, provided, however, that Assignee shall have the right to participate in the drilling of a replacement well for said well, the drilling of which may be necessitated by mechanical failure of said well.

This assignment is made subject to the following:

- (a) Any and all valid subsisting royalties, overriding royalties, excess royalties and production payments to which said lease is subject;
- (b) Proposal and Agreement dated as shown opposite each Assignee's name, by and between Assignor and such Assignee, pertaining to said well;
- (c) The Operating Agreement described below;
- (d) Operating Agreement dated March 1, 2000, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators;
- (e) Letter Agreement dated February 12, 2000, by and between Nearburg Exploration Company, L.L.C. and Great Western Drilling Company;
- (f) Assignment No. 2, above;
- (g) Letter Agreement dated March 8, 2000, by and between Nearburg Exploration Company, L.L.C. and Continental Land & Fur Co., Inc.;
- (h) Assignment No. 3, above;
- (i) The 1.00% of 50.00% overriding royalty interest assigned to Nearburg Producing Company for the benefit of its Employee Fund by Assignment No. 4, above; and
- (j) The 1/2 of 1.00% of 50.00% overriding royalty interest assigned to Ted F. Gawloski by Assignment No. 5, above.

This assignment is further subject to said lease and all term assignment agreements, and any other agreement by and between Assignor and third parties which have been entered into by Assignor or Assignor's predecessors, of record in Lea County, New Mexico.

Nearburg Producing Company

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July 17, 2000

In addition, Assignors, its successors and assigns, shall have free and exclusive control of all matters pertaining to the oil and gas lease assigned herein, without liability, including the right to release and/or abandon the leasehold lands, pool or unitize all or any part of the lands covered thereby with lands and leases in the vicinity thereof for the purpose of creating oil and gas producing units, all without the joinder of the owner of the leasehold interest herein conveyed.

If the leasehold estate herein conveyed is dedicated, pooled or unitized to a proration unit for the production of oil or gas, the production allocation to the lands herein assigned shall be in conformity with the allocation, allowable or order of any governmental regulatory body, or in the absence of any such allocation, allowable, or order, in the same ratio that the leasehold surface lands herein assigned bears to the total surface lands contained in such production unit.

If the Lessor in said lease owns a less interest in the premises covered hereby then the entire undivided fee simple estate in all or any part of the lands described therein or oil and gas mineral rights relating thereto, then the leasehold interest herein assigned shall be proportionately reduced. If title fails to all or a portion of the lands described on said Exhibit "A", or should Assignor's interest in and to said lease decrease after payout due to any forced pooling order or conversion of overriding royalty interest to a working interest, the interest herein assigned shall be reduced proportionately. In a like manner, if the working interest of Nearburg Exploration Company, L.L.C. should increase after payout in accordance with the terms of any payout provision, the interest herein assigned shall be increased proportionately.

OPERATING AGREEMENT

Captioned land, from the surface down to the base of the Morrow Formation, is subject to that certain Operating Agreement dated February 17, 2000, by and between Nearburg Producing Company, as Operator, and Great Western Drilling Company and Continental Land & Fur Co., Inc., as Non-Operators. This Operating Agreement is on the A.A.P.L. 610-1982 Model Form. Article III.B. provides that the parties bear the royalties due on each party's share of production.

Article IV.B.1. and 2. have been deleted and Article IV.B.3. has been altered so that all losses shall be joint losses.

Article VI.A. provides for commencing the Initial Well on or before March 31, 2000 at a location 1,548 feet from the north line and 990 feet from the east line of captioned Section 34 and requires the drilling of such well with due diligence to a depth of 13,700 feet, or to a depth adequate to test the Morrow Formation, whichever is the lesser depth. Article VI.B.2(a) provides for a 200% non-consent penalty for any newly acquired surface equipment beyond the wellhead connections, plus 100% of each nonconsenting party's share of the cost of operation of the well commencing with first production. Article VI.B.2.(b) provides for a 500% non-consent penalty for the cost of drilling, reworking, deepening, plugging back, testing and completing, and 500% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections).

The preferential right to purchase provision contained in Article VIII.F. has been deleted.

Article XIII., Option No. 2, has been selected for the term of this Operating Agreement.

Article XV. contains additional terms and provisions, including Article XV.F., which establishes an area of mutual interest, comprised of captioned land, for a term of three years from the effective date of this Operating Agreement.

A Memorandum of this Operating Agreement is recorded in Book 1008, page 71 of the Lea County Records.

Nearburg Producing Company

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July 17, 2000

ENCUMBRANCES

None.

TAXES

Taxes are not assessed against lands owned by the State of New Mexico.

TITLE REQUIREMENTS

1.

State Lease K-3592, covering captioned land, was cancelled effective January 13, 1999, for failure to pay rental. State Lease K-3592, covering captioned land, had been included in the gas storage unit created by that certain Unit Operating Agreement and Unit Agreement for the operation of the Grama Ridge Morrow Unit Area. However, said lease, covering captioned land, ceased to be covered by such unit which it was cancelled, by virtue of Article XXI. (Loss of Title) of the Unit Operating Agreement for such unit.

REQUIREMENT: Advisory.

2.

We have not been furnished executed copies of Assignment Nos. 4 through 10.

REQUIREMENT: Submit for examination copies of executed Assignment Nos. 4 through 10, analyzed above.

3.

Several of the assignments described above are made subject to that certain Letter Agreement dated February 22, 2000, between Great Western Drilling Company and Nearburg Exploration Company, L.L.C. We have not been furnished a copy of this letter agreement.

REQUIREMENT: Submit for examination a copy of that certain Letter Agreement dated February 22, 2000, by and between Great Western Drilling Company and Nearburg Exploration Company, L.L.C.

COMMENTS

This opinion cannot cover such matters as area, boundaries, location on the ground or other matters which can be determined only by an actual ground survey.

This opinion is rendered for the sole use of the addressee. The matters set forth herein may not be relied upon by any other parties without the prior written consent of the undersigned.

We return herewith the abstract examined.

Respectfully submitted,

TURNER & DAVIS

By: _____


J. Kandy Turner

JRT:ldb

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ATTORNEYS AT LAW

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William F. Carr

wcarr@hollandhart.com

5
August 7, 2002

VIA HAND DELIVERY

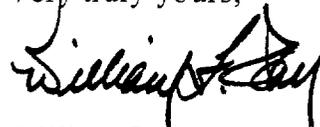
W. Thomas Kellahin, Esq.
Kellahin and Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

Re: **New Mexico Oil Conservation Division Case No. ~~12522~~ ¹²⁶²²**
Application of Nearburg Exploration Company, L.L.C.
for approval of two non-standard 160-acre gas spacing
and proration units, Lea County, New Mexico.

Dear Mr. Kellahin:

Pursuant to your request of July 28, 2002, I am enclosing all pressure data for the Nearburg Grama Ridge 34 Well No. 1.

Very truly yours,



William F. Carr

Enclosures

cc: Robert Shelton
Nearburg Exploration Company, L.L.C.

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 12622 & 12908
Exhibit # E-2
Submitted By: Redrock Operating
Hearing Date: October 21 & 22, 2002

NEARBURG TIDELAND T21S-R34E 34 34 34

TECHNICAL DISCUSSION OF THE NEARBURG PRODUCING COMPANY GRAMA RIDGE EAST 34 STATE #1 WELL AND THE LG&E NATURAL PIPELINE GAS STORAGE UNIT WELLS T21S - R34E, LEA COUNTY, NEW MEXICO

GEOLOGICAL REVIEW

A geological evaluation of the Morrow Formation was conducted for the Nearburg Producing Company, Grama Ridge East "34" State #1 well (NE/4, Sec. 34-T21S-R34E) and the LG&E Natural Pipeline, GRM Unit wells #1(NW/4, Sec. 3-T22S-R34E) & #2 (SW/4 Sec. 34-T21S-R34E). This study involved the construction of detailed Morrow stratigraphic and structural cross sections, an isopach of the Morrow "GRE Sand", and a Morrow structure map. Several conclusions can be drawn from this geological study involving these wells, the most important of which will be discussed in the following section.

First, and most importantly, the current producing sand from 13,134'-13,156' ("GRE Sand") in the Nearburg, Grama Ridge East "34" St. #1 is not present in the GRM Unit # 1 & # 2 wells. The correlative interval in the GRM # 1 & # 2 wells shows only the presence of shale. The log character and core samples indicate coarsening upward, which suggests that this sand was deposited as a marine bar. An isopach of this sand shows a discrete sand body that is oriented in a NW - SE direction covering only portions of the NE/4 of Sec. 34, the W/2 of sec. 35 and the S/2 of sec. 27 in T21S-R34E. It is only present in two of the offset wells, both of which have very thin net sand values (2 & 3 ft. each). It should also be noted that this sand did not warrant testing in any of the immediate offset wells.

Secondly, the "GRE Sand" in the Nearburg Grama Ridge East 34 #1 is not in communication with the overlying sand package and is in fact separated by a distinct 10 ft. thick impermeable shale as seen on the porosity and FMI log presentations. This shale forms the top seal for the "GRE Sand" reservoir.

Thirdly, the upper sand from 12,921'-12,934' in the GRM Unit #2 well, which is the primary zone for gas storage and withdrawal, is not present in the Nearburg Grama Ridge East "34" State #1. In addition, the main gas storage and withdrawal sand from 12,827'-12,847' in the GRM unit #1 well, although present in the Nearburg well, is much thinner and not of reservoir quality. Rotary sidewall core analysis of this zone shows the sand to have very low permeability (0.05 md). This zone will not be production tested in the Nearburg Grama Ridge East "34" State #1.

Finally, the lower gas storage and withdrawal zone in the GRM #1 from 12,980'-13,024' and in the GRM #2 from 13,016'-13,080' is present in the Nearburg Grama Ridge East "34" State #1. However, the lower portion of this zone in the Nearburg well is essentially a non-productive reservoir with core measured permeabilities ranging from only 0.02 to only 0.18 md. This interval from 13,084'-13,124' in the Nearburg well is considered non-productive and will not be tested. The upper portion of the lower gas storage zone in the GRM #1 & 2 wells correlates to a zone in the Nearburg Grama Ridge East "34" State #1 well from 13,058'-13,069'. This interval did have good reservoir characteristics with core measured porosities up to 11.9% and permeabilities up to 54.6 md. However, this sand has very low resistivity (6 ohms) and **calculates wet**. Structurally, this zone in the Nearburg, Grama Ridge East "34" State #1 well is high to the correlative interval in the GRM Unit # 2 well, which is perforated and is one of the gas storage zones. It is apparent then, that these sands are not in reservoir communication and are separated by either a perm boundary or a fault. Structural mapping of the Morrow in this area does indicates the presence of a fault between the Nearburg, Grama Ridge East "34" #1 well and the GRM Unit #2 well. This zone, from 13,084'-13,124' in the Nearburg, Grama Ridge East "34" State #1 well is considered wet and will not be production tested.

Technical Discussion
Page 2 of 3

In conclusion, the geological study shows that the zones used for gas storage and withdrawal within the LG & E, GRM Unit # 1 & 2 wells are either not present, fault separated, non-reservoir, or wet in the Nearburg, Grama Ridge East "34" State #1 well. It is further concluded that the current producing zone from 13,134-13,156' in the Nearburg, Grama Ridge East 34 State #1 well is not present in the LG&E, GRM Unit # 1 & 2 wells and is therefore not in communication with any of the gas storage zones in the Grama Ridge Unit.

ENGINEERING REVIEW

The Nearburg Grama Ridge East 34 State #1 well is a Morrow producer in Lea County, NM. It offsets a LG&E Morrow gas storage unit and produces approximately 4000 MCFD. The well has been the subject of much discussion as to the possibility of communication with the gas storage unit. Our review of gas data indicates that the Grama Ridge East 34 State #1 is not in communication with the offset gas storage unit and produces out of a separate gas sand.

The offset gas storage unit is completed in selected Morrow sands. A potential buyer of the unit requested that Schlumberger perform a pressure build-up survey and determine the true reservoir pressure of the gas storage reservoirs. Schlumberger performed pressure transient analyses on two wells in the unit, the LG&E Grama Ridge Morrow Unit #'s 1 & 2. Schlumberger found the gas storage unit pressure to be 2,123# in the #1 and 2,115# in the #2. The data was gathered from 10/6-10/17/00.

The Nearburg Grama Ridge East 34 State #1 is currently completed in the Morrow GRE Sand which is geologically separate from the Gas Storage Unit Sands. Nearburg Producing Company has performed pressure surveys on the 34 #1 with distinctly different results than the offset Gas Storage Unit.

On 6/9/00, the GRE Sand was perforated in the Grama Ridge East 34 State #1 well with TCP guns from 13,134' - 13,156' w/5 JSPF. On 6/10/00, the well flowed 45 BO, 0 BW, and 2,010 MCF with 5,300 # flowing tubing pressure on a 6/64"choke. The bottom hole flowing pressure of the Morrow GRE Sand can be estimated from flowing performance data. We have estimated the initial bottom hole **flowing** pressure at 6,790# using the Petroleum Engineering Toolkit program. The initial **static** reservoir pressure would be intuitively higher than 6,790#. This is distinctly different than the 2,123# reservoir pressure measured in the offset gas storage unit.

We also performed a bottom hole pressure survey on the Grama Ridge East State 34 #1 on 11/3/00. The well was shut-in for 70 hours and a bottom hole static pressure was measured at 3,057#. This measurement is after 5 months of producing gas at a high rate. Again, this is distinctly different than the 2,123# measured in the offset gas storage unit. This substantially reduced pressure in the Nearburg well also indicates a reservoir with somewhat limited aerial extent, which is inconsistent with the gas storage unit sands.

During the 11/3/00 pressure survey, the original (and current) surface pressure wellhead gauge was checked for accuracy by comparing readings with a dead weight tester. The Nearburg pressure gauge read 2,250# at the surface and the dead weight tester read 2,130# at the surface. This indicates a gauge error of 120#, which is insignificant. Also, when we calculated reservoir pressure from the surface gauge reading of 2,250#, it was determined to be 3,095#, which is in close agreement with the 3,057# actually measured by the bottom hole pressure bombs. This validates the original high reservoir pressures calculated on 6/10/00 using the same gauge and methods.

A final indication that the Nearburg well is not in communication with the offset gas storage unit is the gas quality. Last summer, gas samples were analyzed from both gas storage unit wells and the Grama Ridge East State 34 #1. The gas from the gas storage wells (#1 & #2) had a liquid hydrocarbon content of 1.007 and 1.073 GPM, respectively. This is indicative of lean processed gas typically re-injected into a gas storage unit. However, our 34 #1 had a significantly richer liquid hydrocarbon content of 2.487 GPM. This is indicative of unprocessed produced gas typically found in SE New Mexico Morrow wells.

In summary, both pressure data and gas quality measurements indicate that the Nearburg Grama Ridge East 34 State #1 is not in communication with the gas storage unit and produces out of a separate gas sand.

Jarrel Services Inc.
P.O. Box 1230
Hobbs, New Mexico 88240

Tel: (505)393-1736 Fax: (505)393-1737

B.H.P. TEST REPORT

Company : Nearburg Producing

Test date	: 11/03/00 @ 12:00n	Packr set at	: 13055
Lease	: Grama Ridge 34 #1	Perforations	: 13134-13156
Field	: Grama Ridge Morrow	DW Tbg press	: 2130
County	: Lea	Well status	: Shut in
State	: New Mexico	Instrument #	: 50005
Formation	: Morrow	Tested by	: Standefer
Total depth @	: 0	Gauge set at	: 13145
Tubing size	: 2 3/8	B.H. Temp. F	: 184

Test type:

Flowing Pressure Gradient	-	No
Bottom Hole Pressure Build-up Test	-	No
Bottom Hole Pressure Draw-Down Test	-	No
Shut-in Pressure Gradient	-	Yes

Data File : GRAMA.BHP

Shut-in Pressure Gradient

Company : Nearburg Producing

Test date : 11/03/00 @ 12:00n

Data File : GRAMA.BHP

Remarks: Fluid level @ 13099'

Depth (feet)	Pressure (psig)	Delta Pressure (psig)	Pressure Gradient (psig/ft)
Surface	2,132.00		
2,000	2,269.00	137.00	0.0685
4,000	2,408.00	139.00	0.0695
6,000	2,549.00	141.00	0.0705
8,000	2,691.00	142.00	0.0710
10,000	2,828.00	137.00	0.0685
12,000	2,966.00	138.00	0.0690
13,000	3,035.00	69.00	0.0690
13,145	3,057.00	22.00	0.1517

Jarrel Services Inc.

Company : Nearburg Producing

Lease : Grama Ridge 94 #1

County : Lee

Well # :

Field : Grama Ridge Morrow

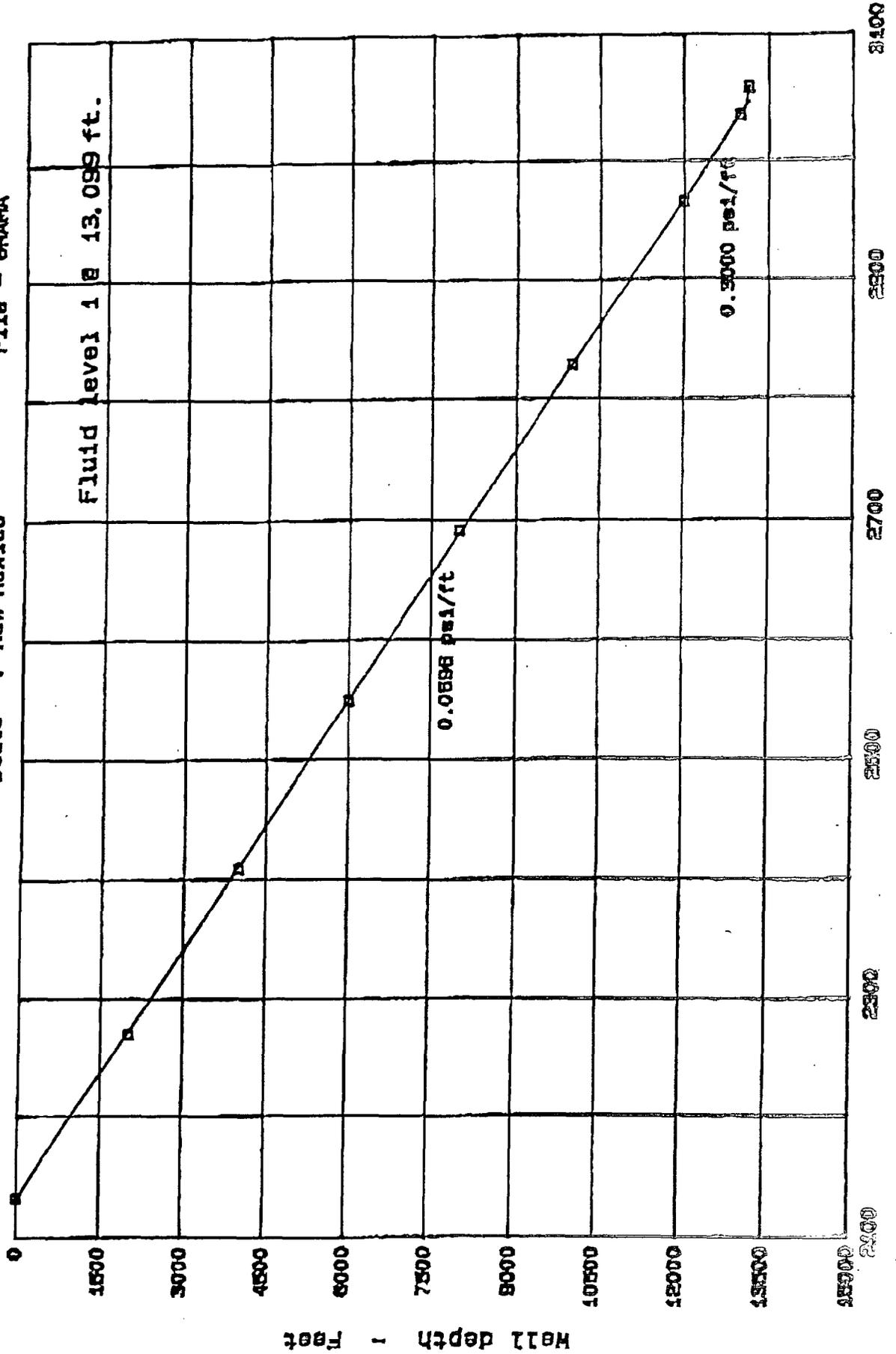
State : New Mexico

Location :

Test date : 11/09/00 @ 12:00n

File - GRAMA

Shut-in Pressure Gradient



Jarrel Services Inc.
P.O. Box 1230
Hobbs, New Mexico 88240

Tel: (505)393-1736 Fax: (505)393-1737

B.H.P. TEST REPORT

Company : Nearburg Producing

Test date	: 02/06/02	Packr set at	: 13055
Lease	: Grama Ridge 34 #1	Perforations	: 13134 13156
Field	:	DW Tbg press	: 1115
County	: Lea	Well status	: Shut in
State	: New Mexico	Instrument #	: 850384
Formation	:	Tested by	: Dye
Total depth @ 0		Gauge set at	: 13145
Tubing size	: 2 3/8	B.H. Temp. F	: 184

Test type?

Flowing Pressure Gradient	-	No
Bottom Hole Pressure Build-up Test	-	No
Bottom Hole Pressure Draw-Down Test	-	No
Shut-in Pressure Gradient	-	Yes

Data File : GRAMA23.BHP

SHUT-IN PRESSURE GRADIENT

Company : Nearburg Producing

Test date : 02/06/02

Data File : GRAMA23.BHP

Remarks:

Depth (feet)	Pressure (psig)	Delta Pressure (psig)	Pressure Gradient (psig/ft)
Surface	1,115.00		
2,000	1,178.00	63.00	0.0315
4,000	1,243.00	65.00	0.0325
6,000	1,311.00	68.00	0.0340
8,000	1,378.00	67.00	0.0335
10,000	1,451.00	73.00	0.0365
12,000	1,521.00	70.00	0.0350
13,000	1,556.00	35.00	0.0350
13,145	1,562.00	6.00	0.0414

Shut-in Pressure Gradient

Jarrol Services Inc.
 Company : Nearburg Producing
 Lease : Grams Ridge 34 #1
 County : Lea
 Well # :
 Field :
 State : New Mexico
 Location :
 Test date : 02/06/02
 File : GRAMA23

