



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 28, 2000

Cross Timbers Operating Company
810 Houston Street - Suite 2000
Fort Worth, Texas 76102-6298

Attention: George A. Cox

Re Application dated January 19, 2000 for an unorthodox gas well location within the Fulcher Kutz-Pictured Cliffs Pool for the proposed R. B. Sullivan Well No. 1-R to be drilled as a replacement well 1400 feet from the North line and 2500 feet from the East line (Unit G) of Section 11, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico. A standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 11 is the proposed acreage to be dedicated to this well.

Dear Mr. Cox:

Please provide the Division with detailed breakouts of the mineral interest ownership (royalty, over ride royalty, and working - also show percentages) in both the NE/4 and NW/4 of Section 11 as to the Pictured Cliffs formation. Also, if these quarter sections are federally owned, please provide me with the U. S. Government Lease number(s) covering both areas.

Sincerely,

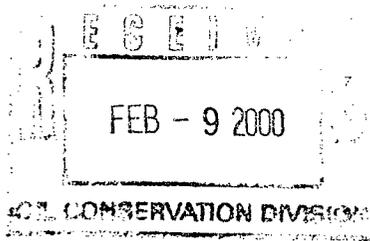
Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Jim Bruce, Legal Counsel for Cross Timbers Operating Company - Santa Fe



Cross Timbers Oil Company

February 7, 2000



Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Application for unorthodox location
R.B. Sullivan #1R Well
1,400' FNL & 2,500' FEL (SW/4 NE/4)
Unit G, Section 11-T27N-R10W
San Juan, New Mexico
Fulcher Kutz Pictured Cliffs

Dear Mr. Stogner:

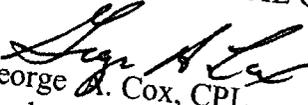
I am writing in reference to your letter dated January 28, 2000 concerning Cross Timbers application for the above captioned property. Your letter had requested ownership of royalty, overriding royalty and working interest percentages for the NE/4 and NW/4 of Section 11 as to the Pictured Cliffs formation. Please note that there is an error on the map that I provide to you. The map reflects that there is a U.S. Government Lease # SF-079596-A covering the NW/4. This is incorrect. I have enclosed a copy of the lease that Cross Timbers owns covering the entire N/2 of the Section. I will be glad to provide you with a new map correcting this error if you need me to.

As requested, the ownership of both the NW/4 & NE/4 is the same, being as follows:

	WI%	NRI%	Royalty%
Cross Timbers Oil Company	100%	87.5%	0%
R. Bruce Sullivan	0%	0%	6.25%
Earl B. Sullivan Rev. Trust	0%	0%	1.5625%
Joseph Sullivan	0%	0%	1.5625%
Lewis Sullivan	0%	0%	1.5625%
Kayla Ann Perryman	0%	0%	.78125%
Kirk Graves	0%	0%	.78125%
TOTAL:	100%	87.5%	12.5%

Should you need anything further please feel free to contact me at (817) 885-2454.

Sincerely,
CROSS TIMBERS OIL COMPANY


George A. Cox, CPL
Landman

Enclosure

Oil and Gas Mining Lease

THIS AGREEMENT entered into this the tenth day of April, 1946,
between R. BRUCE SULLIVAN AND WIFE, MARGUERITE SULLIVAN,
hereinafter called lessor,
and ERLE PAYNE hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten Dollars (\$ 10.00) in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipelines, building tanks, storing oil, building power stations, telephone lines, and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in SAN JUAN County, New Mexico, to wit:

ALL OF THE NORTH ONE-HALF (N $\frac{1}{2}$) OF SECTION ELEVEN (11) IN TOWNSHIP TWENTY-SEVEN (27) NORTH OF RANGE TEN (10) WEST OF THE NEW MEXICO MERIDIAN, AND CONTAINING THREE HUNDRED AND TWENTY (320) ACRES OF LAND, MORE OR LESS.

2. This lease shall remain in force for a term of ten (10) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is or can be produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at lessee's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, one eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay Fifty (\$50.00) Dollars per annum as royalty from each well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to the lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in the BURNS NATIONAL BANK at DURANGO, COLORADO, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of

THREE HUNDRED AND TWENTY AND NO/100 dollars (\$ 320.00) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. The payment or tender of rental herein referred to may be made in currency, draft or check at the option of the lessee; and the depositing of such currency, draft or check in any post office, with sufficient postage and properly addressed to the lessor, or said bank, on or before the rental paying date, shall be deemed payment as herein provided. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of the rentals in the manner and amount herein above provided; (and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force).

7. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid to the said lessor only in the proportion which his interest bears to the whole undivided fee.

8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operation to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. If the leased premises are now or if same shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportions that the acreage owned by each such separate owners bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which said lessee or any assignee hereof shall make due payment of said rental. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments hereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

13. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

14. Lessee may at any time surrender this lease, in whole or in part, by delivering or mailing a release or releases thereof to the lessor or by placing a release or releases thereof of record in the proper county.

15. It is agreed that this lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, lessee is given a reasonable time therefrom to comply with any such covenants, conditions or stipulations.

16. All express and implied covenants of this lease, both before and after production is obtained upon the leased premises, shall be subject to all Federal and State laws, executive orders, rules and regulations, and notwithstanding anything herein to the contrary, this lease shall not expire, terminate or be forfeited in whole or in part, nor shall Lessee be liable for damages for failure to comply with any of said covenants so long as or if compliance therewith is hindered, delayed or prevented by such law, order, rule or regulation. If drilling operations or compliance with the provisions of this lease, both expressed and implied, is hindered, delayed or prevented by reason of any such law, order, rule or regulation at the expiration of the primary term hereof, the primary term shall be and the same is hereby extended for the full term of such hindrance, delay or prevention and for a period of one (1) year after such law, order, rule or regulation causing or resulting in the delay, hindrance or prevention has as to the lands herein leased become wholly ineffective. Prior to the discovery of oil, gas or other mineral upon the leased premises the extension herein granted shall be ineffective unless Lessee shall, at or before the expiration of the primary term and during the period of such hindrance, delay or prevention, continue to pay or tender the annual delay rentals hereinabove mentioned as to all lands then subject to this lease on each anniversary rental paying date as the same become due and payable or until drilling operations are commenced or production of oil, gas or other mineral is obtained in accordance with the other provisions of this lease, and the payment or tender of such rentals at such times shall have the same force and effect as rental payments paid or tendered during the primary term hereinabove mentioned. If rental payments have been suspended under the terms of this lease

See # 71821

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by reason of the commencement of operations for drilling or on account of the production of oil, gas or other minerals prior to the time Lessee is hindered, delayed or prevented by any such law, order, rule or regulation, Lessee may resume the payment or tender of the annual delay rental on the rental date next ensuing after Lessee has been hindered, delayed or prevented from complying with provisions of this lease as aforesaid, and the resumption of the payment of delay rentals shall have the same force and effect as though rentals had been continuously paid on each rental paying date, and by continuing such rental payments Lessee may extend this lease beyond the primary term for the full period hereinabove mentioned.

If, during the term of this lease, oil, gas or other mineral is discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the aforementioned laws, orders, rules or regulations, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas or other mineral and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

17. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee. ~~and any assignments hereof shall be subject to the provisions of and bound by Release of this lease on this date placed in escrow in Burns National Bank at Denver, Colorado~~

IN WITNESS WHEREOF, we sign the day and year first above written.

WITNESS:

Bruce Sullivan
Marguerite Sullivan
Erle Payne

MID-CONVENTION 83 Revised - Universal

OIL AND GAS LEASE

No. _____ FROM _____ TO _____

No. Acres _____ Dated *24* day of *May*, 194*6*

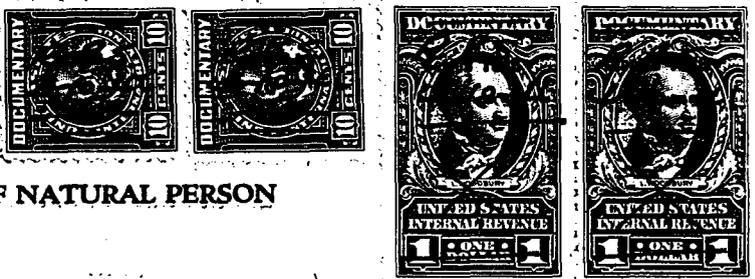
Section _____ Twp. _____ County _____

STATE OF *New Mexico* ss. County of *Sandoval*

This instrument was filed for record on the *24* day of *May*, 194*6* at *9:22* o'clock *A.* M., and duly recorded in Book *125* Page *17* of the record of this office.

Marguerite A. Kettell County Clerk

When Recorded *Erle Payne - 324 South 11th Street, Midland, Texas.*



COLORADO ACKNOWLEDGMENT OF NATURAL PERSON

STATE OF ~~NEW MEXICO~~ } ss. COUNTY OF *La Plata*

On this *10th* day of *April*, 194*6*, before me personally appeared *R. BRUCE SULLIVAN and wife, MARGUERITE SULLIVAN and Erle Payne*

to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as *their* free act and deed.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission expires: *October 18, 1949* *Shakleen Cewen* Notary Public

ACKNOWLEDGMENT OF NATURAL PERSON ACTING AS ATTORNEY

STATE OF NEW MEXICO } ss. COUNTY OF _____

On this _____ day of _____, 194____, before me personally appeared _____

to me known to be the person who executed the foregoing instrument in behalf of _____

and acknowledged that he executed the same as the free act and deed of said _____

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission expires: _____ Notary Public