

Completed 1-15-03
New Suspense Date: 2-4-03

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
New Mexico Board of Legal
Specialization Recognized Specialist
in the area of Natural resources-
oil and gas law

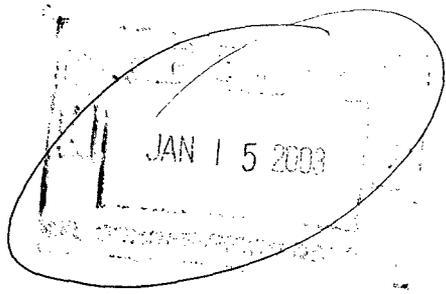
P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501
January 15, 2003

Telephone 505-982-4285
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tkellahin@aol.com

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87501

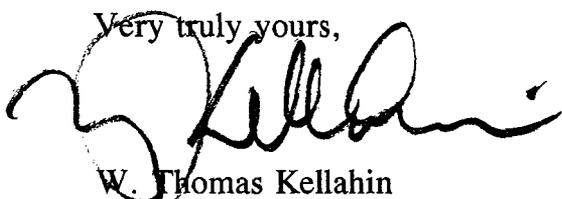
RE: Lockhart A-17 Well No. 8
1480 feet FSL & 330 feet FWL
Unit L, NW/4SW/4 Section 17, T21S, R37E
Administrative Application of
Apache Corporation for approval
of an unorthodox oil well location,
Penrose Skelly Grayburg Pool,
Lea County, New Mexico



Dear Mr. Stogner:

In accordance with your E-mail to me dated January 7, 2003, I have obtained from Apache Corporation the enclosed ownership documents which demonstrate that the W/2SW/4 of Section 17 is part of the same Federal Oil & Gas Lease NMLC 032096(a) dated October 1, 1957. This part of the lease was later divided so that the NW/4SW/4 (Drilled Tract) and the SW/4SW/4 (Encroached Tract) have the same royalty and same base overriding royalty owners.

Apache, Chevron/Texaco, and BP Amoco are the working interest owners in the NW/4SW/4 (Enclosure 1) but converted to overriding royalty owners in the SW/4SW/4 where Campbell & Hedrick is the operator for the working interest owners listed. (Enclosures 2). Enclosures (3) and (4) are copies of the Title Opinions.

Very truly yours,

W. Thomas Kellahin

fxc: Apache Corporation
Attn: Mario Moreno

NOTIFICATION LIST

Application of Apache Corporation for Administrative
Approval of an unorthodox well location:

Lockhart A-17 # 8 Well
1480' FSL & 330' FWL
Section 17, Township 21 South, Range 37 East, NMPM
Lea County, New Mexico

WORKING INTEREST ROYALTY, AND/OR,
OVERRIDE OWNERS NW/4SW/4 SEC 17

- | | | | |
|------------------------------------|----|------------------------------|----|
| 1. Apache Corporation | WI | 7. Melinda A. Elliott | OR |
| Two Warren Place, Suite 1500 | | 2523 Washington Way | |
| 6120 South Yale Avenue | | Alameda, CA 94501-5326 | |
| Tulsa, Oklahoma 74136 | | | |
| 2. Chevron/Texaco | WI | 8. BP America Production Co. | WI |
| 15 Smith Road | | 501 Westlake Park Blvd | |
| Midland, Texas | | WL1- Room 6.199 | |
| Attn: Ms Denise Beckham | | Houston, Texas 77079 | |
| | | Attn: Mr. Lee Scarborough | |
| 3. Minerals Management Service | RI | | |
| P O Box 5810 TA | | | |
| Denver, CO 80217-5810 | | | |
| 4. Jefferey Mills Elliott | OR | | |
| 3407 Smoketree Commons Dr | | | |
| Pleasanton, CA 94566-7963 | | | |
| 5. Arthur M. Lockhart Family Trust | OR | | |
| 6231 E. 6 th Street | | | |
| Long Beach, CA 90803-2117 | | | |
| 6. Peter Elliott & Janet Elliott | OR | | |
| 250 Colgate Ave | | | |
| Kensington, CA 94708-1122 | | | |



NOTIFICATION LIST

Application of Apache Corporation for Administrative
Approval of an unorthodox well location:

Lockhart A-17 # 8 Well
1480' FSL & 330' FWL
Section 17, Township 21 South, Range 37 East, NMPM
Lea County, New Mexico

**OFFSET OPERATOR, WORKING INTEREST OWNERS, ROYALTY OWNER
OVERRIDE OWNERS, SW/4SW/4 SECTION 17**

- | | | | |
|------------------------------------|----|------------------------------|-----------------|
| 1. Apache Corporation | OR | 7. Melinda A. Elliott | OR |
| Two Warren Place, Suite 1500 | | 2523 Washington Way | |
| 6120 South Yale Avenue | | Alameda, CA 94501-5326 | |
| Tulsa, Oklahoma 74136 | | | |
| 2. Chevron/Texaco | OR | 8. BP America Production Co. | OR |
| 15 Smith Road | | 501 Westlake Park Blvd | |
| Midland, Texas | | WL1- Room 6.199 | |
| Attn: Ms Denise Beckham | | Houston, Texas 77079 | |
| | | Attn: Mr. Lee Scarborough | |
| 3. Minerals Management Service | RI | 9. Campbell & Hedrick | OPERATOR |
| P.O Box 5810 TA | | P O Box 401 | |
| Denver, CO 80217-5810 | | Midland, Texas 79702 | |
| 4. Jefferey Mills Elliott | OR | 10. Calvin G. Campbell | WI |
| 3407 Smoketree Commons Dr | | 3 Winchester Court | |
| Pleasanton, CA 94566-7963 | | Midland, TX 79701 | |
| 5. Arthur M. Lockhart Family Trust | OR | 11. Jacqueline C. Shetz | WI |
| 6231 E. 6 th Street | | 1702 Douglas | |
| Long Beach, CA 90803-2117 | | San Angelo, TX 76901 | |
| 6. Peter Elliott & Janet Elliott | OR | | |
| 250 Colgate Ave | | | |
| Kensington, CA 94708-1122 | | | |



12. Cornelia C. Grilley WI
2532 Lindenwood Dr.
San Angelo, TX 76901
13. Orpha Z. Campbell WI
2003 Country Club Dr
Midland, TX 79701
14. Orpha Z. Campbell Trustee WI
U/W of Joe H. Campbell
2003 Country Club Dr.
Midland, TX 79701
15. Bank of America, N. A Trustee WI
Flora Lee Simmons 1971 Trust
P O Box 4798
Odessa , TX 79760
16. Peery, C. G. Campbell and J.H. WI
Campbell-Lockhart Lease Partnership
P O Box 4023
Odessa, TX 79760
17. Bernice C. Peery, Trustee of the Linda WI
Lou Searls Trust A
P O Box 4023
Odessa , TX 79760
18. Bernice C. Peery, Trustee of the Susan WI
Jean Searls Trust A
P O Box 4023
Odessa , TX 79760
19. Bernice C. Peery, Trustee of the John WI
Peery Searls Trust A
P O Box 4023
Odessa , TX 79760
20. Oley F. Hedrick WI
P O Box 463
Midland, TX 79702
21. Six Aeches Company WI
P O Box 481
Midland, TX 79702

LAW OFFICES
TURNER, DAVIS & GERALD
A PROFESSIONAL CORPORATION

400 W. ILLINOIS, SUITE 1400
P. O. BOX 2706
MIDLAND, TEXAS 79702-2706

J RANDY TURNER
MEMBER TEXAS AND NEW MEXICO BARS

TELEPHONE (817) 687-0611
FAX (817) 686-3122
jturner@turner-davis.com

November 27, 2002

ORIGINAL DRILLING TITLE OPINION

Apache Corporation
2000 Post Oak Blvd., Ste 100
Houston, TX 77056-4400

Attention: Mr. Mario Moreno

Re: **Your Lockhart Prospect** - the following-described land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 17: E/2 NE/4, NE/4 SE/4, as to all depths
SW/4 SW/4, below 7,000 feet below the surface
NW/4 SW/4, from the surface down to 4,000 feet and below 7,000
feet below the surface

containing 200 acres, more or less.

Gentlemen:

We have examined the following:

MATERIALS EXAMINED

Abstract

1. Abstract No. 51454, certified by Federal Abstract Company as covering the Plat Book Records, Historical Index Records, Serial Register and the Case File for Federal Lease NMLC 032096(a), in the United States Department of the Interior, Bureau of Land Management State Office at Santa Fe, New Mexico, pertaining to captioned land from the inception of such records to October 17, 2002 at 9:00 a.m., containing 215 pages.

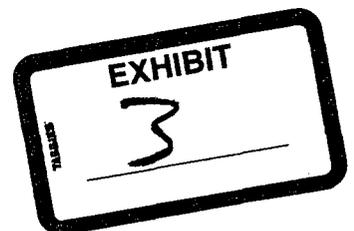
2. Abstract No. 02-574, certified by Elliott & Waldron Title and Abstract Co., Inc. as covering captioned land from the inception of the records to November 11, 2002 at 7:00 a.m., containing 1,004 pages.

Additional Material

Copy of your revenue DOI (division of interest) for your Lockhart A-17 Well.

FREE TITLE

Based upon examination of the foregoing and subject to the title requirements and other matters set forth below, we find title to captioned land vested as follows:



Surface:

E/2 NE/4, NE/4 SE/4:

Bank of America, N.A., Trustee of the
Millard Deck Testamentary Trust All

W/2 SW/4:

Samantha J. Gaskins All

Minerals:

United States of America All

Oil and Gas Leasehold Estate:

E/2 NE/4, NE/4 SE/4, as to all depths:

Record Title:

Apache Corporation 50%

BP America Production Company 25%

Chevron U.S.A. Inc. 25%

Operating Rights:

Apache Corporation 75% *

Chevron U.S.A. Inc. 25% *

W/2 SW/4:

Record Title:

Apache Corporation 25%

BP America Production Company 50%

Chevron U.S.A. Inc. 25%

Operating Rights:

SW/4 SW/4, below 7,000 feet below the surface:

BP America Production Company 25% *

Apache Corporation 50% *

Chevron U.S.A. Inc. 25% *

NW/4 SW/4, from the surface down to 4,000 feet, and below 7,000 feet below the surface:

Apache Corporation	50% *
BP America Production Company	25% *
Chevron U.S.A. Inc.	25% *

* Each of these interests must bear its proportionate share of the following lease burdens:

- (a) the 1/8 royalty provided for in the lease analyzed below; and
- (b) a 7-1/2% overriding royalty interest owned as follows:

Arthur A. Lockhart and Roger Lockhart, Trustees of the Arthur M. Lockhart Family Trust0500000
Peter Elliott and Janet Elliott0083333
Melinda Ann Elliott0083333
Jeffrey Mills Elliott	<u>.0083334</u> .0750000

EXISTING OIL AND GAS LEASE

Serial No.: LC 032096(a).

Date: October 1, 1957.

Recorded: Unrecorded in the Records of Lea County; however, there is no need to do so.

Lessor: The United States of America.

Lessee: A. M. Lockhart.

Land Covered: Township 21 South, Range 37 East, N.M.P.M.
Section 17: E/2 NE/4, NE/4 SE/4, W/2 SW/4
Section 27: N/2
Section 35: NW/4 NW/4, E/2 NW/4

Lea County, New Mexico, containing 640 acres, more or less.

Interest Covered: All interest in captioned land.

Primary Term: Five (5) years from date.

Royalties: 1/8 on oil and gas.

Minimum Royalty: Minimum royalty in the sum of \$1.00 per acre, or if there is production, the difference between the actual royalty paid during the year and the prescribed minimum royalty of \$1.00 per acre, is payable at the expiration of each lease year after discovery; provided, however, that on unitized leases, the minimum royalty shall be payable only on the participating acreage.

LAW OFFICES
TURNER, DAVIS & GERALD
A PROFESSIONAL CORPORATION

400 W. ILLINOIS, SUITE 1400
P. O. BOX 2796
MIDLAND, TEXAS 79702-2796

J. RANDY TURNER
MEMBER TEXAS AND NEW MEXICO BARS

TELEPHONING (913) 687-0011
FAX (913) 686-3133
jturner@turner-davis-gerald.com

January 9, 2003

Apache Corporation
Two Warren Place, Suite 1500
6120 S. Yale
Tulsa, OK 74136-4224

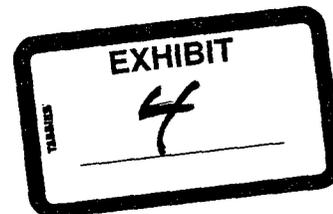
Attention: Mr. Mario Moreno

Re: Your Lockhart Prospect - the ownership of the oil and gas operating rights in Federal Lease NM LC 030296-A, insofar as it covers the SW/4 SW/4 of Section 17, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, from the surface down to 7,000 feet below the surface.

Gentlemen:

In order to advise you as to the ownership of the oil and gas leasehold estate in captioned land, We have examined abstracts covering the Records of the BLM covering the oil and gas leasehold estate from inception of such records to October 17, 2002 at 9:00 a.m. and the Records of Lea County, New Mexico from the inception of such record to November 11, 2002 at 7:00 a.m. We find such interests owned by the following parties (whose last known addresses are also set forth below):

- Calvin G. Campbell, as his separate property 6.25%
3 Winchester Court
Midland, TX 79701
- Jacqueline Campbell Shetz, as her separate property 6.25%
1702 Douglas
Midland, TX 79701
- Cornelia Campbell Grilley, as her separate property 6.25%
2532 Linderwood Dr.
San Angelo, TX 76901
- Orpha Z. Campbell, a widow 7.5%
2003 Country Club Dr.
Midland, TX 79701



Apache Corporation
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January 9, 2003

Orpha Z. Campbell, Trustee under the Will
of Joe H. Campbell, deceased 13.75%
2003 Country Club Dr.
Midland, TX 79701

Bank of America, N.A., Trustee of
the Flora Lee Simmons 1971 Trust 5%
P. O. Box 4798
Odessa, TX 79760

Peery, C. G. Campbell and J. H.
Campbell-Lockhart Lease Partnership 12.5%
P. O. Box 4023
Odessa, TX 79760

Bernice C. Peery, Trustee of the Linda
Lou Searls Trust A 4.166667%
P. O. Box 4023
Odessa, TX 79760

Bernice C. Peery, Trustee of the Susan
Jean Searls Trust A 4.166667%
P. O. Box 4023
Odessa, TX 79760

Bernice C. Peery, Trustee of the John
Peery Searls Trust A 4.166666%
P. O. Box 4023
Odessa, TX 79760

Oley F. Hedrick, Jr., whose wife is Rachel
O. Hedrick 28.333333%
P. O. Box 463
Midland, TX 79702

Six Aeches Company 1.666667%
P. O. Box 481
Midland, TX 79702

Apache Corporation

Page 3

January 9, 2003

The interests credited to Oley F. Hedrick, Jr., whose wife is Rachel O. Hedrick, and Six Aeches Company may instead, be owned by the following parties in the interests set forth below opposite their names by virtue of an interest in a partnership known as Campbell & Hedrick Lockhart Joint Venture, which parties are the devisees under the Wills of Oley F. Hedrick and Ada May Hedrick, both deceased:

- Elinor Hedrick Caldwell 1/6
2603 Jamestown
Denton, TX 76201
- Robert H. Caldwell III 1/24
3806 Bailey Lane
Austin, TX 78756
- Ellen E. Caldwell 1/24
11311 Audelia #254
Dallas, TX 75243
- Laurie C. Caldwell 1/24
5008 Woodview
Austin, TX 78758
- James H. Caldwell 1/24
2603 Jamestown
Denton, TX 76201
- Michael O. Hedrick 1/12
902 Country Club
Midland, TX 79701
- Thomas F. Hedrick 1/12
10709 Marsh Lane
Houston, TX 77024
- James Russell Hedrick 1/12
1560 S. York St.
Denver, CO 80210
- Kenneth A. Hedrick 1/12
3320 Walnut Rd.
Norman, OK 73072

Apache Corporation

Page 4

January 9, 2003

Elaine Hedrick Dry	1/6
4445 Laren Lane	
Dallas, TX 75244	
Robert T. Dry, Jr.	1/18
3833 Appomattox Circle	
Plano, TX 75203	
Douglas F. Dry	1/18
4983 Lusk Lane	
Flower Mound, TX 75028	
Sue Dry Kay	1/18
4525 Savino Dr.	
Plano, TX 75093	

The interests of the parties set forth immediately above arising by virtue of an interest in the partnership of Campbell & Hedrick Lockhart Joint Venture are derived from the Estates of Oley F. Hedrick and Ada May Hedrick, the estate proceedings for which reflect an interest in such partnership, reflecting the ownership of an interest in captioned land and depths. By Distribution Deed dated December 13, 1995, recorded in Book 517, page 646 of the Deed Records of Lea County, O. F. Hedrick, Jr., Foreign Personal Representative of the Estate of Ada May Hedrick, deceased, purports to assign an undivided 15% working interest in captioned land and depths to the parties set forth below in the proportions indicated opposite their names. Notwithstanding the Estates of Oley F. Hedrick and Ada May Hedrick, we find an Assignment dated April 25, 1974, whereby Bernice C. Peery, Individually and as Executrix of the Estate of J. W. Peery, Deceased, (who then owned the entire interest in the leasehold estate in captioned land and depths) assigned to the following parties the interests set forth opposite their names in the leasehold estate in captioned land and depths:

C. G. Campbell	25%
Joe H. Campbell	15%
First National Bank, Odessa, Texas	5%
Oley F. Hedrick, Jr.	<u>30%</u>
	75%

We do not find any interest assigned by Oley F. Hedrick, Jr. to the Campbell & Hedrick Lockhart Joint Venture. However, we find a Transfer of Operating Rights dated March 7, 1990, approved by

Apache Corporation
Page 5
January 9, 2003

the BLM effective April 1, 1990, recorded in Book 525, page 139 of the Miscellaneous Records of Lea County, whereby Oley F. Hedrick, Jr. and his wife, Rachel O. Hedrick, assigned an undivided 1-2/3% interest in the operating rights in captioned land and depths to Six Aches Company.

All of the foregoing interests in the operating rights in captioned land and depths are owned by virtue of that certain Drilling and Operating Agreement dated April 22, 1927, entered into by and between A. M. Lockhart and Marland Oil Company of Colorado, recorded in Book 9, page 132 of the Miscellaneous Records of Lea County, New Mexico, and that certain Contract for Development dated January 16, 1951, approved by the BLM by Decision dated April 11, 1951, recorded in Book 62, page 326 of the Miscellaneous Records of Lea County, from Continental Oil Company, Standard Oil Company of Texas, the Atlantic Refining Company and Stanolind Oil and Gas Company to The Pe'CH Oil Company, in which the Assignor therein reserved a 5% overriding royalty interest, equally, in addition to the 7.5% overriding royalty interest reserved in the above-described Drilling and Operating Agreement dated April 22, 1927. The 5% overriding royalty interest is owned as follows:

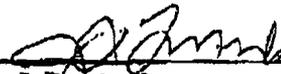
Apache Corporation	2.5%
Chevron USA Inc.	1.25%
BP America Production Company	1.25%

If you have any questions regarding any of the foregoing, please advise.

We are retaining the abstracts examined.

Very truly yours,

TURNER, DAVIS & GERALD

By: 
J. Randy Turner

JRT:ldb

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
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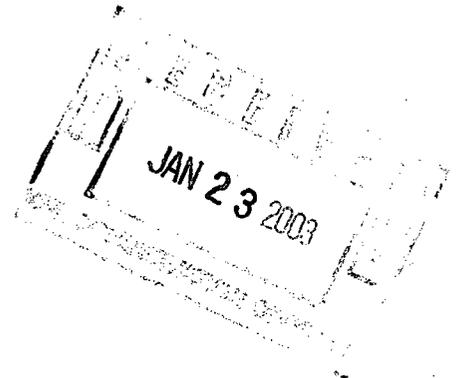
P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501
January 22, 2003

Telephone 505-982-4285
Facsimile 505-982-2047
tkellahin@aol.com

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Reference No. pKRVO-300352303
Administrative Application of Apache Corporation
for approval of a unorthodox well location for its
Lockhart A-17 Well No. 8, Unit L,
NW/4SW/4 dedication, Section 17
T21S, R37E, Lea County, New Mexico
Penrose Skelly-Grayburg Pool.



Dear Mr. Stogner:

On behalf of Apache Corporation, as in accordance with your letter dated January 14, 2003, please be advised that Apache Corporation agrees to the depth limitation of not deeper than 4000 feet requested by Campbell & Hedrick in its letter dated January 13, 2003.

Very truly yours,

W. Thomas Kellahin

Cc: Apache Corporation
Attn: Kevin Mayes (fax 918-491-4877)
Campbell & Hedrick
Attn: O. F. Hedrick (fax 915-682-7570)