

U.S. CONSERVATION DIVISION  
RECEIVED

**THORNTON OPERATING CORPORATION**  
Oil & Gas Exploration

'93 FEB 22 AM 10 11

February 15, 1993

Mr. David Catanach  
N. M. Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: CHANGE IN OPERATOR FOR STEVENS FEDERAL NO. 3 WELL located in Unit I of Section 28, Township 13 South, R 29 East, NMPM, Chaves County, New Mexico and Notification of Additional Water Sources for Disposal

Dear Sirs:

Under Administrative Order No. SWD-464 (copy enclosed), McClellan Oil Corporation was granted the right to dispose of salt water into the above captioned well. We are in the process of becoming operator of this well and the salt water disposal operations conducted in connection therewith. We are enclosing herewith quintuplicate original of Division Form C-104 in this regard.

It is our intention to dispose of salt water from several wells, one of which was the subject of McClellan's application in Cause No. SWD-464. We are also enclosing water quality reports for two additional wells, the Marathon Oil Company Federal No. 2 well and the Rachel Exploration Corp. No. 1 South Lone Wolf Unit Well #1, from which we hope to be allowed to dispose of salt water.

Application has also been made with the BLM (copy of Right of Way application enclosed) for commercial salt water disposal. If approved by them, the operations to be undertaken by us will be subject to a special bond to be filed with the BLM. The amount of this bond is being determined presently but is believed to be in the amount of \$25,000.

Please advise if we may be of any further assistance in your consideration of our request for change of operator and the approval to take water from these additional sources.

Sincerely,  
THORNTON OPERATING CORPORATION



Robert L. Thornton, President



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

February 24, 1993

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
15051 827-5800

ANITA LOCKWOOD  
CABINET SECRETARY

Thornton Operating Corporation  
P.O. Box 1995  
Roswell, New Mexico 88202

Attn: Robert L. Thornton

**RE: Commercial SWD  
Stevens Federal No.3**

Dear Mr. Thornton,

Reference is made to your notification to this office that the above mentioned well will be operated as a commercial disposal facility. The Stevens Federal No.3 located in Section 28, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico, is hereby approved as a commercial disposal facility pursuant to all provisions of Division Order No. SWD-464.

We anticipate additional regulations for such operations in the future such as security provisions and possible disposal manifests. Your company will be notified in the event of these forthcoming changes.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay".

William J. LeMay  
Director

WJL/BES

cc: OCD - Artesia  
File SWD-464



# United States Department of the Interior



BUREAU OF LAND MANAGEMENT  
Roswell Resource Area  
P.O. Box 1857  
Roswell, New Mexico 88202

IN REPLY REFER TO:

NMNM-88546  
2800 (066)

## DECISION

Robert Thornton  
President  
Thornton Operating corporation  
P. O. Box 1995  
Roswell, NM 88202-1995

### Cost Recovery Category Determined for Application NMNM-88546

We are in receipt of your right-of-way application filed for the following:

1. A Salt Water Disposal Facility,
2. Across public lands in Sec. 28, T. 13 S., R. 29 E.

N.M. P.M., New Mexico, under authority of Title V of the Federal Land Policy and Management Act, as amended. In your future correspondence with this office, we ask that you refer to the BLM serial number which has been assigned to this application.

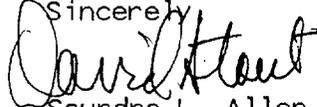
The cost reimbursement provisions of 43 CFR 2803.3-1, establish a cost recovery fee schedule for both processing and monitoring fees. It has been determined that your application falls under Category I. Under this category, you are required to pay a nonrefundable application processing fee in the amount of \$125.00 before we can take further action on your application. You submitted \$0 with your application. Therefore, you need to submit an additional \$175.00 to the Bureau of Land Management at the address shown above within 30 days of receipt of this decision. Please note that a category determination may be changed to Category V at any time it is determined that an Environmental Impact Statement is required.

In addition to the processing fee, you may also submit payment of the monitoring costs for Category I in the amount of \$50.00. Alternatively, the monitoring fees can be submitted with your written acceptance of the right-of-way terms and conditions.

Within 30 days of receipt of this decision, you have the right of appeal to the Board of Land Appeals, Office of the Secretary, in accordance with the regulations at 43 CFR 4.400. If an appeal is taken you must follow the procedures outlined in the enclosed Form 1842-1, Information on Taking Appeals to the Board of Land Appeals. The appellant has the burden of proof of showing that the decision appealed from is in error.

Please note, however, that under the regulations in 43 CFR 2804.1(b), this decision is effective even if an appeal is filed. Therefore, if the

application is to be processed, payment of the nonreturnable application processing fee must be made. If an appeal is taken, this money will be held in escrow and processing will continue until the appeal is resolved.

Sincerely,  
  
for Sandra L. Allen  
Area Manager

Enclosure

FTIN 85-0400215

THE STATE OF NEW MEXICO  
CORPORATION DEPARTMENT

ARTICLES of INCORPORATION

of

APR 8 1992

THORNTON OPERATING CORPORATION

CORPORATION DEPARTMENT

The undersigned, for the purpose of forming a Corporation under the New Mexico Business Corporation Act, hereby certifies:

ARTICLE I

"Name"

The name of the Corporation shall be: **THORNTON OPERATING CORPORATION**

ARTICLE II

"Duration"

The duration of the Corporation shall be perpetual.

ARTICLE III

"Purposes"

The nature of the business and purposes to be conducted or promoted by the Corporation are to engage in, carry on and conduct any lawful act or activity for which corporations may be organized under the Business Corporation Act of the State of New Mexico; and in addition to, and without limiting the generality of the foregoing, the following:

A. To engage in, carry on, conduct and participate in operating oil and gas wells, properties, leases; dealing in oil and gas leases, properties and wells; equipping wells; engaging in servicing oil and gas wells; participating in drilling, development and working interests (both operating and non-operating) in oil and gas and other mineral properties; acquiring interests in mineral properties; dealing in oil and gas interest.

B. To create, acquire, hold and deal in and with, and dispose of, in any manner, any legal or equitable interest in real property, chattels real and tangible and intangible personal property of all kinds (whether situated or located in the State of New Mexico or elsewhere); and, without limiting the generality of the foregoing, to purchase, receive, take (by grant, gift, devise, bequest or otherwise), own, hold, employ, use, operate, manage,

APR 8 1992

control, sell, assign, transfer, convey, exchange, lease, mortgage, encumber, construct, alter, modify, repair, improve and maintain: (1) real property whether improved or unimproved, and structures and improvements on real property, and also leaseholds; (2) tangible and intangible personal property of any and every kind and type; and (3) any other legal or equitable interests or rights in any of the foregoing.

C. To do everything necessary, suitable, convenient or proper for the accomplishment, attainment or furtherance of, and to do every act or thing incidental or appurtenant to, growing out of or connected with, the purposes set forth herein, whether alone or in association with others, to possess all the rights, powers and privileges now or hereafter conferred by the laws of the State of New Mexico upon corporations organized under the Business Corporation Act of the State of New Mexico (as the same may be amended from time to time) or any statute which may be enacted to supplement or replace it, and, in general, to carry on any of the activities and to do any of the things herein set forth to the same extent and as fully as a natural person or a partnership, association, corporation or other entity, or any of them, might or could do; provided, that nothing herein set forth shall be construed as authorizing the Corporation to possess any purpose, object or power, or to do any act or thing, forbidden by law to a corporation organized under the Business Corporation Act of the State of New Mexico.

D. To do all things necessary and convenient or the accomplishment or furtherance of any of the purposes stated herein, and to do all things necessary or convenient for the protection and benefit of the Corporation.

The foregoing provisions of this Article shall be construed as purposes, objects and powers, and each as an independent purpose, object and power, in furtherance, and not in limitation, of the purposes, objects and powers granted to the Corporation by the laws of the State of New Mexico; and except as otherwise specifically provided in any such provisions, no purpose, object or power herein set forth shall be in any way limited or restricted by reference to, or inference from, any other provision of these Articles of Incorporation.

#### ARTICLE IV

##### "Shares"

The Corporation shall have only one (1) class of Stock which shall be Common Stock, and the Corporation is authorized to issue 500,000 Shares of such Common stock. In accordance with Section

53-11-18(A) of the New Mexico Business Corporation Act, the minimum price or value of each Share of Common Stock shall be \$1.00. Fractional Shares may be issued.

#### ARTICLE V

##### "Preemptive Rights"

Each Shareholder of this Corporation shall, because of his ownership of Stock, have a preemptive or any other right to purchase, subscribe for or take any part of any Stock or any part of the notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase Stock or any part of the notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase Stock of this Corporation issued, optioned or sold by it after its incorporation. Any part of the capital stock and any part of the notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase Stock of this Corporation, or by an amended certificate duly filed, may at any time be issued, optioned for sale and sold or disposed of by this Corporation pursuant to a resolution of its Board of Directors to such persons and upon such terms as may to such Board seem proper only if first offered to the existing Shareholders of the Corporation.

#### ARTICLE VI

##### "Registered Office and Agent"

The address of the initial registered office of the Corporation is 400 North Pennsylvania, Suite 880, Roswell, New Mexico 88201; and the name of the initial registered agent at such address upon whom process against the Corporation may be served is MARION J. CRAIG III.

#### ARTICLE VII

##### "Board of Directors"

The business of this Corporation shall be managed by a Board of Directors consisting of such number as may be provided by the By-Laws of the Corporation. The initial Board of Directors shall consist of one (1) member. The name and addresses of the persons who are to serve as the Directors until the First Annual Meeting of Shareholders or until their successors are duly elected and qualified, are:

<u>Name</u>	<u>Address</u>
ROBERT THORNTON	400 N. Pennsylvania Roswell, New Mexico 88201

Each of the directors have executed an affidavit consenting to be a director of the Corporation, the original of which is kept at the registered office of the Corporation, and will become a permanent record of the Corporation at incorporation.

#### ARTICLE VIII

##### "Indemnification"

In addition to any other powers provided by law or by these Articles of Incorporation:

A. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or who, while a Director of the Corporation, is or was serving at the request of the Corporation, as a Director, Officer, partner, venturer, sole proprietor, trustee, employee or agent of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he was acting in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

B. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, Officer, employee or agent of the Corporation, or

is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

C. To the extent that a director, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Paragraphs A or B, or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

D. Any indemnification under Paragraphs A or B (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, Officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Paragraphs A or B. Such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion; or (3) by the Shareholders in a vote that excludes the Shares held by Directors who are named defendants or respondents in such proceeding.

E. Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Paragraph D upon receipt of an undertaking by or on behalf of the Director, Officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

F. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of Shareholders or disinterested Directors or otherwise, both as to action in his official capacity and as

to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

G. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article.

## ARTICLE IX

### "Business Transactions"

The Corporation may enter into contracts, make loans to or transact business with any one or more of its Directors, Officers or Shareholders, or with any corporation, association, trust, organization or other concern in which any one or more of its Directors, Officers or Shareholders are directors, officers, trustees, beneficiaries or shareholders or otherwise interested in other contracts or transactions in which any one or more of its Directors, Officers or Shareholders is in any way interested; and, in the absence of fraud, no such contract or transaction shall be invalidated or in anywise affected by the fact that such Directors, Officers or Shareholders of the Corporation have, or may have, interests which are or might be adverse to the interests of the Corporation, even though the vote or action of Directors, Officers or Shareholders having such adverse interests may have been necessary to obligate the Corporation upon such contract or transaction. At any Meeting of the Board of Directors of the Corporation (or any duly authorized committee thereof) which shall authorize or ratify any such contract or transaction, any such Director or Directors may vote or act thereat with like force and effect as if he had not such an interest, provided in such case the nature of such interest (though not necessarily the extent or details thereof) shall be disclosed, or shall have been known to the Directors or a majority thereof. A general notice that a Director or Officer is interested in any corporation or other concern of any kind above

Officer with respect to all contracts and transactions with such corporation or other concern. No Director shall be disqualified from holding office as a Director or Officer of the Corporation by reason of any such adverse interest. In the absence of fraud, no Director, Officer or Shareholder having such adverse interest shall be liable to the Corporation or to any Shareholder or creditor thereof, or to any other person, for any loss incurred by it under or by reason of such contract or transaction, nor shall any such Director, Officer or Shareholder be accountable for any gains or profits realized thereon.

## "ARTICLE X"

### Corporate Opportunities

The Directors, Officers and other members of management of this Corporation shall be subject to the doctrine of corporate opportunities only insofar as it applies to business opportunities in which this Corporation has expressed an interest as determined from time to time by the Corporation's Board of Directors and evidenced by resolutions appearing in the Corporation's Minutes.

Once such areas of interest are delineated, all such business opportunities within such areas of interest which come to the attention of the Directors, Officers and other members of management of this Corporation shall be disclosed promptly to this Corporation and made available to it. The Board of Directors may reject any business opportunity presented to it thereafter, any Director, Officer or other member of management may avail himself of such opportunity. Until such time as this Corporation, through its Board of Directors, has designated an area of interest, the Directors, Officers and other members of management of this Corporation shall be free to engage in such areas of interest on their own and this doctrine shall not limit the rights of any Director, Officer or other member of management of this Corporation to continue a business existing prior to the time that such area of interest is designated by the Corporation. This provision shall not be construed to release any employee of the Corporation (other than a Director, Officer or member of management) from any duties which he may have to the Corporation.

## ARTICLE XI

### "Incorporator"

The name and address of the Incorporator is:





BY-LAWS OF  
THORNTON OPERATING CORPORATION

ARTICLE I

CORPORATE OFFICE

The principal office of the Corporation in the State of New Mexico shall be located in the at 400 North Pennsylvania, Roswell, Chaves County, New Mexico. The Corporation may have such other offices, either within or outside the State of New Mexico, as the business of the Corporation may from time to time require.

ARTICLE II

SHAREHOLDERS' MEETING

Section 1 - Annual Meeting. The Annual Meeting of Shareholders for the election of Directors and the transaction of such other business as may properly come before it shall be held at the registered office of the Corporation or at such other place within or outside the State of New Mexico as shall be set forth in the notice of the Meeting. The Meeting shall be held on the first Friday of the month of June of each year beginning with the year 1992 at the hour of 10:00 a.m., or as soon thereafter as may be convenient. If the day fixed for the Annual Meeting shall be a legal holiday, such Meeting shall be held on the next succeeding business day. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Corporation. If the election of Directors is not held on the date designated herein for any Annual Meeting, or any adjournment thereof, the Board of Directors shall cause the election to be held at a Special Meeting of the Shareholders as soon thereafter as may be convenient.

Section 2 - Special Meetings. Special Meetings of Shareholders, other than those regulated by statute, may be called at any time by the President, the Chairman of the Board of Directors, if a Chairman is elected, the Board of Directors, any Vice President acting as President pursuant to these By-Laws, or by the President at the request of the holders of not less than one-tenth (1/10) of all the outstanding shares entitled to vote at such Special Meeting. Special Meetings shall be held at the registered office of the Corporation or at such other place within or outside the State of New Mexico as shall be set forth in the notice of the Meeting.

**Section 3 - Notice of Meetings.** Written notice stating the place, day and hour of the Meeting and, in case of a Special Meeting, the purpose or purposes for which the Meeting is called, shall be delivered not less than ten (10) or more than fifty (50) days before the date of the Meeting to each Shareholder of record entitled to vote at the Meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Shareholder at his address as it appears on the Stock Transfer Books of the Corporation, with postage thereon prepaid. Attendance of a Shareholder in person or by proxy at a Meeting shall constitute a waiver of notice of such Meeting, except where a Shareholder attends a Meeting for the express purpose of objecting to the transaction of any business because a Meeting is not lawfully called or convened.

A waiver of notice signed by all Shareholders entitled to vote at the Meeting may designate any time or place, either within or outside the State of New Mexico, as to the time and place for the holding of such Meeting.

**Section 4 - Meeting of All Shareholders.** If all of the Shareholders entitled to vote shall meet at a time and place, either within or outside the State of New Mexico, and consent to the holding of a Meeting, such Meeting shall be valid without call or notice, and at such Meeting any corporate action may be taken.

**Section 5 - Closing of Transfer Books or Fixing of Record Date.** For the purpose of determining Shareholders entitled to notice of, or to vote at, any Meeting of Shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the Stock Transfer Books shall be closed for a stated period not to exceed fifty (50) days. If the Stock Transfer Books are closed for the purpose of determining Shareholders entitled to notice of, or to vote at a Meeting of the Shareholders, the Books shall be closed for at least ten (10) days immediately preceding the Meeting. In lieu of closing the Stock Transfer Books, the Board of Directors may fix in advance a date as the record date for any such determination of Shareholders, the date to be not more than fifty (50) days and, in case of a Meeting of Shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of Shareholders, is to be taken. If the Stock Transfer Books are not closed and no record date is fixed for the determination of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the Meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted, as the case may be, shall be the record date for the determination of Shareholders. When a determination of Shareholders entitled to

vote at any Meeting of Shareholders has been made as provided in this Section, the determination shall apply to any adjournment thereof.

**Section 6 - Voting List.** The Officer or agent having charge of the Stock Transfer Books for shares of the Corporation shall make, at least ten (10) days before each Meeting of Shareholders, a complete list of the Shareholders entitled to vote at the Meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten (10) days prior to the Meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any Shareholder at any time during usual business hours. The list shall also be produced and kept open at the time and place of Meeting and shall be subject to the inspection of any Shareholder during the whole time of the Meeting. The original Stock Transfer Books shall be prima facie evidence as to who are the Shareholders entitled to examine the lists or Stock Transfer Books or to vote at any Meeting of Shareholders. Failure to comply with the requirements of this Section does not affect the validity of any action taken at the Meeting. An officer or agent having charge of the Stock Transfer Books who fails to prepare the list of Shareholders, or keep it on file for a period of ten (10) days, or produce and keep it open for inspection at the Meeting, as provided in this Section, is liable to any Shareholder suffering damage on account of the failure to the extent of the damage.

**Section 7 - Quorum of Shareholders.** A majority of the total shares entitled to vote, represented in person or by proxy, shall constitute a Quorum at a Meeting of the Shareholders. A Quorum, once attained at a Meeting, shall be deemed to continue until adjournment, notwithstanding the voluntary withdrawal of enough shares to leave less than a Quorum. If a Quorum is present, the affirmative vote of the majority of shares represented at the Meeting and entitled to vote on the subject matter shall be the act of the Shareholders, unless a vote of a greater number is required by law. If, however, such Quorum shall not be present or represented at any Meeting of the Shareholders, the Shareholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the Meeting to a future date at which a Quorum shall be present and represented. At such adjourned Meeting, any business may be transacted which might have been transacted at the Meeting as originally called.

**Section 8 - Voting of Shares.** Each outstanding share, regardless of class, shall be entitled to one (1) vote on each matter submitted to a vote at a Meeting of Shareholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation.

**Section 9 - Voting of Shares by Certain Holders.**

A. Treasury shares shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

B. Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of the shares into his name. Shares standing in the name of a trustee, or a custodian for a minor, may be voted by him, either in person or by proxy, but only after a transfer of the shares into his name.

C. Shares standing in the name of a receiver or bankruptcy trustee may be voted by the receiver or bankruptcy trustee, and shares held by or under the control of a receiver or bankruptcy trustee may be voted by him without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which the receiver or bankruptcy trustee was appointed.

D. A Shareholder whose shares are pledged may vote the shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee may vote the shares so transferred.

E. Shares standing in the name of a partnership may be voted by any partner, and shares standing in the name of a limited partnership may be voted by any general partner.

F. Shares standing in the name of a person as life tenant may be voted by him, either in person or by proxy.

G. From the date on which written notice of redemption of redeemable shares has been mailed to the holders thereof and a sum sufficient to redeem such shares has been deposited with a bank or trust company with irrevocable instructions and authority to pay the redemption price to the holders thereof upon surrender of certificates therefor, the shares shall not be entitled to vote on any matter and shall not be deemed to be outstanding shares.

**Section 10 - Proxies.** Every proxy must be written, dated and signed by the Shareholder or by his duly authorized agent or attorney-in-fact. No proxy shall be valid after eleven (11) months from date of its execution, unless otherwise specifically provided in the proxy. Every proxy shall be revocable at the pleasure of the Shareholder executing it.

**Section 11 - Consents.** Any action required to be taken at a Meeting of the Shareholders may be taken without a Meeting, and the vote of Shareholders may be dispensed with, if a consent in

writing setting forth their action so taken, shall be signed by all of the Shareholders entitled to vote with respect to the Corporate action being taken.

**Section 12 - Cumulative Voting.** Cumulative voting shall not exist with respect to Shares of Stock of the Corporation.

### **ARTICLE III**

#### **DIRECTORS**

**Section 1 - General Powers.** The business and affairs of the Corporation shall be managed by the Board of Directors.

**Section 2 - Number, Tenure and Qualifications.** The number of Directors of the Corporation shall be established by resolution of the Board of Directors. The number of Directors may be increased or decreased from time to time by resolution of the Board of Directors or Shareholders or by amendment to these By-Laws, but no decrease shall have the effect of shortening the term of any incumbent Director. The term of office of each Director shall be until the next Annual Meeting of the Shareholders, and each Director shall hold office for the term for which he is elected and until his successor has been elected and qualified. Directors need not be residents of the State of New Mexico nor be Shareholders of the Corporation.

**Section 3 - Duties and Powers.** The Board of Directors shall have control and management of the business and affairs of the Corporation. The Directors shall in all cases act as a Board, regularly convene, and, in the transaction of business, the act of a majority of the Directors present at a Meeting, except as otherwise provided by law, shall be the act of the Board, provided a Quorum is present. The Directors may adopt such rules and regulations for the conduct of their Meetings and the management of the Corporation as they may deem proper, not inconsistent with the law and these By-Laws.

**Section 4 - Regular Meetings.** A regular Meeting of the Board of Directors, for the purpose of electing or appointing officers and for the transaction of any other business which may come before the Meeting, shall be held without other notice than these By-Laws immediately after, and at the same place as, the Annual Meeting of Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or outside the State of New Mexico, for the holding of additional regular Meetings without other notice than such resolution.

**Section 5 - Special Meetings.** Special Meetings of the Board of Directors may be called by or at the request of the President, or the Chairman of the Board of Directors, if a Chairman is elected at any time. The Chairman of the Board, President or Secretary shall, upon a written request of any two (2) Directors,

call a Special Meeting to be held not more than ten (10) days after the receipt of such request. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or outside the State of New Mexico, as a place for holding any Special Meeting of the Board of Directors.

**Section 6 - Meetings by Telephone or Similar Communication Equipment.** The Board of Directors may participate by means of a conference telephone or similar communications equipment whereby all persons participating in the Meeting can hear each other at the same time. Participation by such Director shall constitute presence and attendance at a Meeting.

**Section 7 - Notice.** Notice of any Special Meeting shall be given at least four (4) days previously thereto by written notice delivered personally or mailed to each Director at his last known post office address, or sent by telegram. If mailed, such notice shall be deemed to be delivered three (3) days after it is deposited in the United States Mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegram company. Any Director may waive notice of any Meeting. The attendance of a Director at any Meeting shall constitute a waiver of notice of such Meeting, except that where a Director attends a Meeting for the express purpose of objecting to the transaction of any business because the Meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or Special Meeting of the Board of Directors need be specified in notice or waiver of notice of such Meeting.

**Section 8 - Quorum.** A majority of the total number of Directors shall constitute a Quorum for the transaction of business at any regular or Special Meeting. A Quorum, once attained at a Meeting, shall be deemed to continue until adjournment notwithstanding a voluntary withdrawal of enough Directors to leave less than a Quorum. The act of the majority of the Directors present at a Meeting at which a Quorum is present shall be the act of the Board of Directors. If less than a majority of the Directors are present at any Meeting, a majority of the Directors present may adjourn the Meeting from time to time without further notice.

**Section 9 - Manifestation of Dissent.** A Director who is present at a Meeting of the Board of Directors at which action on any Corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the Meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the Meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation

immediately after the adjournment of the Meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

**Section 10 - Vacancies.** Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of all of the remaining Directors though less than a Quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any Directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors for a term of office continuing only until the next election of Directors by the Shareholders.

**Section 11 - Removal of Directors.** At a Shareholders' Meeting called expressly for that purpose, one or more Directors or the entire Board of Directors, may be removed, with or without cause, by a vote of the Shareholders of the majority shares entitled to vote at an election of Directors.

**Section 12 - Compensation.** By resolution of the Board of Directors, Directors may receive a stated salary or a fixed sum plus expenses of attendance, if any, for attendance at any regular or Special Meeting of the Board of Directors; provided, however, that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

**Section 13 - Resignation.** Any Director may resign his office at any time. Such resignation shall be made in writing and shall take effect immediately, or at the time specified therein. No acceptance of a resignation shall be necessary or required to make it effective, unless expressly so provided in the resignation.

**Section 14 - Committees.** The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an Executive Committee and one (1) or more other committees each of which, to the extent provided in the resolution, shall have and may exercise all the authority of the Board of Directors, but no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the Shareholders the sale, lease, exchange or other disposition of all or substantially all the property and assets of its business, recommending to the Shareholders a voluntary dissolution of the Corporation or a revocation thereof, or amending the By-Laws of the Corporation. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

**Section 15 - Written Consent.** Any action required by the Business Corporation Act to be taken at a Meeting of the Directors of the Corporation, or any action which may be taken at a Meeting of the Directors, may be taken without a Meeting if a consent in writing setting forth the action so taken, shall be signed by all of the Directors. The consent shall have the same effect as a unanimous vote.

## **ARTICLE IV**

### **OFFICERS**

**Section 1 - Officers and Qualifications.** The Officers of this Corporation shall consist of a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors from time to time), a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors at the time and in the manner prescribed by these By-Laws. Other Officers and Assistant Officers and agents deemed necessary may be elected or appointed by the Board of Directors or chosen in the manner prescribed by these By-Laws, to enable the Corporation to sign instruments and stock certificates and transact any and all lawful business required or authorized by the Business Corporation Act. Any two (2) or more offices may be held by the same person. All Officers and agents of the Corporation, as between themselves and the Corporation, shall have the authority and perform the duties in the management of the Corporation as provided in these By-Laws, or as determined by the resolution of the Board of Directors not inconsistent with these By-Laws.

**Section 2 - Election and Term.** All Officers of the Corporation shall be elected annually by the Board of Directors at its regular Meeting held immediately after the Annual Meeting of Shareholders. If the election of Officers is not held at such Meeting, such election shall be held as soon thereafter as may be convenient. Each Officer shall hold office until his successor has been duly elected and qualified, or until removed as hereinafter provided.

**Section 3 - Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term. Vacancies may be filled at any Meeting of the Board of Directors.

**Section 4 - Removal.** Any Officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person removed. Election or appointment of an Officer or agent shall not of itself create contract rights.

**Section 5 - Duties of Officers.** The duties and powers of the offices of the Corporation shall be as follows and they shall hereafter be set by resolution of the Board of Directors:

**Chairman of the Board of Directors**

The Board of Directors shall have the right and power to elect a Chairman from among the members of the Board of Directors. If a Chairman of the Board of Directors is elected, he shall preside at all Meetings of the Board of Directors in place of the President of the Corporation, and he may also cast his vote on all questions.

**President**

A. The President shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation.

B. He/She shall preside at all Meetings of the Shareholders and shall preside at all Meetings of the Directors unless a Chairman of the Board of Directors is elected, in which case he shall preside only in the absence of the Chairman of the Board of Directors.

C. He/She shall present at each Annual Meeting of the Shareholders and Directors a report of the condition of the business of the Corporation.

D. He/She shall cause to be called regular and Special Meetings of the Shareholders and Directors in accordance with the requirements of the New Mexico Business Corporation Act and these By-Laws.

E. He/She shall appoint, discharge and fix the compensation of all employees and agents of the Corporation other than the duly elected officers, subject to the approval of the Board of Directors.

F. He/She shall sign and execute all contracts in the name of the Corporation, and all certificates for shares of the Corporation, all deeds, mortgages, bonds, contracts, notes, drafts, or other orders for the payment of money, or other instruments which the Board of Directors have authorized to be executed, except in cases where the signing and execution shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or shall be required by law to be otherwise signed or executed.

G. He/She shall cause all books, reports, statements and certificates to be properly kept and filed as required by law.

H. He/She shall enforce these By-Laws and perform all the duties incident to his office and which are required by law, and, generally, perform all duties as may be prescribed by the Board of Directors.

#### Vice President

In the absence of the President or in the event of his inability or refusal to act, the Vice President (or if there be more than one, the Vice Presidents, in order of seniority) shall perform the duties of the President, and when so acting, shall have all the powers and be subject to all the responsibilities of the office of President.

#### Secretary

A. The Secretary shall keep the Minutes of the Meetings of the Board of Directors and of the Shareholders in the appropriate books.

B. He/She shall attend to the giving of notice of Special Meetings of the Board of Directors and of all the Meetings of the Shareholders of the Corporation.

C. He/She shall be the custodian of the records and Seal of the Corporation and shall affix the Corporate Seal to the Certificates representing shares and other corporate papers when required.

D. He/She shall keep at the principal office of the Corporation a book or record containing the names, alphabetically arranged, of all persons who are Shareholders of the Corporation, showing their mailing addresses, the number of shares held by them respectively, and the dates when they respectively became the owners of record thereof. He shall keep such book of records and the Minutes of the proceedings of Shareholders open daily during the usual business hours for inspection, within the limits prescribed by law by any person duly authorized to an inspection thereof, and he shall prepare and make available a current list of the Officers and Directors of the Corporation and their mailing addresses.

E. He/She shall attest the execution of instruments on behalf of the Corporation by a proper Officer thereof, and he shall affix the Corporate Seal to such instruments on behalf of the Corporation.

F. He/She shall attend to all correspondence and present to the Board of Directors at its Meetings all official communication received by him.

G. He/She shall have general charge of the Stock Transfer Books of the Corporation.

H. He/She shall, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

#### Treasurer

A. The Treasurer shall have the care and custody of and be responsible for all the funds and securities of the Corporation, and shall deposit such funds and securities in the name of the Corporation in such banks, trust companies or other depositories, as shall be designated by the Board of Directors.

B. Subject to banking resolutions adopted by the Board of Directors, he shall make, sign and endorse in the name of the Corporation all checks, drafts, notes and other orders for the payment of money, and pay out and dispose of such under the direction of the President of the Board of Directors.

C. He/She shall keep at the principal office of the Corporation accurate books of account of all its business and transactions and shall, at all reasonable hours, exhibit books and accounts to any Director upon application at the office of the Corporation during business hours.

D. He/She shall render a report of the condition of the finances of the Corporation at each regular Meeting of the Board of Directors and at such other times as shall be required of him, and he shall make a full financial report at the Annual Meeting of the Shareholders.

E. He/She shall further perform all duties incident to the office of Treasurer of the Corporation.

F. If required by the Board of Directors, he shall give such bond as it shall determine appropriate for the faithful performance of his duties.

#### Other Officers

Other Officers shall perform such duties and have such powers as may be assigned to them by the Board of Directors. Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

**Section 6 - Resignation.** Any Officer may resign his office at any time. Such resignation shall be made in writing and shall take effect immediately, or at the time specified therein. No acceptance of a resignation shall be necessary or required to make it effective, unless expressly so provided in the resignation.

**Section 7 - Compensation of Officers.** The Officers shall receive such salary or compensation as may be fixed by the Board of Directors. No Officer shall be prevented from receiving compensation by reason of the fact that he is also a Director of the Corporation.

## **ARTICLE V**

### **CONTRACTS, LOANS, CHECKS AND DEPOSITS**

**Section 1 - Contracts.** The Board of Directors may authorize any Officer or Officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 2 - Loans.** No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general in nature or confined to specific instances. If such authority is general in nature, no loans greater than \$50,000 shall be contracted on behalf of the Corporation and no evidences of indebtedness greater than such amount shall be issued in its name unless authorized by a specific resolution of the Board of Directors. The Corporation may make loans, in the discretion of the Board of Directors, to any individual, corporation, trust, or entity, including loans to Shareholders, Directors or entities or trusts in which any Shareholder(s) or Director(s) have any interest.

**Section 3 - Checks, Drafts, Etc.** All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation, shall be signed by such Officer or Officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**Section 4 - Deposits.** All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

## **ARTICLE VI**

### **SHARES**

**Section 1 - Certificates.** The shares of the Corporation shall be represented by certificates prepared by the Board of Directors and signed by the President or the Vice President, and the Secretary or an Assistant Secretary. The certificates shall be numbered consecutively and in the order in which they are issued; they shall be bound in a book and shall be issued in

consecutive order therefrom, and in the margin thereof or on a stock record page shall be entered the name of the person to whom the shares represented by each such certificate are issued, the number of such shares and the date of issue. Each certificate shall state the registered holder's name, the number of shares represented thereby, the date of issue, the minimum (par) value of such shares or that they are without minimum (par) value. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificates shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

**Section 2 - Subscriptions.** Subscriptions for shares shall be paid at such times and in such installments as the Board of Directors shall determine. If default shall be made in the payment of any installment as required by such resolution, the Board of Directors may declare the shares and all previous payments thereon forfeited for the use of the Corporation, in the manner prescribed by law.

**Section 3 - Shareholders' Agreement.** The sale or transfer of Shares of the Corporation may be governed by a Shareholders' Agreement or Agreements executed, ratified or consented to by all of the Shareholders of the Corporation. The Shareholders' Agreement(s) shall be kept in the Corporate Book of the Corporation, and a copy of the same shall be kept on file at the offices of the Corporation, if one is adopted, and an appropriate notation shall be made on the stock certificates of the Corporation.

**Section 4 - Transfer of Shares.** Upon compliance with the the terms of any Shareholders' Agreement, the transfer of Shares will be registered on the books of the Corporation maintained for that purpose upon presentation of share certificates appropriately endorsed. The Corporation shall issue a new certificate for the shares surrendered to the person or persons entitled thereto. The person in whose name the shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards to the Corporation.

**Section 5 - Returned Certificates.** All certificates for shares changed or returned to the Corporation for transfer shall be marked by the Secretary "Canceled" with the date of cancellation, and the transaction shall be immediately recorded in the Certificate Book opposite the memorandum of their issue. The returned certificate may be inserted in the Certificate Book.

**Section 6 - Cancellation of Shares.** Any shares held in violation of the Articles of Incorporation or these By-Laws shall be Canceled by action of the Board of Directors.

## **ARTICLE VII**

### **DISTRIBUTIONS AND DIVIDENDS**

Subject to any restrictions contained in the Articles of Incorporation of the Corporation, the Board of Directors at any regular or Special Meeting may authorize and the Corporation may make distributions and declare dividends to its Shareholders. No distribution may be made or dividend declared if, after giving effect to such distribution or dividend: (1) the Corporation would be unable to pay its debts as they become due in the usual and ordinary course of business, or (2) the Corporation's total assets would be less than the sum of its total liabilities and the maximum amount that would, at that time, be payable in any liquidation or dissolution of the Corporation to or in respect of all outstanding Shares of Stock having preferential rights in any such liquidation or dissolution. Any indebtedness incurred by the Corporation or issued to any Shareholder in connection with any distribution made or dividend declared shall be on a parity with the indebtedness of the Corporation to its general unsecured creditors, except to the extent subordinated by agreement. The effect of a distribution or dividend shall be measured as of the date of its authorization, or as of the date of payment or issuance, if such date occurs more than 120 days after the date of authorization.

## **ARTICLE VIII**

### **CORPORATE SEAL**

The Board of Directors may at its option provide a corporate seal which, if authorized, shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, New Mexico".

The Corporate Seal may be used, if authorized, on all items executed by the Corporation, but its presence is not essential to the validity of any written instrument duly signed by authorized Corporate Officers.

The corporate seal shall be optional with the Board of Directors and no corporate seal shall required unless required by resolution of the Board of Directors.

## ARTICLE IX

### FISCAL YEAR

The Corporation shall have a fiscal year, which shall be determined by the Board of Directors during the first twelve (12) months of operation of the Corporation. Such fiscal year shall end on the last day of any calendar month, and shall begin on the first day of the next succeeding calendar month.

## ARTICLE X

### INDEMNIFICATION

As authorized by the Articles of Incorporation and the Business Corporation Act, the Corporation shall indemnify any Director or Officer, or former Director or Officer, of the Corporation, or any person who may have served at its request as a director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such a director or officer, except in relation to any such action, suit or proceeding in which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty to the Corporation. The foregoing shall not be construed as prohibiting in any way any broader indemnification permitted by the Articles of Incorporation.

## ARTICLE XI

### WAIVER OF NOTICE

Whenever, under the provisions of these By-Laws or if any statute, any Shareholder or Director is entitled to notice of any regular or Special Meeting or of any action to be taken by the Corporation, such Meeting may be held or such action may be taken without the giving of such notice, provided every Shareholder or Director entitled to such notice in writing waives the requirements of these By-Laws in respect thereto.

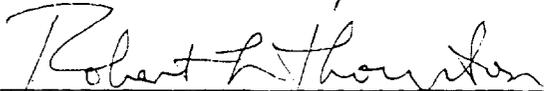
## ARTICLE XII

### AMENDMENTS

These By-Laws may be altered, amended, repealed or new By-Laws adopted by the entire Board of Directors at any regular or Special Meeting of the Board.

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF CHAVES )

I hereby certify that the above and foregoing By-Laws of **THORNTON OPERATING CORPORATION**, a New Mexico Corporation, consisting of sixteen (16) pages, this page included, are the By-Laws of this Corporation, adopted by the Board of Directors thereof at a Meeting held on the 15<sup>th</sup> day of April, 1992.

  
\_\_\_\_\_  
ROBERT L. THORNTON, Secretary



OFFICE OF

# THE STATE CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING AND COMPLIANCE

IT IS HEREBY CERTIFIED that:

THORNTON OPERATING CORPORATION

1561836

a corporation organized under the laws of  
NEW MEXICO

is duly authorized to transact business in New Mexico, as  
a Domestic Profit corporation, under the  
BUSINESS CORPORATION ACT

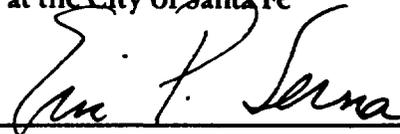
(53-11-1 to 53-18-12 NMSA 1978)

having filed its Articles of Incorporation APRIL 8, 1992  
and Certificate of Incorporation issued as of said date.

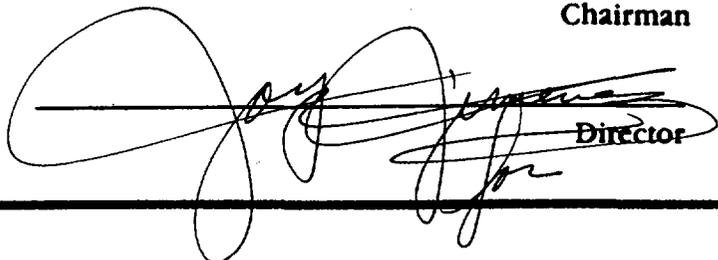
IT IS FURTHER CERTIFIED that the fees due the State  
Corporation Commission, which have been assessed against the  
aforesaid corporation, have been paid to date and aforesaid  
corporation is in corporate good standing and duly authorized  
to transact business as its corporate existence has not been  
revoked in New Mexico. This Certificate is not to be construed  
as an endorsement, recommendation or notice of approval of the  
corporation's financial condition or business activities and  
practices. This Certificate of Good Standing and Compliance  
expires MARCH 15, 1993

Dated: FEBRUARY 11, 1993

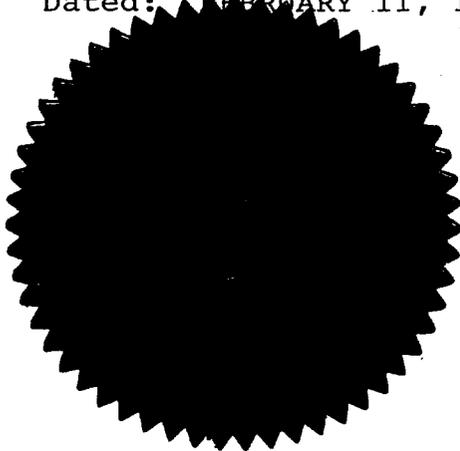
In Testimony Whereof, the State Corporation  
Commission of the State of New Mexico has  
caused this certificate to be signed by its  
Chairman and the Seal of said Commission to be  
affixed at the City of Santa Fe



Chairman



Director



**THORNTON OPERATING CORPORATION**

**RESOLUTION OF CORPORATION**

**AUTHORIZING FILING OF APPLICATION FOR RIGHT OF WAY**

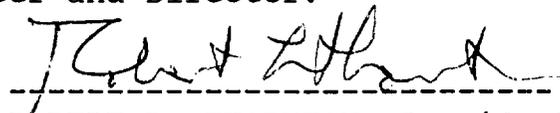
I, **ROBERT L. THORNTON**, Secretary of **THORNTON OPERATING CORPORATION**, a New Mexico Corporation, do hereby certify that I am the keeper of the records and Minutes of the proceedings of the Board of Directors of said Corporation, and that on the 4th day of February, 1993, there was held a Meeting of the Board of Directors of said Corporation, which was duly called and held in accordance with law and by the By-Laws of the Corporation, and at which Meeting a quorum of the Board of Directors was present; and that at said Meeting the following resolutions was duly and legally adopted, as appears from the Minutes of the Corporation:

"Authorization of Filing of Applications for Right of Way for the Use of Stevens Federal #3 Wellbore (2270 FSL, 520 FEL, T 13 S, R 29 E, NMPM) and Use of a reasonable area (approximately a 300 by 300 foot square) around the Wellbore and Use of the Existing 14 foot Roadway incorporated in R-O-W NM-84361 and the existing extension of said Roadway to the Stevens Federal #3 Wellbore for the Purpose of Facilitating the Injection of and for Injecting Produced Water for Commercial Water Disposal"

**RESOLVED**, that the Corporation shall be authorized to file an Application for Right of Way with the Bureau of Land Management and/or any other Agency or Bureau of the Department of Interior of the United States of America for the use of the Stevens Federal #3 Wellbore located at 2270 FSL, 520 FEL, T 13 S, R 29 E, NMPM and a reasonable area around the Wellbore and Use of the Existing 14 foot Roadway incorporated in R-O-W NM-84361 and the existing extension of said Roadway to the Stevens Federal #3 Wellbore for the Purpose of Facilitating the Injection of and for Injecting Produced Water delivered to the Wellbore for Commercial Water Disposal into an appropriate zone under the surface of the earth.

**BE IT FURTHER RESOLVED**, that the Secretary of the Corporation be, and he hereby is, authorized and directed to certify to said Agency and/or Bureau of the Department of Interior of the United States of America these resolutions, and also to certify the names and signatures of the person authorized to act pursuant to these resolutions, and any and all changes in respect thereof; and these resolutions shall continue in full force and effect until countermanded by a resolution of the Board of Directors of this Corporation and a certified copy thereof delivered to said Agency and/or Bureau, and said Agency and/or Bureau shall be fully protected in relying upon these resolutions and in regarding as fully authorized the person hereinafter designated until such time as appropriate resolutions countermanding such authority are properly delivered to said Agency or Bureau.

I further certify that the following person is an Officer and Director of this Corporation and is authorized to sign in the foregoing resolutions as designated, and that the signature hereon is the true signature of said Officer and Director.

A handwritten signature in cursive script, appearing to read "Robert L. Thornton", written over a horizontal dashed line.

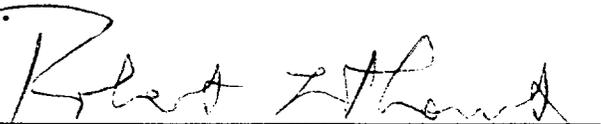
ROBERT L. THORNTON, President,  
Secretary, Treasurer, and  
Director

STOCKHOLDERS OF THORNTON OPERATING CORPORATION

<u>Common Stock</u>	<u>Percentage of Class of Stock</u>
<u>Issued 1000 shares</u>	
Robert L. Thornton P. O. Box 1995, Roswell, NM 88202	100 %

<u>Other Classes</u>	<u>Percentage of Class of Stock</u>
None	N/A

I certify the above to be an accurate record of the stockholders of record as of February 4, 1993.

  
\_\_\_\_\_  
ROBERT L. THORNTON, Secretary

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE\*  
(Other instructions on re-  
verse side)

Form approved,  
Budget Bureau No. 1004-0135  
Expires August 31, 1985

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 "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> Squeeze Devonian & Convert to Fusselman Injection well.		5. LEASE DESIGNATION AND SERIAL NO. NM-2824
2. NAME OF OPERATOR McCLELLAN OIL CORPORATION		7. IF INDIAN, ALLOTTEE OR TRIBE NAME 10 10 10
3. ADDRESS OF OPERATOR P O DRAWER 730, ROSWELL, NM 88202-0730		8. FARM OR LEASE NAME Stevens Federal
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface 2270' FSL & 520' FEL		9. WELL NO. No. 3
14. PERMIT NO.		10. FIELD AND POOL, OR WILDCAT Lone Wolf Devonian
15. ELEVATIONS (Show whether DF, RT, OR, etc.) 3797' G.L.		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 28-T13S-R29E
		12. COUNTY OR PARISH CHAVES
		13. STATE NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input checked="" type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	

(Other) Squeeze and drill out

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

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 squeeze off existing perforated interval 9828' to 9831', drill out and test zone.
- Perforate zone from 9905' to 9940' and convert said well into water disposal well.
- All proper notification will be given prior to each procedure.

AMENDED FROM ELLENBERGER FORMATION TO FUSSELMAN FORMATION.

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

SIGNED [Signature] TITLE Drilling & Completion Engineer DATE 3/3/92

(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

\*See Instructions on Reverse Side

Tubing size 2 3/8 lined with Fiber-glass or Plastic Coating set in a  
 (brand and model) 5 1/2 Uni-514 packer at 9845 feet

(or describe any other casing-tubing seal).

Other Data

1. Name of the injection formation Fussellman

2. Name of field or Pool (if applicable) NOVIE

3. Is this a new well drilled for injection?  Yes  No

If no, for what purpose was the well originally drilled? Oil, out of Osunian

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used)

Osunian - To be squeezed off & Tested

5. Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area.

None above Osunian - 9828-9831'

P 699 974 142



**Certified Mail Receipt**

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

Sent to	
Bureau of Land Management	
Street & No. Carlsbad Resource Area	
P O Box 1778	
P.O., State & ZIP Code	
Carlsbad, NM 88220-1778	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date	3/3/92
C108 Authorization to Inject Stevens Fed. #3	

PS Form 3800, June 1990

**CERTIFIED**

P 699 974 142

**MAIL**

**RETURN RECEIPT REQUESTED**

**MCCLELLAN OIL CORPORATION**  
P.O. DRAWER 730  
ROSWELL, NEW MEXICO 88202

**To**  
BUREAU OF LAND MANAGEMENT  
CARLSBAD RESOURCE AREA  
P O BOX 1778  
CALRSBAD, NM 88220

**FIRST CLASS MAIL**

**OPERATOR'S COPY**  
UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Form approved.  
Budget Bureau No. 1004-01851  
Expires August 31, 1985  
**SEP 16 1992**

**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 "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL  GAS WELL  OTHER  Conversion To Disposal Well

2. NAME OF OPERATOR  
McClellan Oil Corporation

3. ADDRESS OF OPERATOR  
P.O. Drawer 730, Roswell, N.M. 88202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)  
At surface  
2270' FSL & 520' FEL

5. LEASE DESIGNATION AND SERIAL NO.  
NM-2824

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME  
Stevens Fed.

9. WELL NO.  
3

10. FIELD AND POOL, OR WILDCAT  
Lone Wolf Devonian

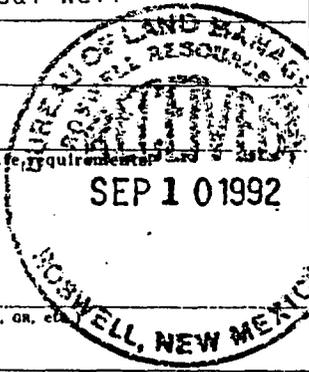
11. SEC., T., R., M., OR BLK. AND SURVEY OR ARMA  
Sec. 28-T13S-R29E

12. COUNTY OR PARISH  
Chaves

13. STATE  
NM

14. PERMIT NO.  
SWD-464

15. ELEVATIONS (Show whether DF, RT, OR, etc.)  
3797' GL



16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <u>W.D. conv.</u>	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

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.)

8-28-92 Squeezed off existing Perfs. (9824'-9831') with Halliburton using 200 sx Class "H" cmt.

8-31-92 Drilled out cmt. & retainer to 9915' - tested csg. & old Perfs. to 1500 PSI (Holding). Trip out with work string - laying down tbg. & D.C.'s.

9-2-92 Rigged up Schlumberger & Perf from 9890'-9514', 56 holes. Picked up plastic coated PKR & tbg. & ran to 9914'. Circulated hole w/PKR fluid. Spotted 1 BBL Acid & pulled PKR to 9868' & set & flanged up well head.

9-3-92 Acidized well with 3000 gal. 15% NEFE Acid. Well on vaccum at 1.5BPM at OPSI. PSI csg. to 500# & held for 30 min., squeeze job & drill out. & csg. integrity test is completed & witnessed by John Robertson with O.C.D. (Artesia).

9-4-92 Hooked up well and started disposing of water.

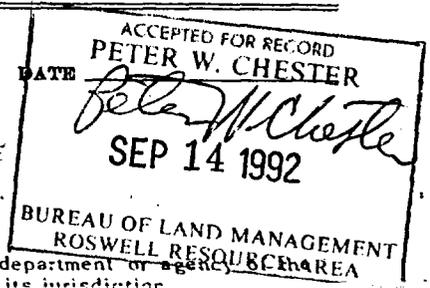
18. I hereby certify that the foregoing is true and correct

SIGNED [Signature] TITLE Drig. & Comp. Eng. DATE 9-9-92

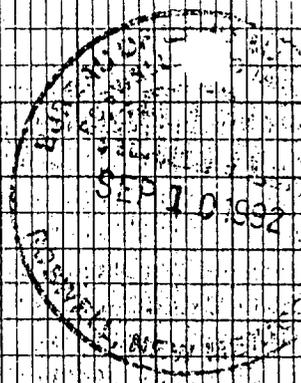
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

SUBJECT TO LIKE APPROVAL BY STATE



\*See Instructions on Reverse Side



APD 50

300PS

30mv

TEST on STEWART'S Pad #3  
Csg. Integrity  
Witnessed by  
JOHN ROBERTSON

15m

HALLIBURTON CO.

PART. NO. 4439933

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

SUBMIT IN DUPLICATE

(See instructions on reverse side)

**WELL COMPLETION OR RECOMPLETION REPORT AND LOG \***

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

b. TYPE OF COMPLETION: NEW WELL  WORK OVER  DEEP-EN  PLUG BACK  DIFF. RENVR.  Other Disposal Well

2. NAME OF OPERATOR  
McClellan Oil Corporation

3. ADDRESS OF OPERATOR  
P.O. Drawer 730, Roswell, N.M. 88202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)  
At surface 2270' FSL & 520' FEL  
At top prod. interval reported below  
At total depth

5. LEASE DESIGNATION AND SERIAL NO.  
NM-2824

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME  
Stevens Fed

9. WELL NO.  
3

10. FIELD AND POOL, OR WILDCAT  
Lone Wolf Devonian

11. SEC. T., R., M., OR BLOCK AND SURVEY OR AREA  
Sec. 28-T13S-R29E

12. COUNTY OR PARISH  
Chaves

13. STATE  
NM

14. PERMIT NO. \_\_\_\_\_ DATE ISSUED SEP 11 1992

15. DATE SPUDDED 10-25-91 16. DATE T.D. REACHED 12-5-91 17. DATE COMPL. (Ready to prod.) 9-5-92 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)\* 3797' GL 19. ELEV. CASINGHEAD 3797'

20. TOTAL DEPTH, MD & TVD 9980 21. PLUG, BACK T.D., MD & TVD 9915' 22. IF MULTIPLE COMPL., HOW MANY\* \_\_\_\_\_ 23. INTERVALS DRILLED BY \_\_\_\_\_ ROTARY TOOLS \_\_\_\_\_ CABLE TOOLS \_\_\_\_\_

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)\*  
9890' to 9914'

25. WAS DIRECTIONAL SURVEY MADE  
Yes

26. TYPE ELECTRIC AND OTHER LOGS RUN  
Csg. Integrity Test - 500 PSI for 30 min. (Holding)

27. WAS WELL CORED  
No

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
		<b>SAME</b>			

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
<u>2 3/8</u>	<u>9868'</u>	<u>9868'</u>

31. PERFORATION RECORD (Interval, size and number)  
Squeezed Off 9828' to 9831'  
Referferated from 9890' to 9915 - 56 holes

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
<u>9890 - 9915</u>	<u>3000 gal. 15% NEFE</u>

33.\* PRODUCTION

DATE FIRST PRODUCTION 9-4-92 PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Gravity Flow WELL STATUS (Producing or shut-in) Disposal

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
<u>9-5-92</u>	<u>24</u>	<u>2"</u>	→	<u>0</u>	<u>0</u>	<u>420</u>	-----

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)
<u>Vaccum</u>	<u>0</u>	→	<u>0</u>		<u>1200 BBG</u>	-----

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)  
NONE

35. LIST OF ATTACHMENTS  
Casing Integrity Test with Sundry

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

SIGNED [Signature] TITLE Eng. DRDS WELL RESOURCE AREA DATE 9-10-92

**ACCEPTED FOR RECORD  
PETER W. CHESTER  
SEP 14 1992**

TEST WITNESSED BY  
M. Lee- John Robertson, OGD

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





McClellan Oil Corporation  
Stevens Fed.#3  
2310" FSL & 530' FEL  
Section 28 T13S R29E  
Chaves County, New Mexico

Daily Reports for Water Disposal Well

- 8-26-92 Rigged up Pride Petro. Nippled down well head. Pulled PKR loose (Uni-six) & tripped out of hole. Layed down National Outer Jet Housing & Standing Valve. S.I.O.N.
- 8-27-92 Ran SVEZ Drill on Wireline (Schlumberger) to 9785'. Trip in hole with stinger & stung into retainer. PSI csg. to 500#. Set injection rate down tbg. 2 BBLS/min. at 700 PSI. Using Halliburton mixed 50 sx Class "H" .6% Hallad 22A & 50 sx "H" Neat. PSI when cement on formation 0# and on a vacuum. Tried to hesitate squeeze but couldn't stop cement. Over displaced cmt. into formation 10BBLS, reversed out, stung back into tool & displaced 5 more BBLS into formation. S.I.O.N.
- 8-28-92 PSI backside 500# set injection rate at 2 BBLS/min. at 750#. Mixed 100 sx Class "H". 2% CaCl & 100 sx Class "H" Neat tail-in. Well started squeezing off with 120 sx cmt. in formation. Had a walking squeeze to 3800#. Reversed out excess cmt. Tripped out of hole with stinger. Picked up 6 ea. 4 3/4" Collars & tripped in hole to 6000'. S.I.F.WE.
- 8-31-92 Trip in hole. Top of cmt. = 9771'. Drilled SVEZ & drilled to FC = 9927' - Lost 3-cones off of bit. Trip out of hole. Retrieved 2' bar (steel). S.I.O.N.
- 9-1-92 Made 3 trips in hole w/magnet on swabline. Did not retrieve any cones. Trip in hole w/swab & magnet No Catch. Layed down D.C.'s. Tripped out laying down 2 3/8" EVE tbg. (Workstring) S.I.O.N.
- 9-2-92 Rigged up Schlumberger & ran in hole w/Perforating gun. Shot from 9890' to 9915'. Total of 56 holes. Picked up Uni-six coated PKR & plastic coated tbg. (2 3/8" N-80) & ran to 9750'. S.I.O.N. Could not get any acid trucks, wait till 9-3-92. Halliburton to acidize. S.I.O.N.
- 9-3-92 Ran tbg. to 9915'. Circulated hole with Packer Fluid. Spotted 1 BBL. of 15% NEFE Acid. Pull PKR to 9868'-flanged up well head. Tested csg. to 500 PSI & held for 30 mins. (No Bleed Off) Broke down formation at 800 PSI. Acidized well at 2.5-3.5 BBLS/min using 3000 gal. of 15% NEFE Acid (Lo-surf 300 & HaI-85M-Good Ball Action throughout job. Dropped a total of 30 balls ISIP=0#. Let gravity feed into well at 1.5BPM at OPSI. S.I.O.N.
- 9-4-92 Hooked well up to gravity feed from Stevens #1 but wells & tanks were too equal in Hydrostatics & would not flow enough.
- 9-5-92 Put small centrifugal off the Stevens #3 to Stevens #1. Disposal Rate .5BPM.
- 9-6-92 Tied into the H2O Dump Leg on Stevens Fed #1 to Stevens Fed #3 Tank Battery. From Stevens Fed #3 Tank Battery to the Stevens Fed #3 Disposal Well -H2O is gravity feeding at a rate of 300-400 B.P.Day.

NO FURTHER REPORTS ON COMPLETION

PROGNOSIS FOR WATER DISPOSAL  
McCLELLAN OIL CORPORATION  
STEVENS FED. #3  
August 24, 1992

Existing Perfs. 9828'-9831'  
New Perfs. 9905'-9940' 4 shots/ft.  
DV Tool at 9303'

Csg. 5  $\frac{1}{2}$  17# N-80 & J-55

DAY 1

1. Call Parker - displace tool out of hole. Rig up pulling unit - matting boards.
2. Pull tbg. loose and install B.O.P.S.
3. Pull tbg. out of hole. Unisix - to pull loose, pull up to free point turn to the right, pull 15K over string weight, pull tool out of hole.
4. Rig up Schlumberger and set S.V.E.Z. Drill at 9750' plus or minus.
5. Run stinger and sting in & set injection rate.
6. P.S.I. Backside (500') squeeze perf. off (wait 24 hrs.) before drill out.
7. Drill out cmt. and test csg. to 2000 PSI, drill out to 9950'.
8. If job holds, lay down tbg. & Star Tools
9. Perf. well at 9905' to 9940' 4 shots/ft. with Schlumberger.
10. Run PKR from Kenco (lined) to 9870', load hole w/PKR fluid.
11. Acidize zone accordingly with flanged up.

APPLICATION FOR TRANSPORTATION AND  
UTILITY SYSTEMS AND FACILITIES  
ON FEDERAL LANDS

FORM APPROVED  
OMB NO. 1004-0060  
Expires: June 30, 1995

FOR AGENCY USE ONLY

NOTE: Before completing and filing the application, the applicant should completely review this package and schedule a preapplication meeting with representatives of the agency responsible for processing the application. Each agency may have specific and unique requirements to be met in preparing and processing the application. Many times, with the help of the agency representative, the application can be completed at the preapplication meeting.

Application Number  
**NM NM-88546**  
Date filed

1. Name and address of applicant (include zip code)  Thornton Operating Corp. P.O. Box 1995 Roswell, N.M. 88202	2. Name, title, and address of authorized agent if different from Item 1 (include zip code)  Robert Thornton President	3. TELEPHONE (area code) Applicant (505) 622-3335 Authorized Agent (Same)
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4. As applicant are you? (check one) a. <input type="checkbox"/> Individual b. <input checked="" type="checkbox"/> Corporation * c. <input type="checkbox"/> Partnership/Association * d. <input type="checkbox"/> State Government/State Agency e. <input type="checkbox"/> Local Government f. <input type="checkbox"/> Federal Agency <i>* If checked, complete supplemental page</i>	5. Specify what application is for: (check one) a. <input checked="" type="checkbox"/> New authorization b. <input type="checkbox"/> Renew existing authorization No. _____ c. <input checked="" type="checkbox"/> Amend existing authorization No. <u>NM-84361</u> d. <input type="checkbox"/> Assign existing authorization No. _____ e. <input type="checkbox"/> Existing use for which no authorization has been received * f. <input type="checkbox"/> Other * <i>* If checked, provide details under Item 7</i>
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6. If an individual, or partnership are you a citizen(s) of the United States?  Yes  No N/A

7. Project description (describe in detail): (a) Type of system or facility, (e.g., canal, pipeline, road); (b) related structures and facilities; (c) physical specifications (length, width, grading, etc.); (d) term of years needed; (e) time of year of use or operation; (f) Volume or amount of product to be transported; (g) duration and timing of construction; and (h) temporary work areas needed for construction. (Attach additional sheets, if additional space is needed.)

Applicant proposes to undertake operations of the Stevens Federal No. 3 well, located 2270 FSL and 520 FEL Section 28, Twp. 13 South, Rge. 29 East, N.M.P.M., Chaves County, New Mexico, which is an existing salt water disposal well, from McClellan Oil Cooperation (the present operator) and to operate said well as a commercial salt water disposal facility. Applicant will utilize existing Right-of-Way NM-84361 issued in favor of Stevens Operating Corp. and requests any necessary amendment to that authorization. In addition, Applicant requests a road right-of way and surface use right-of-way (the latter for the existing wellhead, tanks, pad etc. situate on a 300' x 300' area around the wellhead) for the lands affected as shown on the attached map; plat for a period of five years. Applicant is unaware of the exact amount of salt water transported to the site and disposed of, but believes it to be several hundred barrels per month. This application pertains to the requested surface use.

8. Attach map covering area and show location of project proposal

9. State or local government approval:  Attached  Applied for  Not required

10. Nonreturnable application fee:  Attached  Not required

11. Does project cross international boundary or affect international waterways?  Yes  No (If "yes," indicate on map)

12. Give statement of your technical and financial capability to construct, operate, maintain, and terminate system for which authorization is being requested.

Applicant is an adequately capitalized and bonded corporation experienced in all aspects of oil and gas operations, including subsurface salt water disposal.

13a. Describe other reasonable alternative routes and modes considered.

The salt water to be disposed of by Applicant might be trucked from the various production sources to other disposal facilities.

b. Why were these alternatives not selected?

The cost of the alternatives is prohibitive and may render certain production from federal oil and gas leases uneconomic.

c. Give explanation as to why it is necessary to cross Federal lands.

Since roads and pad, etc. already exist, construction of new facilities on non-federal lands would be wasteful and uneconomic.

14. List authorizations and pending applications filed for similar projects which may provide information to the authorizing agency. (Specify number, date, code, or name.)

APD, etc. on file in connection with USA Lease NM-2824 and plat, etc. filed in connection with ROW NM-84361

15. Provide statement of need for project, including the economic feasibility and items such as: (a) cost of proposal (construction, operation, and maintenance); (b) estimated cost of next best alternative; and (c) expected public benefits.

No new expenditure of monies will be involved in utilizing the existing facilities, which would cost several thousand dollars to duplicate. The public will benefit from non-duplicatous surface use.

16. Describe probable effects on the population in the area, including the social and economic aspects, and the rural lifestyles.

No social effect will be occasioned by Applicant's operations, but moderate employment opportunities will result therefrom.

17. Describe likely environmental effects that the proposed project will have on: (a) air quality; (b) visual impact; (c) surface and ground water quality and quantity; (d) the control or structural change on any stream or other body of water; (e) existing noise levels; and (f) the surface of the land, including vegetation, permafrost, soil, and soil stability.

None in addition to present use.

18. Describe the probable effects that the proposed project will have on (a) populations of fish, plant, wildlife, and marine life, including threatened and endangered species; and (b) marine mammals, including hunting, capturing, collecting, or killing these animals.

None in addition to present use.

19. State whether any hazardous substance, as defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. 9601 (14), or any hazardous or solid waste, as defined in the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. 6903 (5), (27), will be used in the construction of, or at any time transported within, the right-of-way.

No

20. Name all the Department(s)/Agency(ies) where this application is being filed.

Bureau of Land Management

I HEREBY CERTIFY, That I am of legal age and authorized to do business in the State and that I have personally examined the information contained in the application and believe that the information submitted is correct to the best of my knowledge.

Signature of Applicant THORNTON OPERATING CORPORATION Date Feb-12, 1993  
by: Robert L Thornton, President

Title 18, U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

SUPPLEMENTAL

NOTE: The responsible agency(ies) will provide additional instructions.	CHECK APPROPRIATE BLOCK	
I - PRIVATE CORPORATIONS	ATTACHED	FILED *
a. Articles of Incorporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. Corporation Bylaws	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. A certification from the State showing the corporation is in good standing and is entitled to operate within the State.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. Copy of resolution authorizing filing	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. The name and address of each shareholder owning 3 percent or more of the shares, together with the number and percentage of any class of voting shares of the entity which such shareholder is authorized to vote and the name and address of each affiliate of the entity together with, in the case of an affiliate controlled by the entity, the number of shares and the percentage of any class of voting stock of that affiliate owned, directly or indirectly, by that entity, and in the case of an affiliate which controls that entity, the number of shares and the percentage of any class of voting stock of that entity owned, directly or indirectly, by the affiliate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. If application is for an oil or gas pipeline, describe any related right-of-way or temporary use permit applications, and identify previous applications.	<input checked="" type="checkbox"/> *	<input type="checkbox"/>
g. If application is for an oil and gas pipeline, identify all Federal lands by agency impacted by proposal.	<input type="checkbox"/> N/A	<input type="checkbox"/>

\*See Item 7 of Application

II - PUBLIC CORPORATIONS

a. Copy of law forming corporation	<input type="checkbox"/>	<input type="checkbox"/>
b. Proof of organization	<input type="checkbox"/>	<input type="checkbox"/>
c. Copy of Bylaws	<input type="checkbox"/>	<input type="checkbox"/>
d. Copy of resolution authorizing filing	<input type="checkbox"/>	<input type="checkbox"/>
e. If application is for an oil or gas pipeline, provide information required by Item "I-f" and "I-g" above.	<input type="checkbox"/>	<input type="checkbox"/>

III - PARTNERSHIP OR OTHER UNINCORPORATED ENTITY

a. Articles of association, if anv	<input type="checkbox"/>	<input type="checkbox"/>
b. If one partner is authorized to sign, resolution authorizing action is	<input type="checkbox"/>	<input type="checkbox"/>
c. Name and address of each participant, partner, association, or other	<input type="checkbox"/>	<input type="checkbox"/>
d. If application is for an oil or gas pipeline, provide information required by Item "I-f" and "I-g" above.	<input type="checkbox"/>	<input type="checkbox"/>

\* If the required information is already filed with the agency processing this application and is current, check block entitled "Filed." Provide the file identification information (e.g., number, date, code, name). If not on file or current, attach the requested information.

NOTICE

The Privacy Act of 1974 provides that you be furnished the following information in connection with information required by this application for an authorization.

AUTHORITY: 16 U.S.C. 310; 5 U.S.C. 301.

PRINCIPAL PURPOSE: The information is to be used to process the application.

ROUTINE USES: (1) The processing of the applicant's request for an authorization. (2) Documentation for public information. (3) Transfer to appropriate Federal agencies when concurrence is required prior to granting a right in public lands or resources. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION: Disclosure of the information is voluntary. If all the information is not provided, the application may be rejected.

DATA COLLECTION STATEMENT

The Federal agencies collect this information from applicants requesting right-of-way, permit, license, lease, or certification for the use of Federal lands.

The Federal agencies use this information to evaluate the applicant's proposal.

The public is obligated to submit this form if they wish to obtain permission to use Federal lands.

A reproducible copy of this form may be obtained from the Bureau of Land Management, Division of Lands, 1849 C Street, N.W., Mail Stop-Rm. 301, 1620 L, Washington, D.C. 20240.

APPLICATION FOR TRANSPORTATION AND UTILITY SYSTEMS  
AND FACILITIES ON FEDERAL LANDS

GENERAL INFORMATION  
ALASKA NATIONAL INTEREST LANDS

This application will be used when applying for a right-of-way, permit, license, lease, or certificate for the use of Federal lands which lie within conservation system units and National Recreation or Conservation Areas as defined in the Alaska National Interest Lands Conservation Act. Conservation system units include the National Park System, National Wildlife Refuge System, National Wild and Scenic Rivers System, National Trails System, National Wilderness Preservation System, and National Forest Monuments.

Transportation and utility systems and facility uses for which the application may be used are:

1. Canals, ditches, flumes, laterals, pipes, pipelines, tunnels, and other systems for the transportation of water.
2. Pipelines and other systems for the transportation of liquids other than water, including oil, natural gas, synthetic liquid and gaseous fuels, and any refined product produced therefrom.
3. Pipelines, slurry and emulsion systems, and conveyor belts for transportation of solid materials.
4. Systems for the transmission and distribution of electric energy.
5. Systems for transmission or reception of radio, television, telephone, telegraph, and other electronic signals, and other means of communications.
6. Improved rights-of-way for snow machines, air cushion vehicles, and all-terrain vehicles.
7. Roads, highways, railroads, tunnels, tramways, airports, landing strips, docks, and other systems of general transportation.

This application *must* be filed simultaneously with each Federal department or agency requiring authorization to establish and operate your proposal.

In Alaska, the following agencies will help the applicant file an application and identify the other agencies the applicant should contact and possibly file with:

Department of Agriculture  
Regional Forester, Forest Service (USFS)  
Federal Office Building, P.O. Box 21628  
Juneau, Alaska 99802-1628  
Telephone: (907) 586-7847 (or a local Forest Service Office)

Department of the Interior  
Bureau of Indian Affairs (BLA)  
Juneau Area Office  
9109 Mendenhall Mall Road, Suite 5, Federal Building Annex  
Juneau, Alaska 99802  
Telephone: (907) 586-7177

Bureau of Land Management (BLM)  
222 West 7th Ave., Box 13  
Anchorage, Alaska 99513-7599  
Telephone: (907) 271-5477 (or a local BLM Office)

National Park Service (NPS)  
Alaska Regional Office, 2525 Gambell St., Rm. 107  
Anchorage, Alaska 99503-2892  
Telephone: (907) 257-2585

U.S. Fish & Wildlife Service (FWS)  
Office of the Regional Director  
1011 East Tudor Road  
Anchorage, Alaska 99503  
Telephone: (907) 786-3440

Note-Filings with any Interior agency may be filed with any office noted above or with the: Office of the Secretary of the Interior, Regional Environmental Officer, Box 120, 1675 C Street, Anchorage, Alaska 99513.

Department of Transportation  
Federal Aviation Administration  
Alaska Region AAL-4, 222 West 7th Ave., Box 14  
Anchorage, Alaska 99513-7587  
Telephone: (907) 271-5285

NOTE - The Department of Transportation has established the above central filing point for agencies within that Department. Affected agencies are: Federal Aviation Administration (FAA), Coast Guard (USCG), Federal Highway Administration (FHWA), Federal Railroad Administration (FRA).

OTHER THAN ALASKA NATIONAL INTEREST LANDS

Use of this form is not limited to National Interest Conservation Lands of Alaska.

Individual departments/agencies may authorize the use of this form by applicants for transportation and utility systems and facilities on other Federal lands outside those areas described above.

For proposals located outside of Alaska, applications will be filed at the local agency office or at a location specified by the responsible Federal agency.

SPECIFIC INSTRUCTIONS  
(Items not listed are self-explanatory)

- Item
- 7 Attach preliminary site and facility construction plans. The responsible agency will provide instructions whenever specific plans are required.
  - 8 Generally, the map *must* show the section(s), township(s), and range(s) within which the project is to be located. Show the proposed location of the project on the map as accurately as possible. Some agencies require detailed survey maps. The responsible agency will provide additional instructions.
  - 9, 10, and 12 - The responsible agency will provide additional instructions.
  - 13 Providing information on alternate routes and modes in as much detail as possible, discussing why certain routes or modes were rejected and why it is necessary to cross Federal lands will assist the agency(ies) in processing your application and reaching a final decision. Include only reasonable alternate routes and modes as related to current technology and economics.
  - 14 The responsible agency will provide instructions.
  - 15 Generally, a simple statement of the purpose of the proposal will be sufficient. However, major proposals located in critical or sensitive areas may require a full analysis with additional specific information. The responsible agency will provide additional instructions.
  - 16 through 19 - Providing this information in as much detail as possible will assist the Federal agency(ies) in processing the application and reaching a decision. When completing these items, you should use sound judgment in furnishing relevant information. For example, if the project is not near a stream or other body of water, *do not* address this subject. The responsible agency will provide additional instructions.

Application *must* be signed by the applicant or applicant's authorized representative.

Public reporting burden for this form is estimated to vary from 30 minutes to 25 hours per response, with an average of 2 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 18 and C Streets, N.W., Washington, D.C. 20240, and the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

If additional space is needed to complete any item, please put the information on a separate sheet of paper and identify it as "Continuation of Item".

R-O-W NMNM-88546

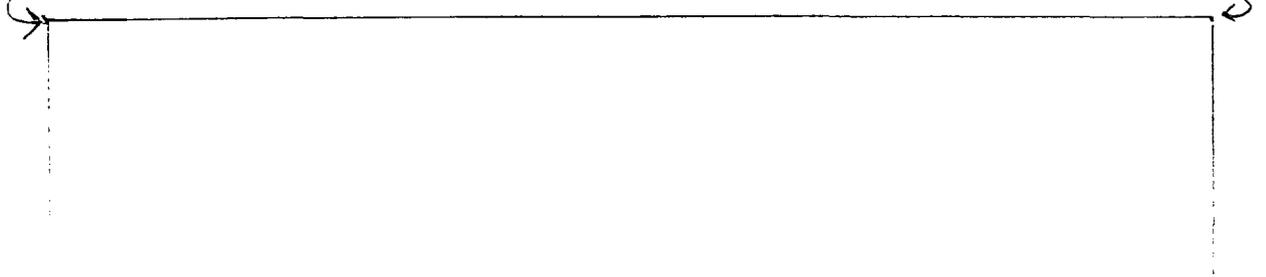
Plat of Surface Use Area

T 13. S : R 29 E : N M P M

Section 28

2420 FSL  
670 FEL

2420 FSL  
370 FEL

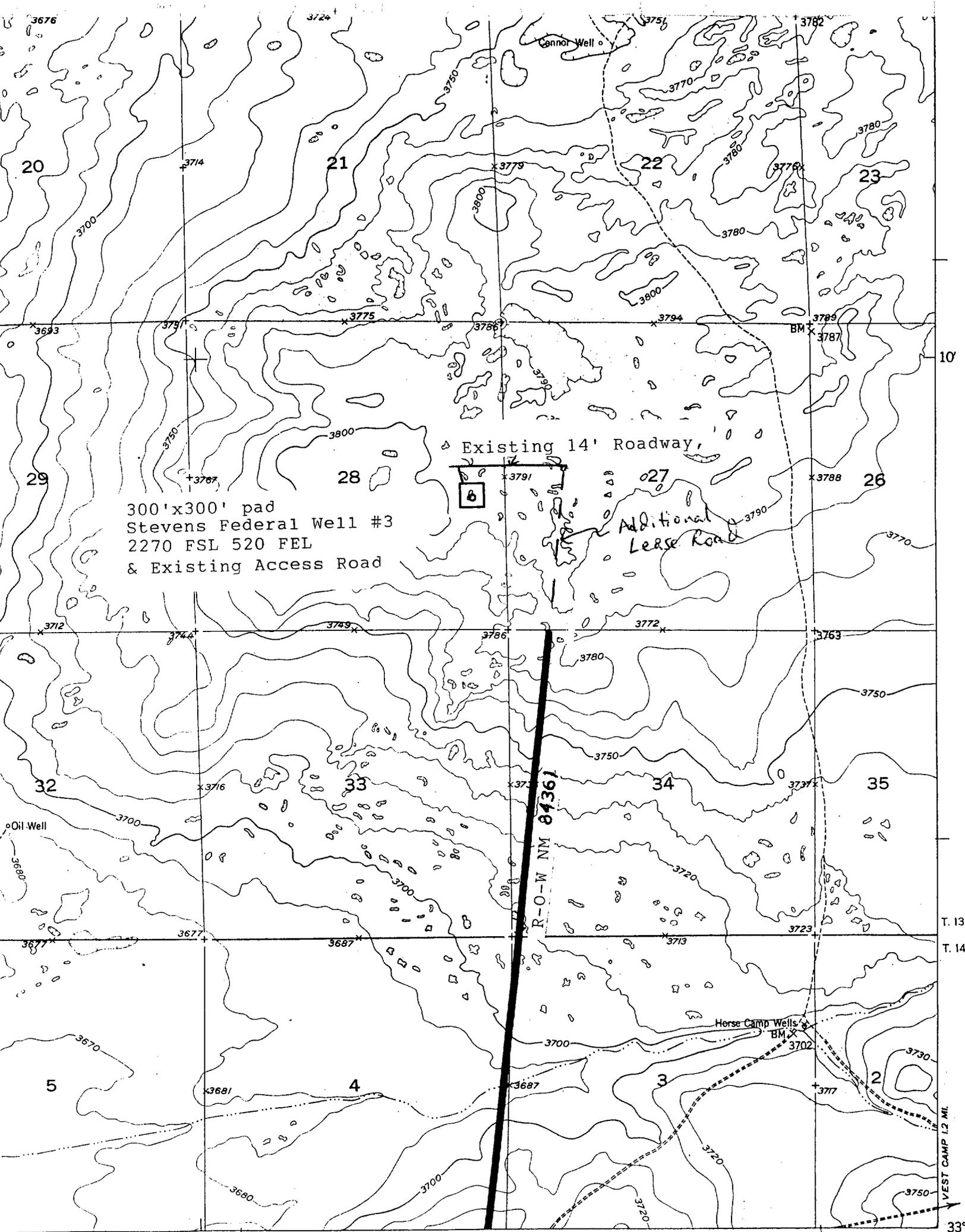


Well site  
2270 FSL  
520 FEL

2120 FSL  
670 FEL

2120 FSL  
370 FEL





300'x300' pad  
 Stevens Federal Well #3  
 2270 FSL 520 FEL  
 & Existing Access Road

Existing 14' Roadway

Additional  
 Lease Road

R-O-W NM 84361

Horse Camp Wells  
 BM X

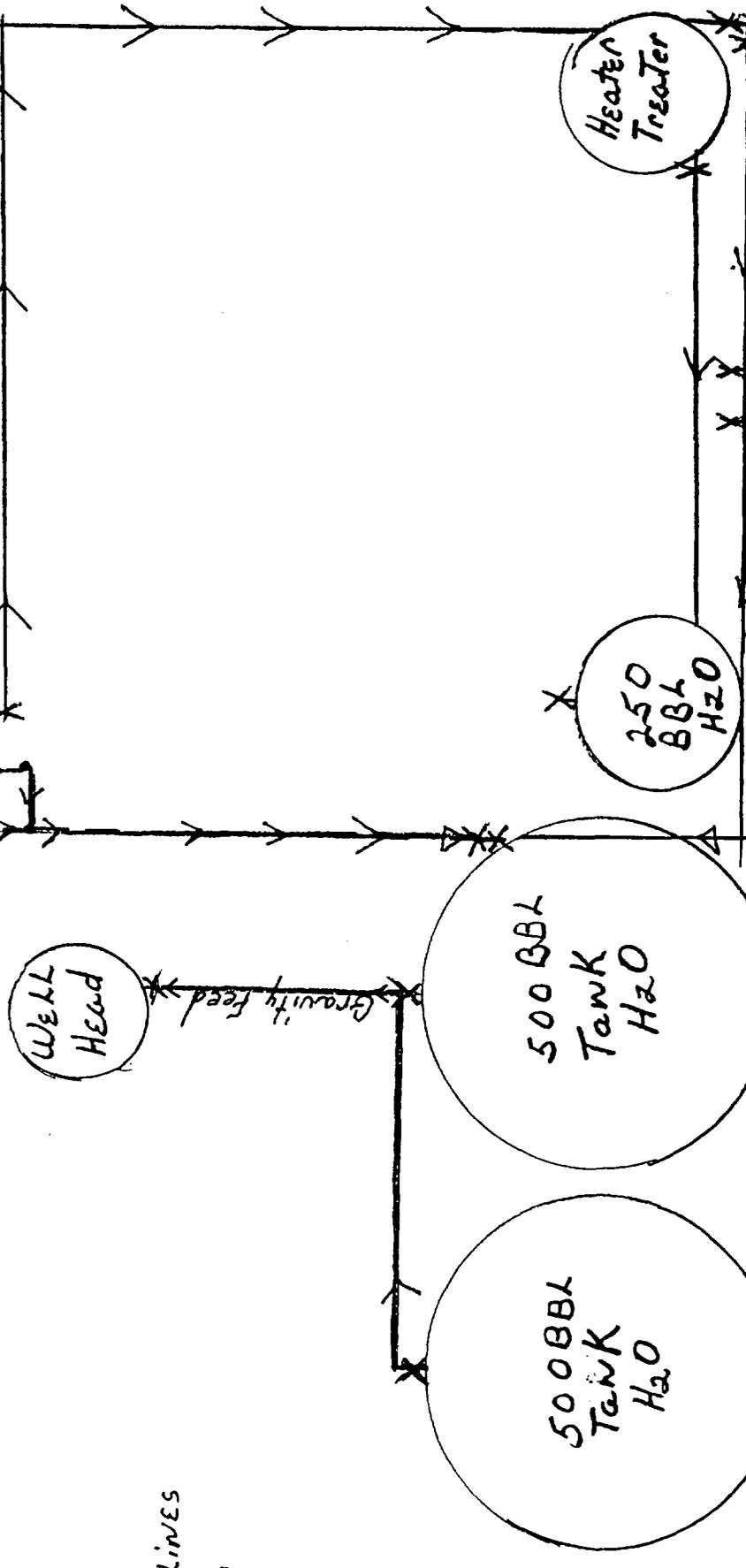
McClellan Oil Corp.

Stevens Fed. #3  
Water Disposal System  
Sec. 28-T13S-R-29E  
2270' FSL + 520' FEL  
NM-2824  
Charles Co., N.M.

Board

Underground 3" Poly + 2 3/8" EUE Tbg

To Stevens Fed. #1 H<sub>2</sub>O Tanks  
Stevens Fed. #1



- Underground Water Lines
- >>> Direction of Flow
- X Valves
- Δ Checks
- H<sub>2</sub>O Lines

W