

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766



CTB-514
COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

February 26, 2001

Texaco Exploration & Production Inc.
P. O. Box 3109
Midland, Texas 79702

Attention: Mr. Jason Wacker

Re Surface Commingling Application
State Lease No. E-5229-7
Remuda Basin "31" State Well No. 3
Unit F, Section 31-23S-30E
Remuda Basin State Well No. 5
Unit D, Section 19-23S-30E
Nash Draw Delaware Pool
Eddy County, New Mexico

Dear Mr. Wacker:

We are in receipt of your application of February 19, 2001. Your application requests our approval to include production from the Remuda Basin 31 State # 3 and Remuda Basin State #5 and any other new drill wells in the NW/4NW/4, S/2NW/4 and SW/4 of Section 19, and NW/4, E/2SW/4 of Section 31 into the Remuda Basin Central Tank Battery located in the SE/4NW/4 of Section 19-23S-30E.

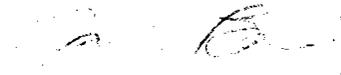
It is our understanding the production from all wells is from the Nash Draw Delaware Pool. Production will be allocated to each lease by separately metering production prior to commingling. Production from the W/2 of Section 30 and the NW/4 and E/2SW/4 of Section 31 of the Remuda Basin State Lease shall be allocated by well tests at a satellite testing facility. Production from the NW/4NW/4, S/2NW/4, and SW/4 of Section 19 of the Remuda Basin State lease shall be allocated by well tests at a central tank battery testing facility. The commingled production will be stored at the Remuda Basin Central Tank Battery located in the SE/4NW/4 of Section 19-23S-30E. The satellite testing facility is located in the NE/4SW/4 of Section 30-23S-30E.

Please contact Ms. Debbie Padilla of our Right of Way Division at 505/827-5729 regarding a possible right-of-way through the SE4NW/4 of Section 19-23S-30E.

Please submit a \$30.00 filing fee. If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm

pc: Reader File,
OCD Attention: ~~David Carrach~~, Ben Stone,



Texaco Exploration and Production Inc.
P.O. Box 100000
Dallas, Texas 75210-0000

~~AMENDED~~ PLC 3/14/01
CTD-514 105430521

February 19, 2001

NMOCD
PO Box 6429
Santa Fe, NM 87504

Attention: Mr. David Catanach

Re: Notification of Intent to Commingle Production

Texaco Exploration and Production, Inc. respectfully requests approval to amend NMOCD Commingling Order PLC-123 to include production from the Remuda Basin 31 State #3 (1980' FNL & 2310' FWL, F-31-23S-30E) and Remuda Basin State #5 (330' FNL & 990' FWL, D-19-23S-30E), and any other new drill wells in the NW/4 NW/4, S/2 NW/4, and SW/4 of Section 19, and NW/4 and E/2 SW/4 of Section 31 into the Remuda Basin Central Tank Battery (O-19-23S-30E). The wells are completed in and produce from the Nash Draw Delaware Pool (47545). API gravity of the oil is 36 @ 60 degrees. Texaco Exploration & Production, Inc., who has a 50% gross working interest in these two wells. operates the lease.

Current well tests are:

30-015-31402
30-015-28436

	Oil	Water	Gas
Remuda Basin 31 State #3	0	191	30
Remuda Basin State #5	60	212	42

Wells producing from the Nash Draw Brush Canyon (47545) and Forty Niner Ridge Delaware (96477) Pools have been consolidated into the Nash Draw Delaware Pool (47545) as per NMOCD Order R-11534, effective February 1, 2001. On previous copies of the Commingling Order, the state lease number listed for the Remuda Basin State Lease has been B-1306. B-1306 is not the correct lease number for the Remuda Basin State Lease as evidenced by the description of state oil and gas lease E-5229, attached. I have also enclosed a copy of the 1st Amendment to Commingling Order PLC-123 and a plat showing the location of the Remuda Basin Central Tank Battery, Remuda Basin State Satellite Testing Facility, and the producing wells on the lease.

Texaco requests that Commingling Order PLC-123 be amended for a second time as follows in bold. Texaco was granted temporary approval to surface commingle these wells by the NMOCD, expiring March 8, 2001. If you have any questions or concerns, please feel free to contact me at 915-688-4862.

Sincerely,

Jason Wacker
Texaco
Production Engineer

Cc: Bureau of Land Management, NM State Land Office, & Bass Enterprises Production Co.

Texaco Exploration & Production, Inc.
PO Box 3109
Midland, Texas 79702

Attention: Mr. Jason Wacker

The above named company is hereby authorized to commingle ~~Nash Draw Brush Canyon (47545) and Forty Niner Ridge Delaware (96477) Pool~~ **Nash Draw Delaware Pool (47545)** production from the following leases:

Lease: Remuda Basin '19' Fee Lease
Description: NE/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM;

Lease: Remuda Basin State Lease (~~B-1306~~ **E-5229**)
Description: NW/4 NW/4, S/2 NW/4, and SW/4 of Section 19, Township 23 South, Range 30 East, NMPM; W/2 of Section 30, Township 23 South, Range 30 East, NMPM; **NW/4 and E/2 SW/4 of Section 31, Township 23 South, Range 30 East, NMPM, and;**

Lease: Remuda Basin '19' Federal Lease (NM-17056)
Description: NE/4 of Section 19, Township 23 South, Rang 30 East, NMPM:

all in Eddy County, New Mexico.

Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling. Production from the W/2 of Section 30 **and the NW/4 and E/2 SW/4 of Section 31** of the Remuda Basin State Lease shall be allocated by well test at a satellite testing facility. **Production from the NW/4 NW/4, S/2 NW/4, and SW/4 of Section 19 of the Remuda Basin State Lease shall be allocated by well test at a central tank battery testing facility.**

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: The commingled production shall be stored at the Remuda Basin Central Tank Battery located in the ~~SW/4 SE/4 (Unit O)~~ **SE/4 NW/4 (Unit F)** of Section 19, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico. The satellite testing facility is located NE/4 SW/4 (Unit K) of Section 30 Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.

Further: The operator shall notify the Artesia District Office of the Division upon implementation of the commingling process.

PROVIDING: Like Approval by the State Land Office and by the Bureau of Land Management is also required.



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

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

**COMMINGLING ORDER PLC-123
1ST Amendment**

Texaco Exploration & Production, Inc.
P.O. Box 730
Hobbs, New Mexico 88241-0730

Attention: Mr. Bobby J. Hill

The above-named company is hereby authorized to commingle Nash Draw Brushy Canyon (47545) and Forty Niner Ridge Delaware (96477) Pool production from the following leases:

Lease: Remuda Basin '19' Fee Lease
Description: NE/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM;

Lease: Remuda Basin State Lease (B-1306)
Description: NW/4 NW/4, S/2 NW/4 and SW/4 of Section 19, Township 23 South, Range 30 East, NMPM; W/2 of Section 30, Township 23 South, Range 30 East, NMPM, and;

Lease: Remuda Basin '19' Federal Lease (NM-17056)
Description: NE/4 of Section 19, Township 23 South, Range 30 East, NMPM;

all in Eddy County, New Mexico.

Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling. **Production from the W/2 of Section 30 of the Remuda Basin State Lease shall be allocated by well test at a satellite testing facility.**

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: The commingled production shall be stored at the Remuda Basin Central Tank Battery located in the SW/4 SE/4 (Unit O) of Section 19, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico. **The satellite testing facility is located NE/4 SW/4 (Unit K) of Section 30, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.**

FURTHER: The operator shall notify the Artesia District Office of the Division upon implementation of the commingling process.

PROVIDING: Like approval by the State Land Office and by the Bureau of Land Management is also required.

*Amended Division Order No. PLC-123
Texaco Exploration and Production, Inc.
May 1, 2000
Page 2*

DONE at Santa Fe, New Mexico, on this 1st day of May, 2000.

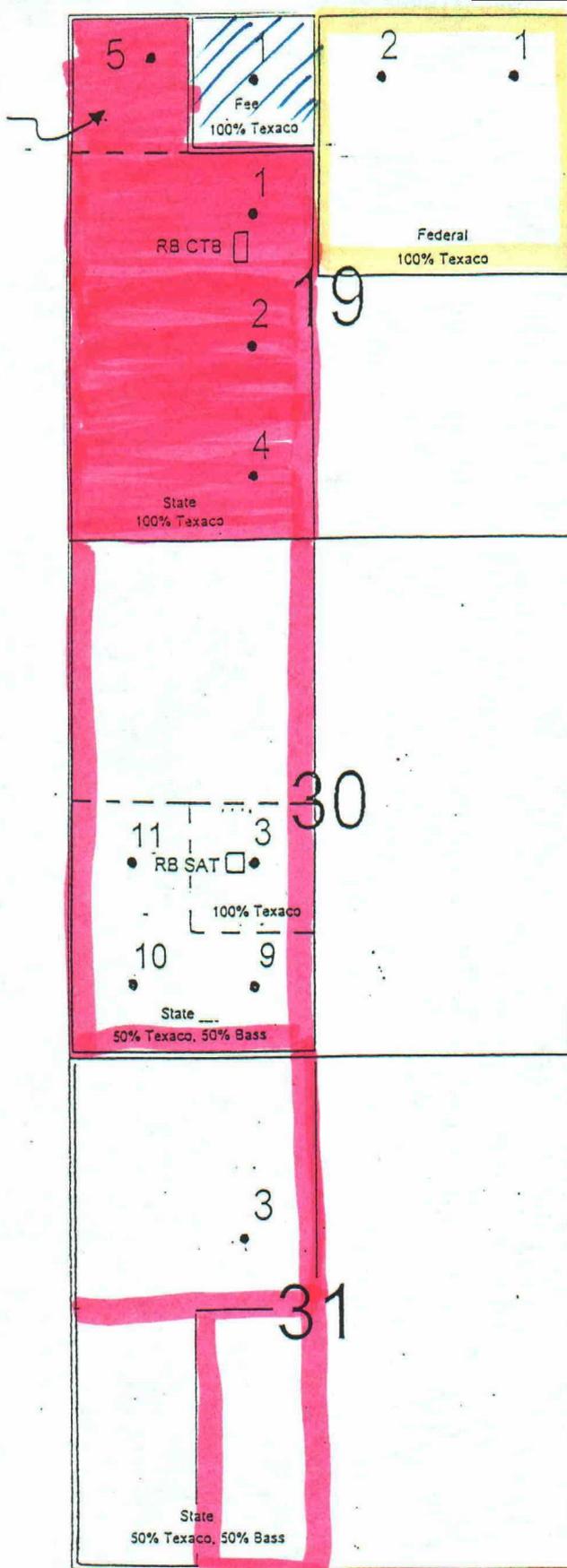


LORI WROTENBERY,
Division Director

LW/MWA/kv

cc: Oil Conservation Division - Artesia
State Land Office - Oil & Gas Division
Bureau of Land Management - Carlsbad

State
50% Texaco, 50% Bass



-  Tank Battery or satellite
-  Remuda Basin State
-  Remuda Basin '19' Fee
-  Remuda Basin '19' Federal

T-23-S, R-30-E
Eddy County, NM

Texaco Expl. & Prod. Inc.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 11, 2000

To: Bargo Petroleum, Bass Enterprises, BK Exploration, Maralo, LLC,
, Strata Production Company and Texaco Exploration & Production Inc.

Re: **Extending the Vertical Limits of the Nash Draw; Brushy Canyon Oil Pool
and renaming said pool as the Nash Draw; Delaware Oil Pool.
Abolishment of the Nash Draw; Cherry Canyon Oil Pool and the Forty-Niner
Ridge; Delaware, Southwest Oil Pool**

Dear Sirs/Madams,

In reference to the above and my enclosed fax, I am offering you the opportunity to review
in part, the nomenclature to be advertised on December 19th and set for hearing on January 11th
2001.

Please feel free to give me a call if you have any questions related to this matter.

Yours truly,

Bryan G. Arrant
PES-OCD District II

**OIL CONSERVATION DIVISION
ARTESIA, NEW MEXICO
DISTRICT II
NOMENCLATURE ADVERTISEMENT**

In the matter of the application of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department upon its own motion for an order for the creation, discovery allowable assignment and extension of certain existing pools in Eddy County, New Mexico, and giving notice to all persons and parties interested in the subject matter thereof, to show cause why such creation, discovery allowable assignment, and extensions and or deletions should not be made.

- A) Extend the vertical limits of the Nash Draw; Brushy Canyon Oil Pool in Eddy County, New Mexico to include all the Delaware Mountain Group from the top of the Lamar formation to the base of the Brushy Canyon formation. Rename said pool to the Nash Draw; Delaware Oil Pool. Current pool boundaries of the Nash Draw; Brushy Canyon Oil Pool include:

TOWNSHIP 23 SOUTH RANGE 29 EAST, NMPM

S/2 Sec. 12; Sec. 13; E/2 Sec. 14; NE/4 Sec. 24.

TOWNSHIP 23 SOUTH RANGE 30 EAST, NMPM

NW/4 Sec. 18; W/2, NE/4 Sec. 19; NW/4 Sec. 20; Sec. 30
E/2 Sec. 31; NW/4 Sec. 32

- B) Abolish the Forty-niner Ridge, Delaware, Southwest Oil Pool in Eddy County, New Mexico by deleting the following acreage and place in Nash Draw; Delaware Oil Pool.

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

W/2, Sec. 30.

- C) Abolish the Nash Draw; Cherry Canyon Oil Pool in Eddy County, New Mexico by deleting the following acreage and place in the Nash Draw; Delaware Oil Pool.

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

E/2 Sec. 13

accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*

CASE 12475: Continued from November 16, 2000, Examiner Hearing.

Application of the Oil Conservation Division for an order requiring COM-TEK Resources, Inc./North Lea Joint Venture to properly plug four wells, Lea County, New Mexico. Applicant seeks an order requiring COM-TEK Resources, Inc./North Lea Joint Venture to appear and show cause why five (5) wells located in Sections 17 and 12, Township 9 South, Ranges 34 and 35 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*

CASE 12575: In the matter of the hearing called by the Oil Conservation Division for an order abolishing, extending vertical and horizontal limits, and redesignating certain pools in Chaves and Eddy Counties, New Mexico.

- a. EXTEND the Baldrige Canyon-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 31: NE/4

- b. EXTEND the Big Sinks-Wolfcamp Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM

Section 5: N/2

- c. EXTEND the West Burton Flat-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 5: Lots 1 through 8

Section 6: Lots 1, 2, 7 and 8

- d. EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 2: Lots 1 through 8

- e. EXTEND the Cedar Lake-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: NW/4

- f. EXTEND the Southeast Crow Flats-Morrow Gas Pool in Eddy County, New Mexico to include:

Order # R-11534
Approved 2/8/2001
Effective 2/1/2001

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 3: N/2

- g. EXTEND the Diamond Mound-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 5: SW/4

Section 8: W/2

- h. EXTEND the East Eagle Creek-Atoka-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 6: W/2

- i. EXTEND the Empire-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 19: NE/4

- j. EXTEND the East Empire-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 17: SE/4

- k. ABOLISH the Southwest Forty Niner Ridge-Delaware Pool in Eddy County, New Mexico consisting of the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

Section 30: W/2

- l. EXTEND the Frontier Hills-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 10: W/2

- m. EXTEND the Hoag Tank-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 10: SE/4

Section 11: SW/4

Section 15: N/2

- n. EXTEND the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3: All

- o. EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 10: S/2

Section 26: E/2

- p. EXTEND the Lost Tank-Delaware Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 31 EAST, NMPM

Section 35: S/2

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Section 2: NW/4

- q. EXTEND the East Millman-Yates-Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 15: NW/4

Section 16: NE/4

- r. EXTEND the Mosley Canyon-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM

Section 7: S/2

- s. EXTEND the vertical limits of the Nash Draw-Brushy Canyon Pool in Eddy County, New Mexico to include all of the Delaware Mountain Group from the top of the Lamar formation to the base of the Brushy Canyon formation and redesignate the pool as the Nash Draw-Delaware Pool.

- t. ABOLISH the Nash Draw-Cherry Canyon Pool in Eddy County, New Mexico consisting of the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 13: NE/4

- u. EXTEND the West Parkway-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 20: N/2

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 (D/AR) 75
 Murchison O&G
 (Phillips) 0556857
 Murchison O&G
 Bot Hole
 Mesa
 Nash Ut

Southwest Roy.
 Exxon-Fed.
 TD 7436
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 Texaco 1/2
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 E-5229
 Ramuda Basin-Fed
 Edd. Ld. Co. Mesa Pet., 1/2
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 Maralo GR-St.
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Getty
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 Texaco Remuda Basin-Fed.
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 El Paso Exp
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Texaco
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 Texaco Remuda Basin-St. Del. Disc.
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 "Remuda Basin-St."
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 Maralo (Lowe & Partners)
 93205
 (Exxon et al)
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 81622 F250
 4
 F277
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 "Gold Rush-Fed."
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 F291

Maralo
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 92180
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 Santa Fe Ener. Charger-Fed.
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 TD 7450

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FORTY-NINER RIDGE

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 92180
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 "Gold Rush-Fed."
 145
 144
 P287
 Boss Ent. (Conoco)
 HBU
 02864
 "Poker Lk UI"
 U.S.
 146

137
 P160
 Boss Ent. HBP
 E-5229
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 P179
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 "Poker Lake Unit"
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Bettis Boyle & Stoval
 Poker
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40.72
 Rich. Oils HBU
 07686
 40.58

Richardson Oils HBU
 068545

39.98 4 | 39.96 3 | 39.92 2 | 39.90 1 | 39.90
 S.R. Bass & Thru Line Inc., et al
 5-1-61 (2) 068430

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 10th day of May, A. D. 1921, made and entered into by and between the STATE OF NEW MEXICO, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor," and MALCO REFINING, INC.

Box 660, Roswell, New Mexico

party of the second part, hereinafter called the "Lessee," whether one or more,

WITNESSETH:

WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the Commissioner of Public Lands:

THEREFORE, for and in consideration of the premises as well as the sum of SIXTY-ONE THOUSAND DOLLARS (\$61,000.00) Dollars, the

same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. 6-52750

and of the further sum of \$5.00 filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the term of this lease, together with rights of way, easements and servitudes for pipe lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situate in the Count. Y of Eddy State of New Mexico, and more particularly described as follows:

Table with columns: LINE, Institution, Sec., Twp., Range, SUBDIVISION (COLUMN 1-4), ACRES. Rows 1-20 listing land parcels with acreage values ranging from 40.00 to 199.94.

E-3229 continued

Line	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
21	Pen.	22	238	30E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
22	G.S.	28	238	30E	NE $\frac{1}{4}$ NE $\frac{1}{4}$				40.00
23	G.S.	30	238	30E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	Lot 1 40.19	Lot 2 40.29	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.48
24	G.S.	30	238	30E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	Lot 3 40.39	Lot 4 40.49	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.88
25	G.S.	31	238	30E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	Lot 1 40.58	Lot 2 40.68	SE $\frac{1}{4}$ NW $\frac{1}{4}$	161.23
26	G.S.	31	238	30E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	Lot 3 40.71	Lot 4 40.78	SE $\frac{1}{4}$ SW $\frac{1}{4}$	161.49
27	G.S.	32	238	30E	NE $\frac{1}{4}$ NE $\frac{1}{4}$	NW $\frac{1}{4}$ NE $\frac{1}{4}$	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.00
28	G.S.	32	238	30E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.00
29	G.S.	32	238	30E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.00
30	G.S.	32	238	30E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
31	G.S.	36	238	30E	NE $\frac{1}{4}$ NE $\frac{1}{4}$	NW $\frac{1}{4}$ NE $\frac{1}{4}$	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.00
32	G.S.	36	238	30E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.00
33	G.S.	36	238	30E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.00
34	G.S.	36	238	30E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
35	G.S.	2	248	30E	Lot 1 39.96	Lot 2 40.18	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.66
36	G.S.	2	248	30E	Lot 3 40.23	Lot 4 40.37	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.60
37	G.S.	2	248	30E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.00
38	G.S.	2	248	30E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00 3,226.10
39									
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41									
42					<p>"This lease will be subject to special rules and regulations to be adopted by the Commissioner of Public Lands and the Oil Conservation Commission governing the drilling for oil and gas within the designated known Potosi Area."</p>				
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4146

said lands having been awarded to lessee and designated as tract No. 0-2 at a public sale held by the Commissioner of Public Lands on May 10th, 1951. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five (5) years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casinghead gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from sale of such gas in the field, or

(b) five cents (\$.05) per thousand cubic feet (m.c.f.), the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the Commissioner of Public Lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement;

Provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor acting by its Commissioner of Public Lands, may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof in the field) if the Commissioner of Public Lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of 25¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the Office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operations shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to be the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on the premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the postoffice address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

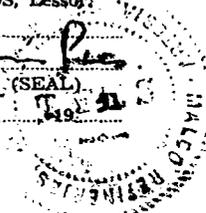
14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease in accordance with the provisions hereof and if at the expiration of the secondary term provided herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities or either of them is produced from said land; provided, however, such operations extending beyond the secondary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO
By: *[Signature]*
COMMISSIONER OF PUBLIC LANDS, Lessor:
MALCO REFINERIES, INC.
[Signature]
Lessee.



Distributed this the 22nd day of May, 1949.

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss:
COUNTY OF _____

On this the _____ day of _____, 19____, personally appeared before me _____ to me known to be the person who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as free act and deed.

In WITNESS WHEREOF; I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF _____ ss:
COUNTY OF _____

On this the _____ day of _____, 19____, personally appeared before me _____ to me known to be the person who executed the foregoing instrument in behalf of _____ and acknowledged that he executed the same as the free act and deed of said _____

In WITNESS WHEREOF; I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(CORPORATE ACKNOWLEDGMENT ON BACK)



Texaco Exploration and Production Inc.
Permian Business Unit

500 North Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

Bass Enterprises Production Co.
Attn: Mr. J. Wayne Bailey
201 Main St.
Fort Worth, Texas 76102-3131

January 19, 2001

State of New Mexico Lease E-5229
Eddy County, New Mexico
Request for Temporary Approval of Surface Commingling

Gentlemen,

Texaco has requested temporary approval to surface commingle the two new wells in its Remuda Basin field, for a period not to exceed 45 days, so that data required to amend NMOCD Commingling Order PLC-123 may be gathered in a prudent manner. A formal amendment to the Commingling Order will be filed as soon as the required production data is gathered.

Texaco Exploration and Production, Inc. gives notice of intent to amend NMOCD Commingling Order PLC-123 to include Remuda Basin 31 State #3 (1980' FNL & 2310' FWL, F-31-23S-30E) and Remuda Basin State #5 (330' FNL & 990' FWL, D-19-23S-30E), and any other new drill wells in W/2 NW/4 and W/2 SW/4 of Section 19, and NW/4 and E/2 SW/4 of Section 31 into the Remuda Basin Central Tank Battery (O-19-23S-30E). API gravity of the oil is expected to be 36 @ 60 degrees. Gas production should be sweet with a specific gravity of 0.76. Texaco is the operator and 50% gross working interest owner in the two wells. Bass Enterprises Production Co. owns the remaining 50% gross working interest.

Production from Remuda Basin 31 State #3 will be allocated to the well based on well tests performed at the Remuda Basin State Satellite. Produced fluid will be metered at the satellite, then transferred to the Remuda Basin Central Tank Battery where it will be metered again for allocation to the Remuda Basin State Lease (E-5229). Produced oil will be sold by truck to Navajo and water will be disposed of in accordance to our operating agreement. Gas production from the well will be sold to Duke Energy at the Remuda Basin State Satellite.



Texaco Exploration and Production Inc.
Permian Business Unit

500 North Lorraine
Midland TX 79701

P O Box 3109
Midland TX 79702

Production from Remuda Basin State #5 will be allocated to the well based on well tests performed at the Remuda Basin Central Tank Battery. Produced fluid will then be metered for allocation to the Remuda Basin State Lease (E-5229). Produced oil will be sold by truck to Navajo and water will be disposed of in accordance to our operating agreement. Gas production from the well will be sold to Duke Energy at the Remuda Basin Central Tank Battery.

If you have any questions or concerns regarding this matter, please feel free to contact me at 915-688-4862. Thank you.

Jason Wacker
Production Engineer

Bass Representative's Approval of Surface Commingling:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

January 22, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Texaco Exploration & Production Inc.
P.O. Box 3109
Midland, Texas 79702

Attention: Mr. Jason Wacker

Re: Temporary Approval to Surface Commingle
Remuda Basin "31" State No. 3
Unit F, Section 31, T-23S, R-30E,
Remuda Basin State No. 5
Unit D, Section 19, T-23S, R-30E
Eddy County, New Mexico

Dear Mr. Wacker:

Pursuant to your request dated January 17, 2001, Texaco is hereby authorized to temporarily surface commingle production from the Remuda Basin "31" State No. 3 and the Remuda Basin State No. 5 at the Remuda Basin Central Tank Battery located in Section 19, Township 23 South, Range 30 East. It is our understanding that this temporary surface commingling authority will allow Texaco the opportunity to gather additional production data required to amend Division Order No. PLC-123.

During this temporary period, production shall be allocated to the subject wells based upon well tests.

This authority shall expire on March 8, 2001.

Sincerely,

David Catanach
Engineer

Xc: OCD-Artesia
File-PLC-123



Texaco Exploration and Production Inc.
Permian Business Unit

Box 1400
Midland, TX 79702

P.O. Box 1119
Midland, TX 79702

NMOCD
1220 S. St. Francis Dr.
Santa Fe, NM 87504

January 17, 2001

Attn: Mr. David Catanach

Re: Request for Temporary Approval of Surface Commingling

Texaco Exploration and Production, Inc. respectfully requests temporary approval to surface commingle two new wells in its Remuda Basin field, for a period not to exceed 45 days, so that data required to amend NMOCD Commingling Order PLC-123 may be gathered in a prudent manner. The next several pages describe the history and scope of Texaco's operation at Remuda Basin so that you may have a clear understanding of our request.

In April, 1996 Texaco applied for, and was granted, a permit for off lease storage and commingling of oil and gas production from our Remuda Basin 19 Fee, Remuda Basin State, and Remuda Basin 19 Federal leases described below.

Lease: Remuda Basin '19' Fee Lease
Description: NE/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM;

Lease: Remuda Basin State Lease (B-1306, a.k.a. E-5229)
Description: NW/4 NW/4, S/2 NW/4, and SW/4 of Section 19, Township 23 South, Range 30 East, NMPM; NE/4 SW/4 of Section 30, Township 23 South, Range 30 East, NMPM, and;

Lease: Remuda Basin '19' Federal Lease (NM-17056)
Description: NE/4 of Section 19, Township 23 South, Range 30 East, NMPM;

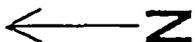
all in Eddy County, New Mexico.

A map of the subject leases is on the following page. Remuda Basin State #1, #2, #3, & #4; Remuda Basin 19 Federal #1 & #2; and Remuda Basin 19 Fee #1 were and remain 100% Texaco Gross Working Interest. Remuda Basin State #1, #2, & #4; Remuda Basin 19 Federal #1 & #2; and Remuda Basin 19 Fee #1 produce from the Delaware formation in the Nash Draw Brushy Canyon (47545) Pool. Remuda Basin State #3 produces from the Delaware formation in the Forty Niner Ridge Delaware (96477) Pool.

From the original application:

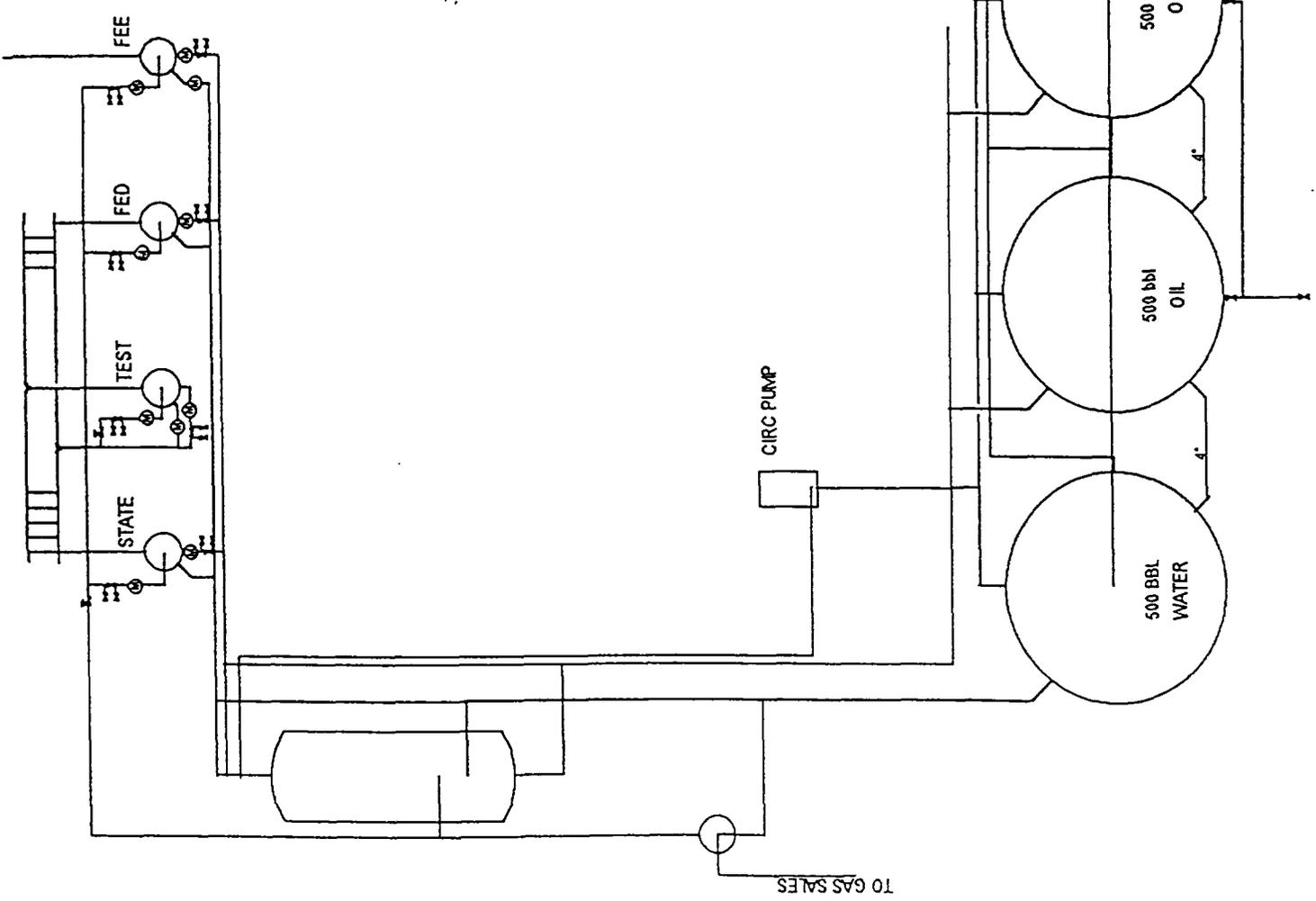
“Three different royalty interest leases will produce into this common tank battery: one fee, one state, and one federal...Each royalty interest will produce into a three-phase separator. The hydrocarbon streams (oil, gas) will be metered before they are commingled...Total production at the battery will be allocated back to each royalty interest lease based on the production separator meters. Monthly production will then be allocated back to each well based on well tests and the amount of oil allocated back to each royalty interest lease. The facility installation will be in compliance with the “Manual for the Installation and Operation of Commingling Facilities”, which is published by the NMOCD.”

In accordance with Commingling Order PLC-123, Texaco constructed a facility called the Remuda Basin Central Tank Battery to process and sell produced fluids from the three leases. A diagram of the Remuda Basin Central Tank Battery and a separator detail drawing are on the two following pages.

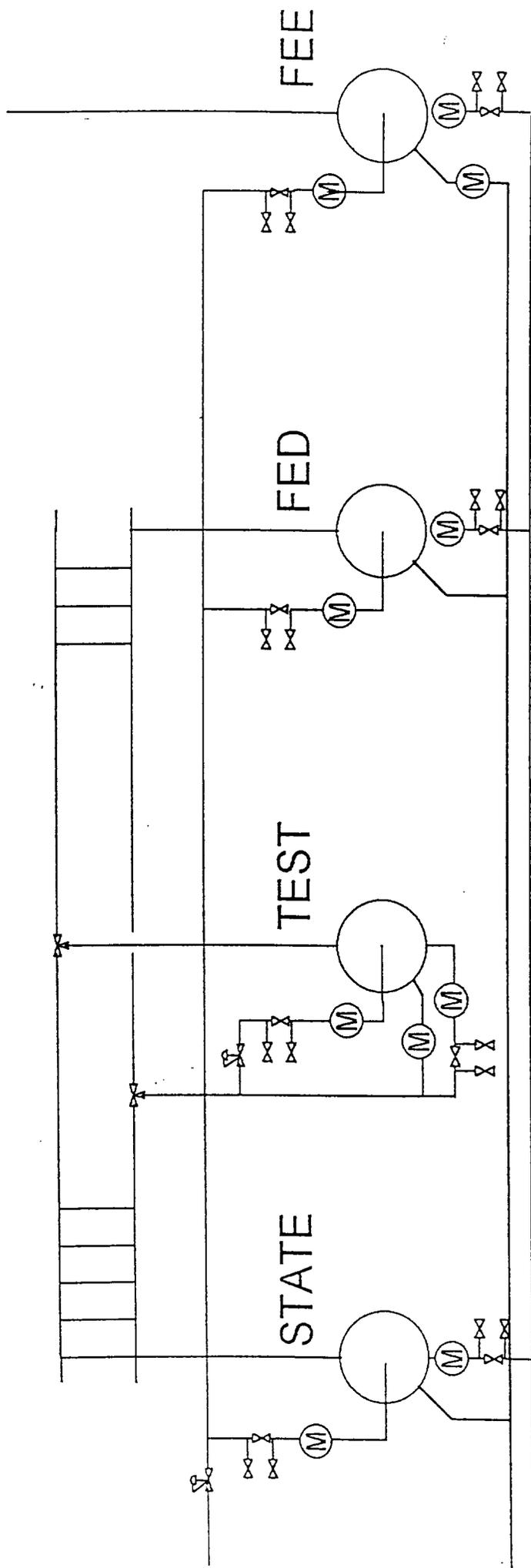


TEXACO EXPL AND PROD INC
REMUDA BASIN T/B
Sec 19, T-23-S, R-30-E
Eddy County, New Mexico

- Mixture
 - Gas
 - Water
 - Oil
- ⊗ Meter
 - ⊕ 3-way valve
 - ⊖ Back pressure valve



Separator Detail



During the winter and spring of 1999 – 2000, Texaco Exploration & Production, Inc. and Bass Enterprises Production Company entered into an agreement and drilled three wells to the Forty Niner Ridge Delaware (96477) Pool at 50% Gross Working Interest each.

In May, 2000 Texaco applied for, and was granted, an amendment to NMOCD Commingling Order PLC-123.

From the 1st Amendment:

Lease: Remuda Basin '19' Fee Lease
Description: NE/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM;

Lease: Remuda Basin State Lease (B-1306, a.k.a. E-5229)
Description: NW/4 NW/4, S/2 NW/4, and SW/4 of Section 19, Township 23 South, Range 30 East, NMPM; **W/2 of Section 30, Township 23 South, Range 30 East, NMPM, and;**

Lease: Remuda Basin '19' Federal Lease (NM-17056)
Description: NE/4 of Section 19, Township 23 South, Rang 30 East, NMPM;

all in Eddy County, New Mexico.

Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling. **Production from the W/2 of Section 30 of the Remuda Basin State Lease shall be allocated by well test at a satellite testing facility...The satellite testing facility is located NE/4 SW/4 (Unit K) of Section 30 Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.**

The 1st Amendment to the Order allowed Texaco to commingle oil and gas production from the three new 50% Bass Gross Working Interest wells, Remuda Basin State #9, #10, & #11, in the Forty Niner Ridge Delaware (96477) Pool with oil and gas production from Texaco's 100% Gross Working Interest well, Remuda Basin State #3, that also produces from the Forty Niner Ridge Delaware (96477) Pool. Production from each well to be allocated by well test at the satellite testing facility.

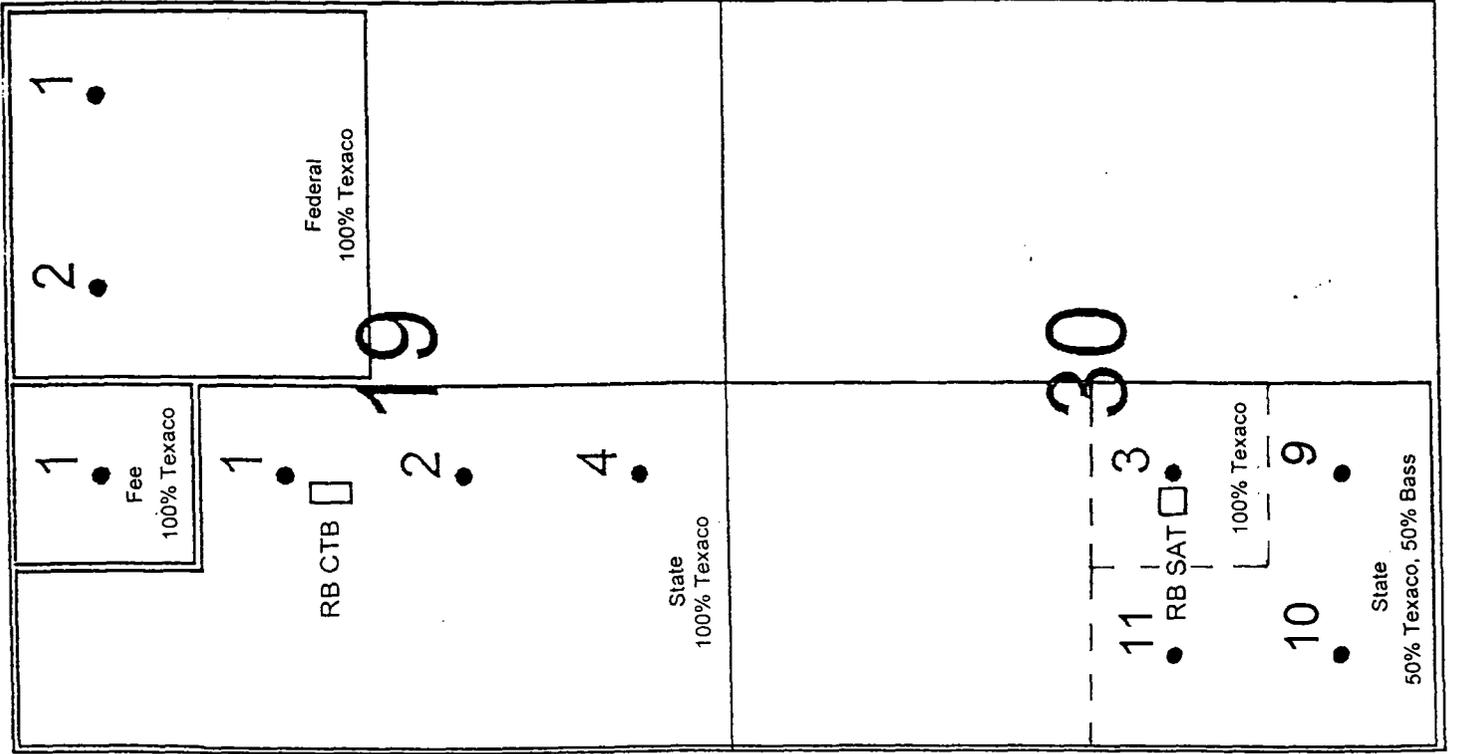
In accordance with the 1st Amendment to Commingling Order PLC-123, Texaco constructed a facility called the Remuda Basin State Satellite, which is designed to gather and account for oil and water production from the four Forty Niner Ridge Delaware (96477) Pool wells in Section 30, before being commingled with oil and water production from the four Nash Draw Brushy Canyon (47545) Pool wells in Section 19 in the state separator at the Remuda Basin Central Tank Battery. Gas from the four wells is sold to Duke Energy at the Remuda Basin State Satellite. A lease map showing the three Forty Niner Ridge Delaware (96477) Pool wells and diagram of the Remuda Basin State Satellite are on the following pages.

Texaco's request to temporarily commingle production at Remuda Basin involves two new wells, both of which were drilled in a 50% partnership with Bass.

Remuda Basin 31 State #3

Remuda Basin 31 State #3, located SE/4 NW/4 of Section 31, Township 23 South, Range 30 East, NMPM, in Eddy County, New Mexico, was recently drilled and completed to the Forty Niner Ridge Delaware (96477) Pool, see plat next page. This surface location, which is a part of the Remuda Basin State Lease (B-1306, a.k.a. E-5229) is not yet listed under NMOCD Commingling Order PLC-123. Texaco requests permission to temporarily commingle oil and gas production from Remuda Basin 31 State #3 with production from other wells completed in the Forty Niner Ridge Delaware (96477) Pool at the Remuda Basin State Satellite, for a period not to exceed 45 days.

This request is being made in order to gather production data on the well, which is required in order to file a 2nd amendment to NMOCD Commingling Order PLC-123. By temporarily producing the well to the Remuda Basin Satellite, natural gas produced by the well will be sold to generate revenue rather than be flared to atmosphere and Texaco and Bass will avoid the additional operating cost associated with temporary tank battery rental. Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling in the same manner as is done currently. As set forth in the 1st Amendment to the Order, production from the W/2 of Section 30 **and NW/4 and E/2 SW/4 of Section 31** of the Remuda Basin State Lease shall be allocated by well test at a satellite testing facility, see diagram. Remuda Basin 31 State #3 is of like interest and pool to wells currently producing into the Remuda Basin State Satellite. Bass approved the surface commingling of Remuda Basin State #9, #10, and #11 and they are expected to approve the surface commingling of Remuda Basin 31 State #3.



Tank Battery

— Remuda Basin State

— Remuda Basin '19' Fee

— Remuda Basin '19' Federal

T-23-S, R-30-E

Eddy County, NM

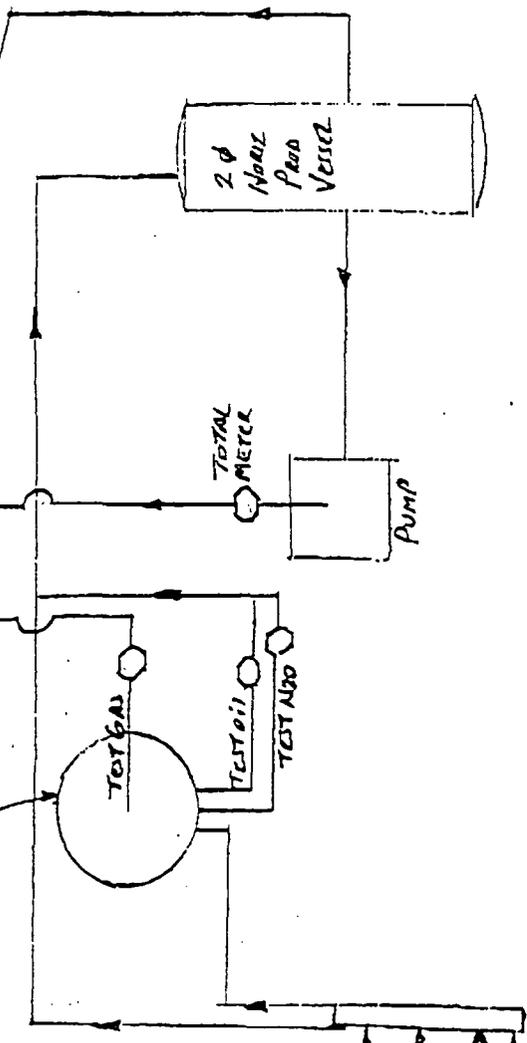
Texaco Expl. & Prod. Inc.



GAS SALES TO DUKE ENERGY

TO REMOVA BASIN CTD

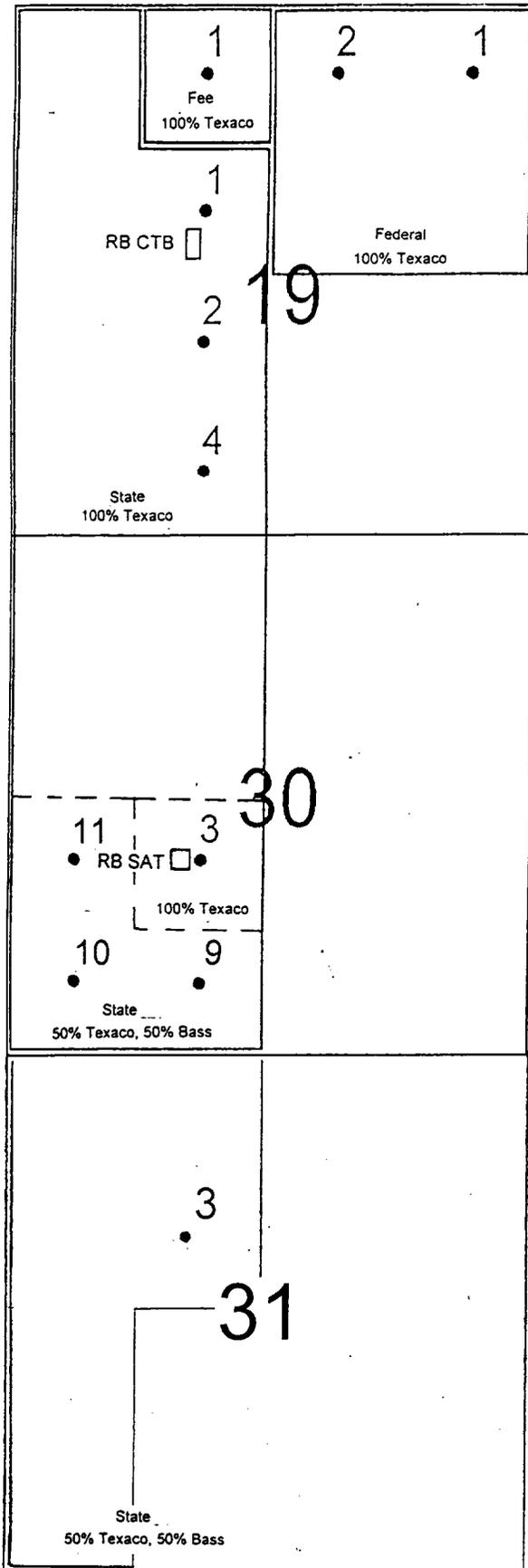
30 VERTICAL TEST VESSEL



- REMOVA BASIN ST #11
- REMOVA BASIN ST #10
- REMOVA BASIN ST #9
- REMOVA BASIN ST #3

REMOVA BASIN SATELITE #1

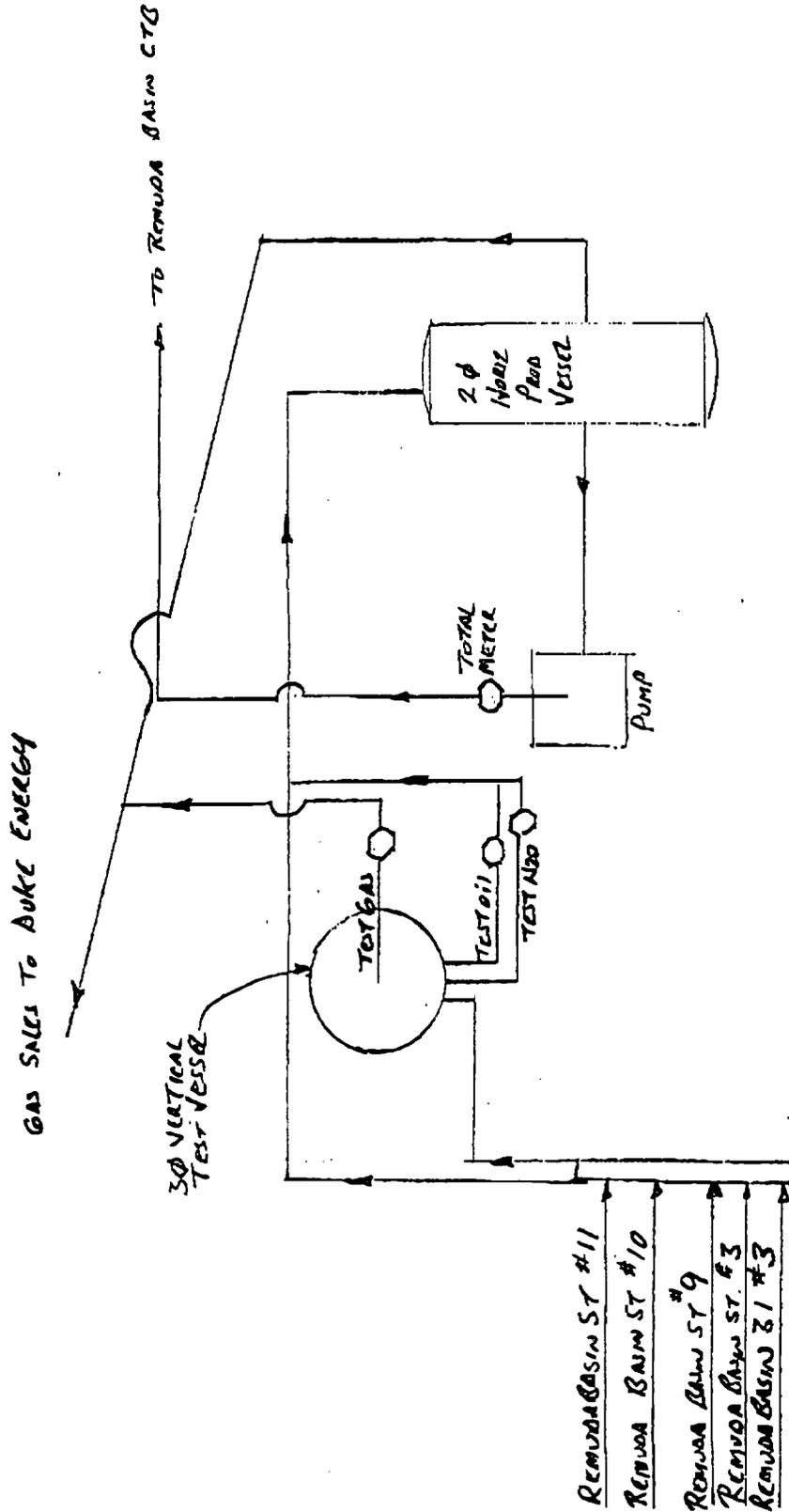
REMOVA BASIN SATELITE #1



-  Tank Battery
-  Remuda Basin State
-  Remuda Basin '19' Fee
-  Remuda Basin '19' Federal

T-23-S, R-30-E
 Eddy County, NM

Texaco Expl. & Prod. Inc.



REMUDA BASIN SATELLITE #1

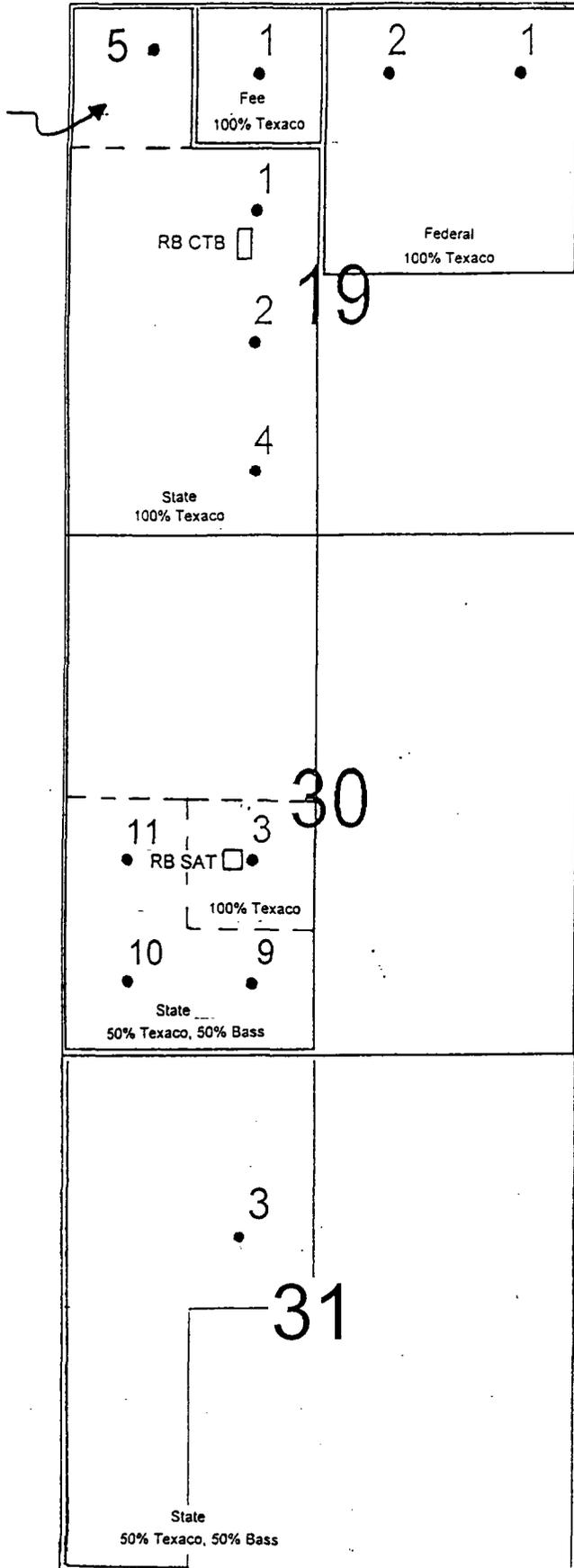
731411 1/17/01

Remuda Basin State #5

Remuda Basin State #5, located NW/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM, in Eddy County, New Mexico, was recently drilled and completed to the Nash Draw Brushy Canyon (47545) Pool, see plat next page. This surface location, which is a part of the Remuda Basin State Lease (B-1306, a.k.a. E-5229) is already listed under NMOCD Commingling Order PLC-123. Texaco requests permission to temporarily commingle oil and gas production from Remuda Basin State #5 with production from other wells completed in the Nash Draw Brushy Canyon (47545) Pool in the State Separator of the Remuda Basin Central Tank Battery, for a period not to exceed 45 days.

This request is being made in order to gather production data on the well, which is required in order to file a 2nd amendment to NMOCD Commingling Order PLC-123. By temporarily producing the well to the State Separator of the Remuda Basin Central Tank Battery, natural gas produced by the well will be sold to generate revenue rather than be flared to atmosphere and Texaco and Bass will avoid the additional operating cost associated with temporary tank battery rental. Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling in the same manner as is done currently. Similarly to the 1st Amendment to the Order, production from the **W/2 NW/4 and W/2 SW/4 of Section 19** of the Remuda Basin State Lease shall be allocated by well test at a central tank battery testing facility. Remuda Basin State #5 is of like interest and pool to wells currently producing into the State Separator of the Remuda Basin Central Tank Battery. Bass approved the surface commingling of Remuda Basin State #9, #10, and #11 and they are expected to approve the surface commingling of Remuda Basin State #5.

State
50% Texaco, 50% Bass



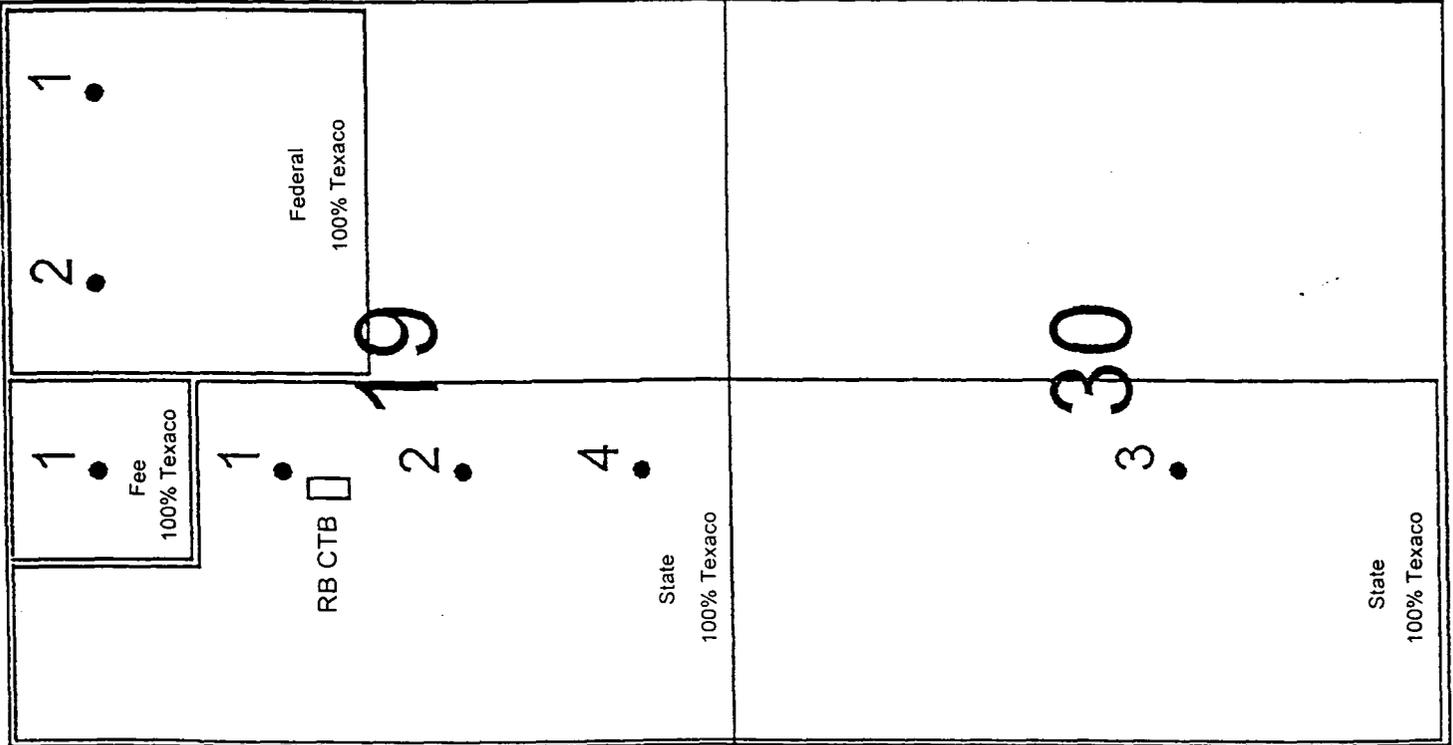
Texaco Expl. & Prod. Inc.

On January 11, 2000, in CASE 12575 the Oil Conservation Division consolidated the wells producing from the Delaware formation in the Nash Draw Brushy Canyon (47545) Pool and Forty Niner Ridge Delaware (96477) Pool into one pool called the Nash Draw Delaware (47545) Pool. This action by the NMOCD will make the surface and downhole commingling of Delaware wells in the area much less paperwork intensive.

I appreciate your consideration of the request to temporarily surface commingle Texaco's two new wells at Remuda Basin. With your approval of this request, I expect to file a 2nd amendment to NMOCD Commingling Order PLC-123 as soon as possible. If you have any questions or concerns, please feel free to contact me at 915-699-5343.

A handwritten signature in black ink, appearing to read "Jason Wacker". The signature is stylized and cursive.

Jason Wacker
Texaco



Tank Battery

— Remuda Basin State

— Remuda Basin '19' Fee

— Remuda Basin '19' Federal

T-23-S, R-30-E
Eddy County, NM

Texaco Expl. & Prod. Inc.



COMMINGLING ORDER PLC-123
1ST Amendment

Texaco Exploration & Production, Inc.
P.O. Box 730
Hobbs, New Mexico 88241-0730

Attention: Mr. Bobby J. Hill

The above-named company is hereby authorized to commingle Nash Draw Brushy Canyon (47545) and Forty Niner Ridge Delaware (96477) Pool production from the following leases:

Lease: Remuda Basin '19' Fee Lease
Description: NE/4 NW/4 of Section 19, Township 23 South, Range 30 East, NMPM;

Lease: Remuda Basin State Lease (B-1306)
Description: NW/4 NW/4, S/2 NW/4 and SW/4 of Section 19, Township 23 South, Range 30 East, NMPM; W/2 of Section 30, Township 23 South, Range 30 East, NMPM, and;

Lease: Remuda Basin '19' Federal Lease (NM-17056)
Description: NE/4 of Section 19, Township 23 South, Range 30 East, NMPM;

all in Eddy County, New Mexico.

Production shall be allocated to each lease by separately metering production from each lease and/or pool prior to commingling. Production from the W/2 of Section 30 of the Remuda Basin State Lease shall be allocated by well test at a satellite testing facility.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

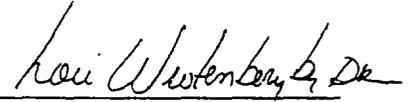
REMARKS: The commingled production shall be stored at the Remuda Basin Central Tank Battery located in the SW/4 SE/4 (Unit O) of Section 19, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico. The satellite testing facility is located NE/4 SW/4 (Unit K) of Section 30, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.

FURTHER: The operator shall notify the Artesia District Office of the Division upon implementation of the commingling process.

PROVIDING: Like approval by the State Land Office and by the Bureau of Land Management is also required.

*Amended Division Order No. PLC-123
Texaco Exploration and Production, Inc.
May 1, 2000
Page 2*

DONE at Santa Fe, New Mexico, on this 1st day of May, 2000.



LORI WROTENBERY,
Division Director

LW/MWA/kv

cc: Oil Conservation Division - Artesia
State Land Office - Oil & Gas Division
Bureau of Land Management - Carlsbad

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 11, 2000

To: Bargo Petroleum, Bass Enterprises, BK Exploration, Maralo, LLC,
, Strata Production Company and Texaco Exploration & Production Inc.

Re: **Extending the Vertical Limits of the Nash Draw; Brushy Canyon Oil Pool
and renaming said pool as the Nash Draw; Delaware Oil Pool.
Abolishment of the Nash Draw; Cherry Canyon Oil Pool and the Forty-Niner
Ridge; Delaware, Southwest Oil Pool**

Dear Sirs/Madams,

In reference to the above and my enclosed fax, I am offering you the opportunity to review in part, the nomenclature to be advertised on December 19th and set for hearing on January 11th 2001.

Please feel free to give me a call if you have any questions related to this matter.

Yours truly,

A handwritten signature in cursive script that reads "Bryan G. Arrant".

Bryan G. Arrant
PES-OCD District II

**OIL CONSERVATION DIVISION
ARTESIA, NEW MEXICO
DISTRICT II
NOMENCLATURE ADVERTISEMENT**

In the matter of the application of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department upon its own motion for an order for the creation, discovery allowable assignment and extension of certain existing pools in Eddy County, New Mexico, and giving notice to all persons and parties interested in the subject matter thereof, to show cause why such creation, discovery allowable assignment, and extensions and or deletions should not be made.

- A) Extend the vertical limits of the Nash Draw; Brushy Canyon Oil Pool in Eddy County, New Mexico to include all the Delaware Mountain Group from the top of the Lamar formation to the base of the Brushy Canyon formation. Rename said pool to the Nash Draw; Delaware Oil Pool. Current pool boundaries of the Nash Draw; Brushy Canyon Oil Pool include:

TOWNSHIP 23 SOUTH RANGE 29 EAST, NMPM

S/2 Sec. 12; Sec. 13; E/2 Sec. 14; NE/4 Sec. 24.

TOWNSHIP 23 SOUTH RANGE 30 EAST, NMPM

NW/4 Sec. 18; W/2, NE/4 Sec. 19; NW/4 Sec. 20; Sec. 30

E/2 Sec. 31; NW/4 Sec. 32

- B) Abolish the Forty-niner Ridge, Delaware, Southwest Oil Pool in Eddy County, New Mexico by deleting the following acreage and place in Nash Draw; Delaware Oil Pool.

TOWNSHIP 23 SOUTH RANGE 30 EAST, NMPM

W/2, Sec. 30.

- C) Abolish the Nash Draw; Cherry Canyon Oil Pool in Eddy County, New Mexico by deleting the following acreage and place in the Nash Draw; Delaware Oil Pool.

TOWNSHIP 23 SOUTH RANGE 29 EAST, NMPM

E/2 Sec. 13

accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*

CASE 12475: Continued from November 16, 2000, Examiner Hearing.

Application of the Oil Conservation Division for an order requiring COM-TEK Resources, Inc./North Lea Joint Venture to properly plug four wells, Lea County, New Mexico. Applicant seeks an order requiring COM-TEK Resources, Inc./North Lea Joint Venture to appear and show cause why five (5) wells located in Sections 17 and 12, Township 9 South, Ranges 34 and 35 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*

CASE 12575: In the matter of the hearing called by the Oil Conservation Division for an order abolishing, extending vertical and horizontal limits, and redesignating certain pools in Chaves and Eddy Counties, New Mexico.

- a. EXTEND the Baldrige Canyon-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 31: NE/4

- b. EXTEND the Big Sinks-Wolfcamp Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM

Section 5: N/2

- c. EXTEND the West Burton Flat-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 5: Lots 1 through 8

Section 6: Lots 1, 2, 7 and 8

- d. EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 2: Lots 1 through 8

- e. EXTEND the Cedar Lake-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: NW/4

- f. EXTEND the Southeast Crow Flats-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 3: N/2

- g. EXTEND the Diamond Mound-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 5: SW/4

Section 8: W/2

- h. EXTEND the East Eagle Creek-Atoka-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 6: W/2

- i. EXTEND the Empire-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 19: NE/4

- j. EXTEND the East Empire-Yeso Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 17: SE/4

- k. ABOLISH the Southwest Forty Niner Ridge-Delaware Pool in Eddy County, New Mexico consisting of the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

Section 30: W/2

- l. EXTEND the Frontier Hills-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 10: W/2

- m. EXTEND the Hoag Tank-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 10: SE/4

Section 11: SW/4

Section 15: N/2

- n. EXTEND the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3: All

- o. EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 10: S/2

Section 26: E/2

- p. EXTEND the Lost Tank-Delaware Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 31 EAST, NMPM

Section 35: S/2

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Section 2: NW/4

- q. EXTEND the East Millman-Yates-Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 15: NW/4

Section 16: NE/4

- r. EXTEND the Mosley Canyon-Strawn Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM

Section 7: S/2

- s. EXTEND the vertical limits of the Nash Draw-Brushy Canyon Pool in Eddy County, New Mexico to include all of the Delaware Mountain Group from the top of the Lamar formation to the base of the Brushy Canyon formation and redesignate the pool as the Nash Draw-Delaware Pool.

- t. ABOLISH the Nash Draw-Cherry Canyon Pool in Eddy County, New Mexico consisting of the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 13: NE/4

- u. EXTEND the West Parkway-Morrow Gas Pool in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 20: N/2



Texaco Exploration and Production Inc.
Permian Business Unit

500 North Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

Bass Enterprises Production Co.
Attn: Mr. J. Wayne Bailey
201 Main St.
Fort Worth, Texas 76102-3131

January 18, 2001

State of New Mexico Lease E-5229
Eddy County, New Mexico
Request for Temporary Approval of Surface Commingling

Gentlemen,

Texaco Exploration and Production, Inc. gives notice of intent to amend NMOCD Commingling Order PLC-123 to include Remuda Basin 31 State #3 (1980' FNL & 2310' FWL, F-31-23S-30E) and Remuda Basin State #5 (330' FNL & 990' FWL, D-19-23S-30E), and any other new drill wells in W/2 NW/4 and W/2 SW/4 of Section 19, and NW/4 and E/2 SW/4 of Section 31 into the Remuda Basin Central Tank Battery (O-19-23S-30E). The wells are completed to the Nash Draw Delaware (47545) Pool, which was created January 11, 2001 by the NMOCD. All of the Texaco's Delaware production at Remuda Basin has been re-assigned to this pool. API gravity of the oil is expected to be 36 @ 60 degrees. Gas production should be sweet with a specific gravity of 0.76. Texaco is the operator and 50% gross working interest owner in the two wells.

Texaco has requested temporary approval to surface commingle the two new wells in its Remuda Basin field, for a period not to exceed 45 days, so that data required to amend NMOCD Commingling Order PLC-123 may be gathered in a prudent manner. A formal amendment to the Commingling Order will be filed as soon as the required production data is gathered.

Production from Remuda Basin 31 State #3 will be allocated to the well based on well tests performed at the Remuda Basin State Satellite. Produced fluid will then be transferred to the Remuda Basin Central Tank Battery where it will be metered for allocation to the Remuda Basin State Lease (E-5229). Produced oil will be sold by truck to Navajo and water will be disposed of in accordance to our operating agreement. Gas production from the well will be sold to Duke Energy at the Remuda Basin State Satellite.



Texaco Exploration and Production Inc.
Permian Business Unit

500 North Loraine
Midland TX 79701

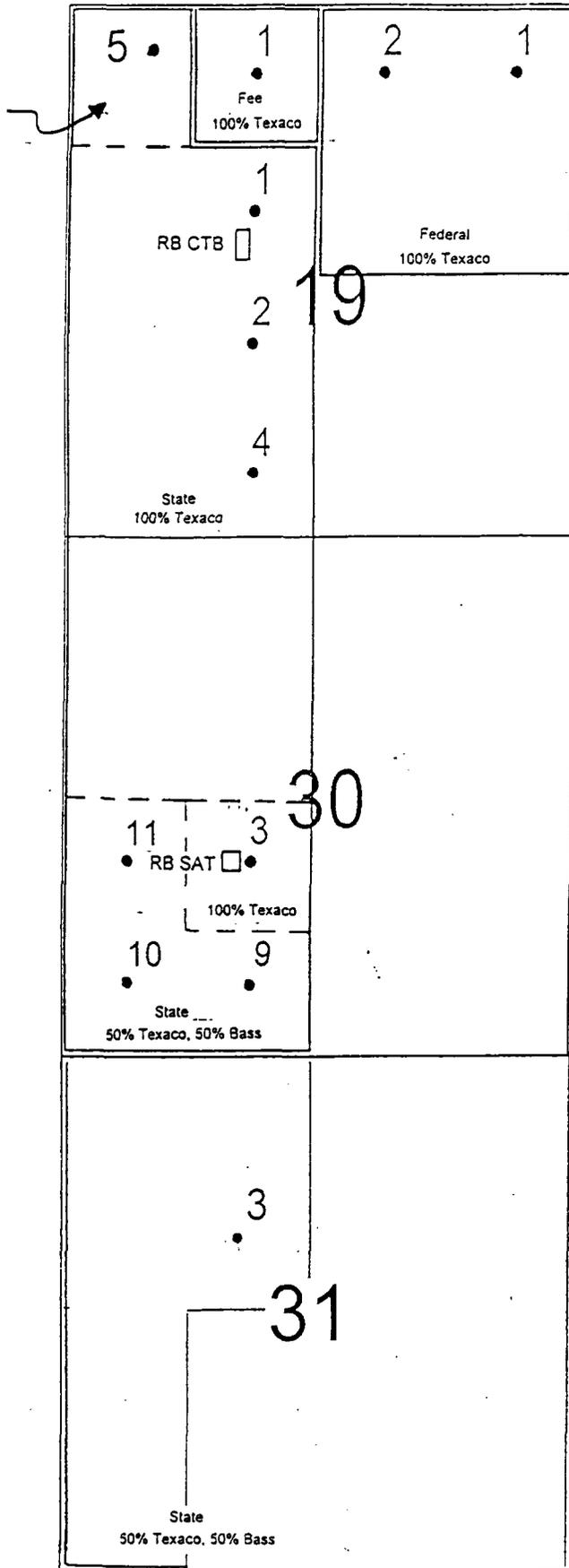
P O Box 3109
Midland TX 79702

Production from Remuda Basin State #5 will be allocated to the well based on well tests performed at the Remuda Basin Central Tank Battery. Produced fluid will then be metered for allocation to the Remuda Basin State Lease (E-5229). Produced oil will be sold by truck to Navajo and water will be disposed of in accordance to our operating agreement. Gas production from the well will be sold to Duke Energy at the Remuda Basin Central Tank Battery.

If you have any questions or concerns regarding this matter, please feel free to contact me at 915-688-4862. Thank you.

Jason Wacker

State
50% Texaco, 50% Bass



□ Tank Battery

— Remuda Basin State

— Remuda Basin '19' Fee

— Remuda Basin '19' Federal

T-23-S, R-30-E
Eddy County, NM

Texaco Expl. & Prod. Inc.

Stick postage stamps to article to cover First-Class postage, certified mail fee, and charges for any selected optional services (See front).

1. If you want this receipt postmarked, stick the gummed stub to the right of the address leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier (no extra charge).

2. If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, detach, and retain the receipt, and mail the article.

3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number.

4. If you do not want this receipt restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.

5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item 1 of Form 3811.

6. Save this receipt and present it if you make an inquiry.

102595-99-M-0079

Is your RETURN ADDRESS completed on the reverse side?

<p>SENDER:</p> <p><input type="checkbox"/> Complete items 1 and/or 2 for additional services. Complete items 3, 4a, and 4b.</p> <p><input type="checkbox"/> Print your name and address on the reverse of this form so that we can return this card to you.</p> <p><input type="checkbox"/> Attach this form to the front of the mailpiece, or on the back if space does not permit.</p> <p><input type="checkbox"/> Write "Return Receipt Requested" on the mailpiece below the article number.</p> <p><input type="checkbox"/> The Return Receipt will show to whom the article was delivered and the date delivered.</p>	<p>I also wish to receive the following services (for an extra fee):</p> <p>1. <input type="checkbox"/> Addressee's Address</p> <p>2. <input type="checkbox"/> Restricted Delivery</p>
<p>3. Article Addressed to:</p> <p><i>Bass Enterprise Prod. Attn: G. Wayne Bailey 201 Main St Ft. Worth, TX 76102-3131</i></p>	<p>4a. Article Number <i>Z 260 099-138</i></p> <p>4b. Service Type</p> <p><input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD</p> <p>7. Date of Delivery</p>
<p>5. Received By: (Print Name)</p>	<p>8. Addressee's Address (Only if requested and fee is paid)</p>
<p>6. Signature (Addressee or Agent)</p>	

Thank you for using Return Receipt Service.