DOYLE HARTMAN NMOCD CASE NO. 6846

SUMMARY OF INDIVIDUAL WELL INFORMATION FOR WELLS IN THE VICINITY OF
PROPOSED WELL LOCATIONS AT 330' FNL & 1980' FEL & At 1650' FNL & 1980' FEL
SECTION 13, TOWNSHIP 21-S, RANGE 36-E, EUMONT POOL, LEA COUNTY, NEW MEXICO

	Getty Oil Co. R.M. Marshall 1	Getty Oil Co. R.M. Marshall 2	Conoco, Inc. Lockhart "B" 7	Texaco Inc. Riddel 1	Earl Bruno C.W. Marshall 3	Penrose Prod. Marshall 1	Burleson & Huff Marshall 2	Shenendoah Carter 1	Getty Oil Co. St. "AF" 1 1	Texaco Inc. Riddell 2	Sohio Pet. Alves 2	Gulf Oil Corp. Leonard NCT "D" - 1
:ation of Well	13(G)-21S-36E	13(H)-21S-36E	13(D)-21S-36E	12(N)-21S-36E	12(M)-21S-36E	13(I)-21S-36E	11(P)-21S-36E	12(G)-21S-36E	18(J)-21S-37E	12(A)-21S-36E	18(G)-21S-36E	24(G)-21S-36E
npletion Date	11-2-62*	10-2-52**	8-20-68	1-23-53	7-3-38	1-18-55	11-8-78	10-25-54	5-4-56	6-1-55	10-3-53	8-4-56
it. CAOFP, MCF/day	1200	1100	1577	232	1800	7160	782	4600	5700	3421	160	4414
npletion Interval	3568-3644	3600-3800	3433-3679	3510-3625	3692-3825	3445-3775	3387-3594	3416-3630	3545-3648	3530-3676	3464-3609	3580-3690
m. Gas Prod., MMCF @ 1-1-80	374.5	539.	1666.1	2703.4	866.9[2]	1857.3	21.1	1118.2	704.8	400.2[3]	1358.8	2313.2
t. OGIP, MMCF	520	***	3334	3887		3249		1753	1088	1260	1800	3158
t. Ult. Gas Rec. MMCF	374.5	539.	2284	2998	866.9	1909.3	411.4	1190.9	704.8	400.2	1466.6	2461.
t. Gas Rec. Factor, % OGIP	72.0	-	68.5	71.1	-	57.1	-	67.9	64.8	31.8	81.5	77.9
test SIWHP & Date	73.2 1979	***	148.2 1978	155.2 1978	****	203.2 1978	265.2 1978	168.2 1978	198.2 1978	450.4 1962	150.2 1978	203.2 1977

* Original Completion in Eumont (Oil) Pool, P&A 12-16-77
** P&A 8-10-47
*** Pressure history not available.

1 Pot. for 334 BOPD & 1800 MCF/day gas

2 S.I. Year 1979 - Cum. @ 1-1-79

3 P&A 1964

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 5
CASE NO. 6846

GAS PRODUCTION HISTORY

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 6
CASE NO. 6846

Date March 6, 1980

Operator: Burleson & Huff

Well: Marshall

Location: P-11-21-36

Pool: Eumont Gas

Spud Date: _____ Original Completion Date: _____

Completion Interval (Gas): _____

Completion Date (Gas): _____ First Production (Gas): _____

Remarks: First Production 12-78

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	137125	11427	146.8	N/A	N/A	
1978	1	9743	9743	9.7	265.2	280	

19 78 Detail Summary

Jan.		July	
Feb.		Aug.	
March		Sept.	
April		Oct.	
May		Nov.	
June		Dec.	9743

19 79 Detail Summary

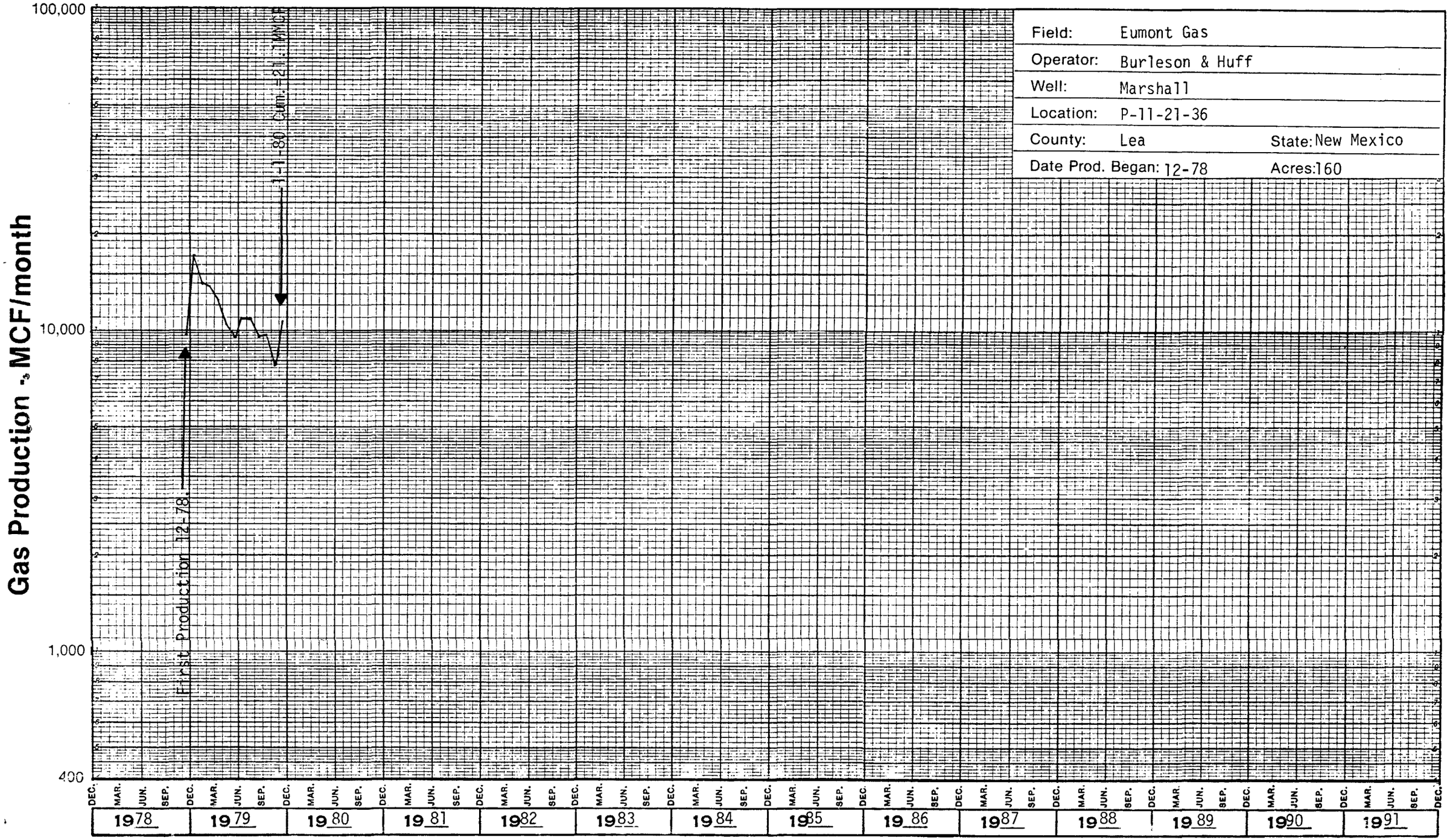
Jan.	17143	July	10931
Feb.	14075	Aug.	10923
March	13875	Sept.	9566
April	12437	Oct.	9693
May	10405	Nov.	7766
June	9549	Dec.	10762

Production (Y-T-D) 137125 MCF

Avg. Rate (Y-T-D) 11427 MCF/mo.

Days or Months (Y-T-D) 12 Mos.

1-1-80 Cum 146.8 MMCF



Field:	Eumont Gas	
Operator:	Burleson & Huff	
Well:	Marshall	
Location:	P-11-21-36	
County:	Lea	State: New Mexico
Date Prod. Began:	12-78	Acres: 160

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Texaco
Well: Roy Riddel No. 2
Location: A-12-21-36

Pool: Eumont Gas
Spud Date: Original Completion Date:
Completion Interval (Gas):
Completion Date (Gas): First Production (Gas):
Remarks: P & A 1964.

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1963	3	784	261	400.2	N/A	N/A	
1962	11	5715	520	399.4	450.4	485	
1961	12	10299	858	393.7	464	505	
1960	12	26909	2242	383.4	N/A	N/A	
1959	12	51075	4256	356.5	472	510	
1958	12	74206	6184	305.4	487	530	
1957	12	80089	6674	231.2	549	600	
1956	12	104216	8685	151.1	569	630	
1955	4	46902	11725	46.9	N/A	N/A	

1962 Detail Summary

Jan.	0	July	365
Feb.	433	Aug.	67
March	152	Sept.	234
April	247	Oct.	1232
May	608	Nov.	1644
June	237	Dec.	496

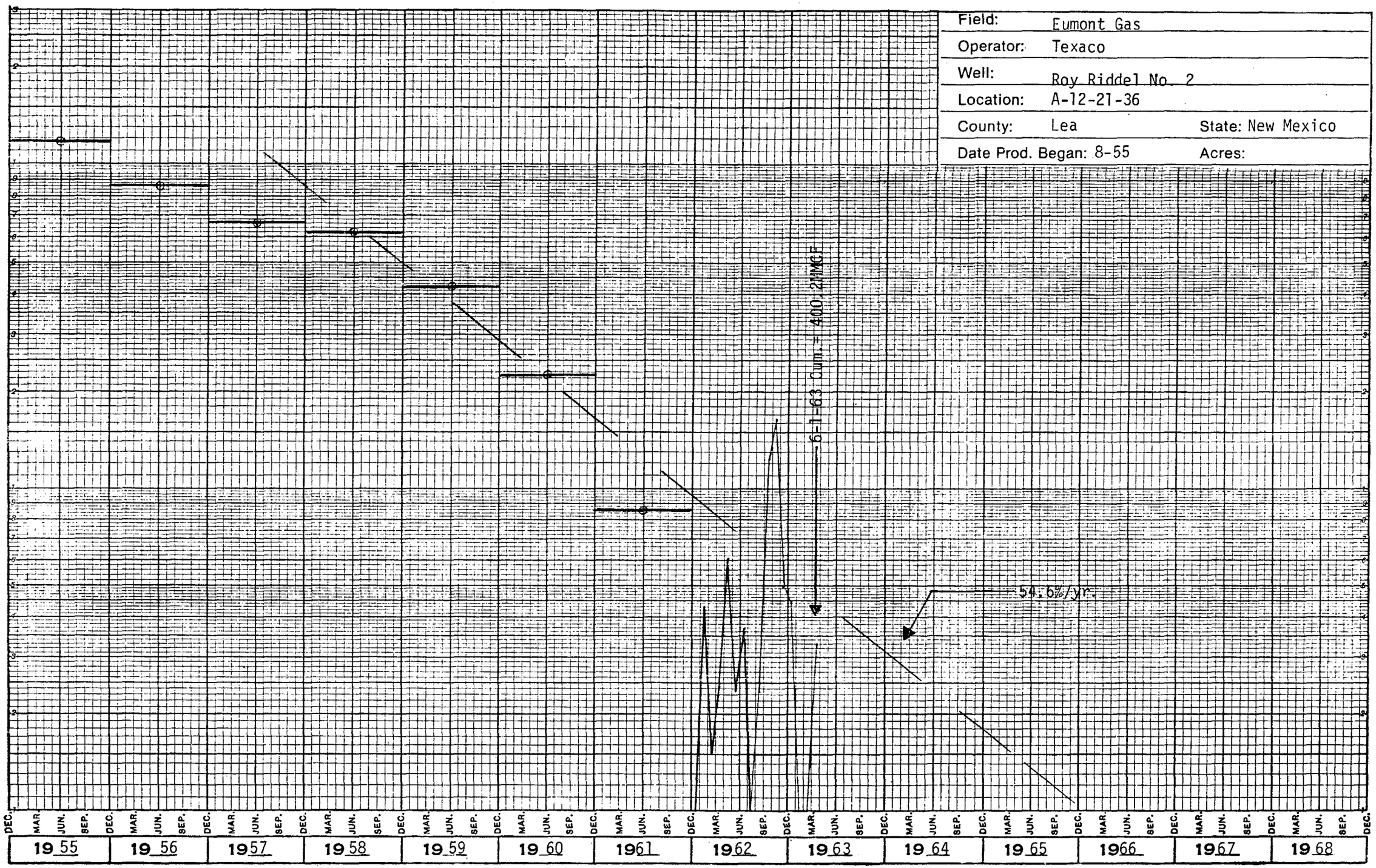
1963 Detail Summary

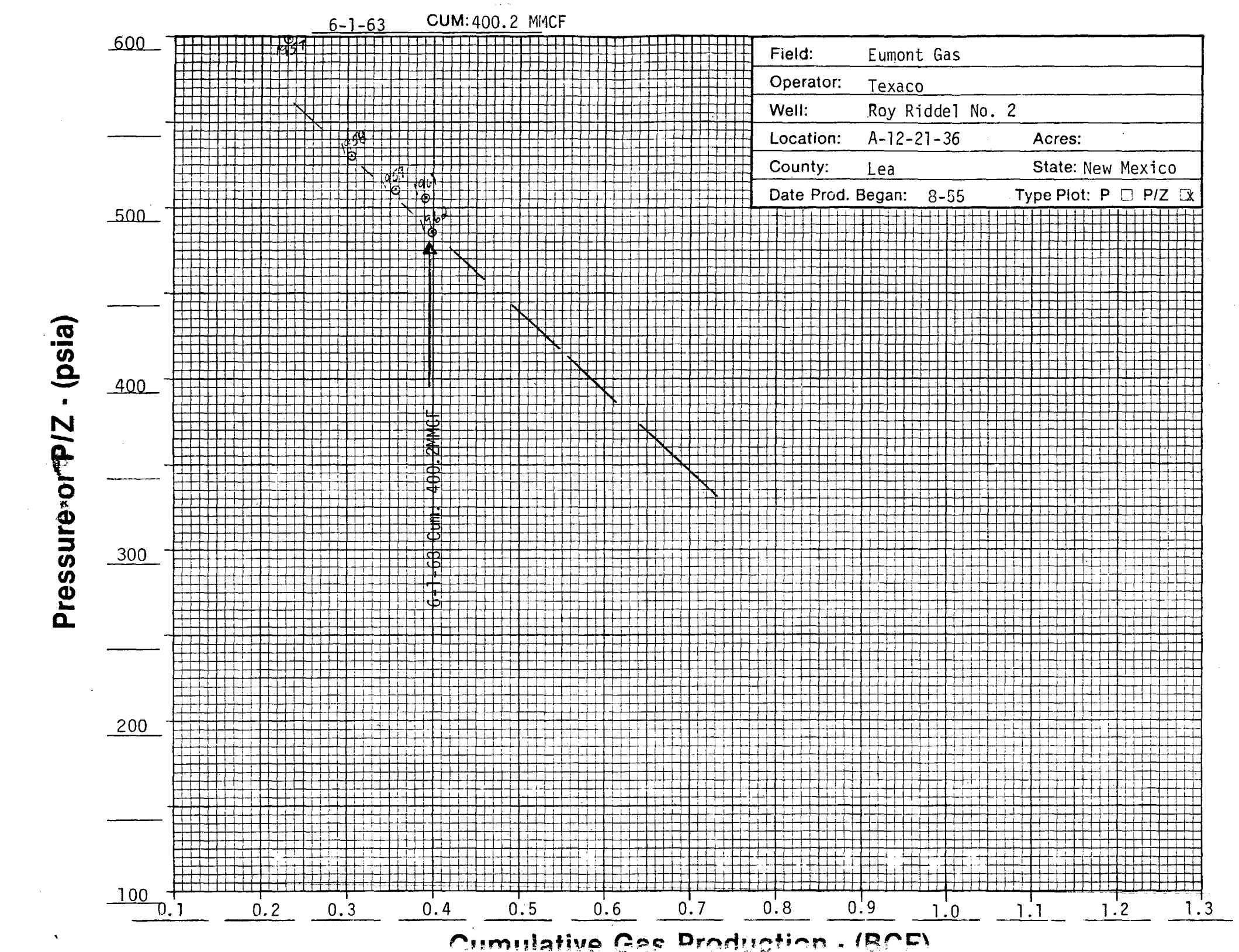
Jan.	448	July	0
Feb.	0	Aug.	0
March	0	Sept.	0
April	330	Oct.	0
May	6	Nov.	0
June	0	Dec.	0

Production (Y-T-D) 784 MCF
Days or Months (Y-T-D) 3 mos.
Avg. Rate (Y-T-D) 261 MCF/mo.

6-1-63 Cum. 400.2 MMCF

Field:	Eumont Gas
Operator:	Texaco
Well:	Roy Riddel No. 2
Location:	A-12-21-36
County:	Lea State: New Mexico
Date Prod. Began: 8-55	Acres:




6-1-63 CUM:400.2 MMCF
Field: Eumont Gas
Operator: Texaco
Well: Roy Riddel No. 2
Location: A-12-21-36 Acres:
County: Lea State: New Mexico
Date Prod. Began: 8-55 Type Plot: P ☐ P/Z ☒
6-1-63 Cum: 400.2MMCF
Pressure or P/Z - (psia)
600
500
400
300
200
100
0.1
0.2
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Shenandoah Oil Co.

Well: Carter No. 1

Location: G-12-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	20004	1667	1118.2	N/A	N/A	
1978	12	21309	1776	1098.2	168.2	175	
1977	12	24836	2070	1076.9	173.2	180	
1976	12	24567	2047	1052.0	184.2	190	
1975	12	27312	2276	1027.5	178.2	185	
1974	12	31615	2635	1000.2	187.2	195	
1973	12	37328	3111	968.5	187.2	195	
1972	12	48305	4025	931.2	173.2	180	
1971	12	44816	3735	882.9	208.2	215	
1970	12	58662	4888	838.1	213.2	220	
1969	12	60187	5016	779.4	243.2	255	
1968	12	48633	4053	719.3	256.2	265	
1967	12	46442	3870	670.6	319.2	340	
1966	12	32132	2678	624.2	N/A	N/A	
1965	12	51877	4323	592.0	343.2	365	
1964	10	43462	4346	540.2	N/A	N/A	
1963	11	49605	4510	496.7	466.2	500	
1962	9	27846	3094	447.1	508.2	555	
1961	9	45074	5008	419.3	N/A	N/A	
1960	11	36828	3348	374.2	N/A	N/A	

19 78 Detail Summary

Jan.	2154	July	1761
Feb.	1920	Aug.	1643
March	2048	Sept.	1582
April	1907	Oct.	1603
May	1938	Nov.	1517
June	1723	Dec.	1513

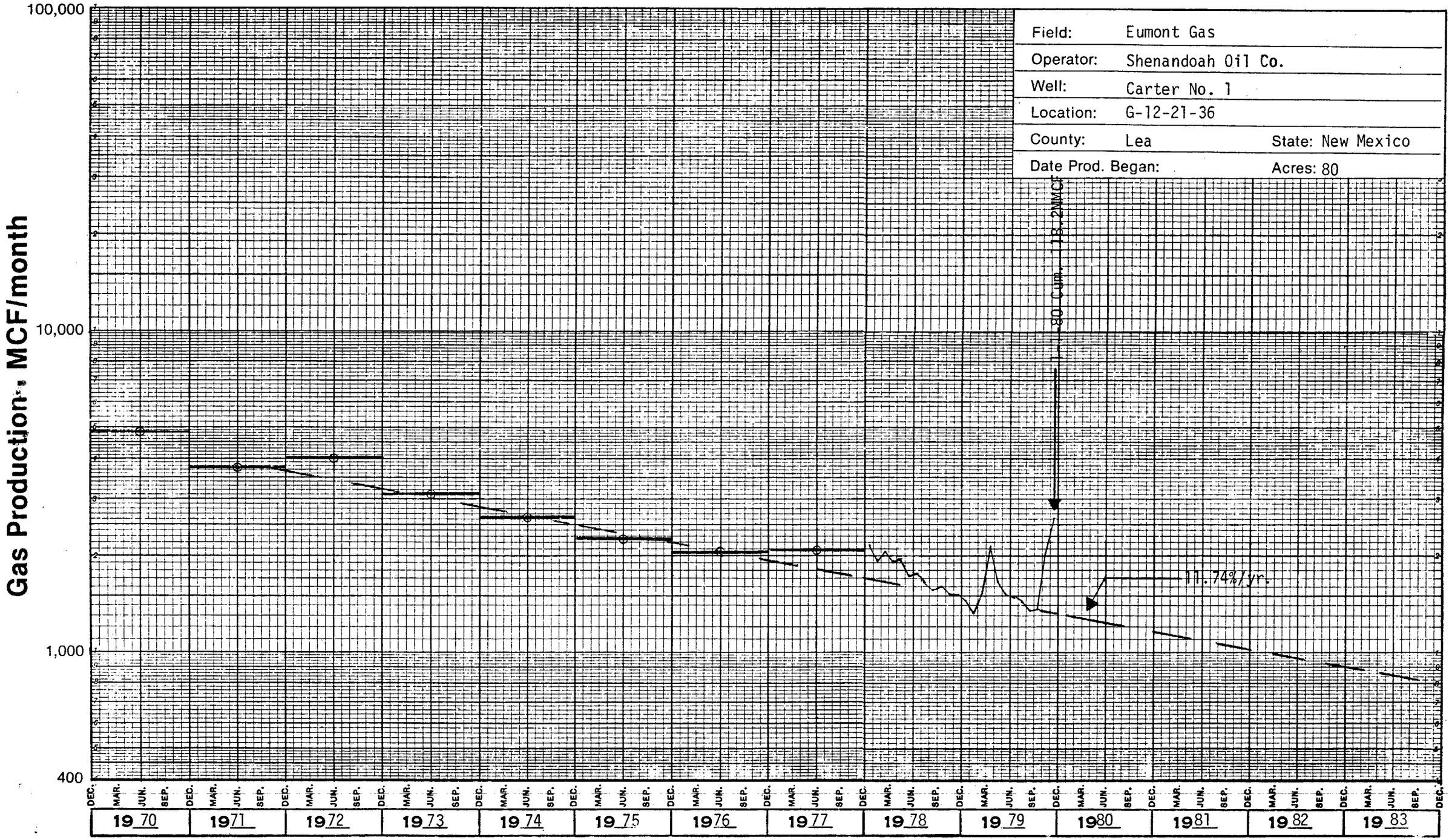
19 79 Detail Summary

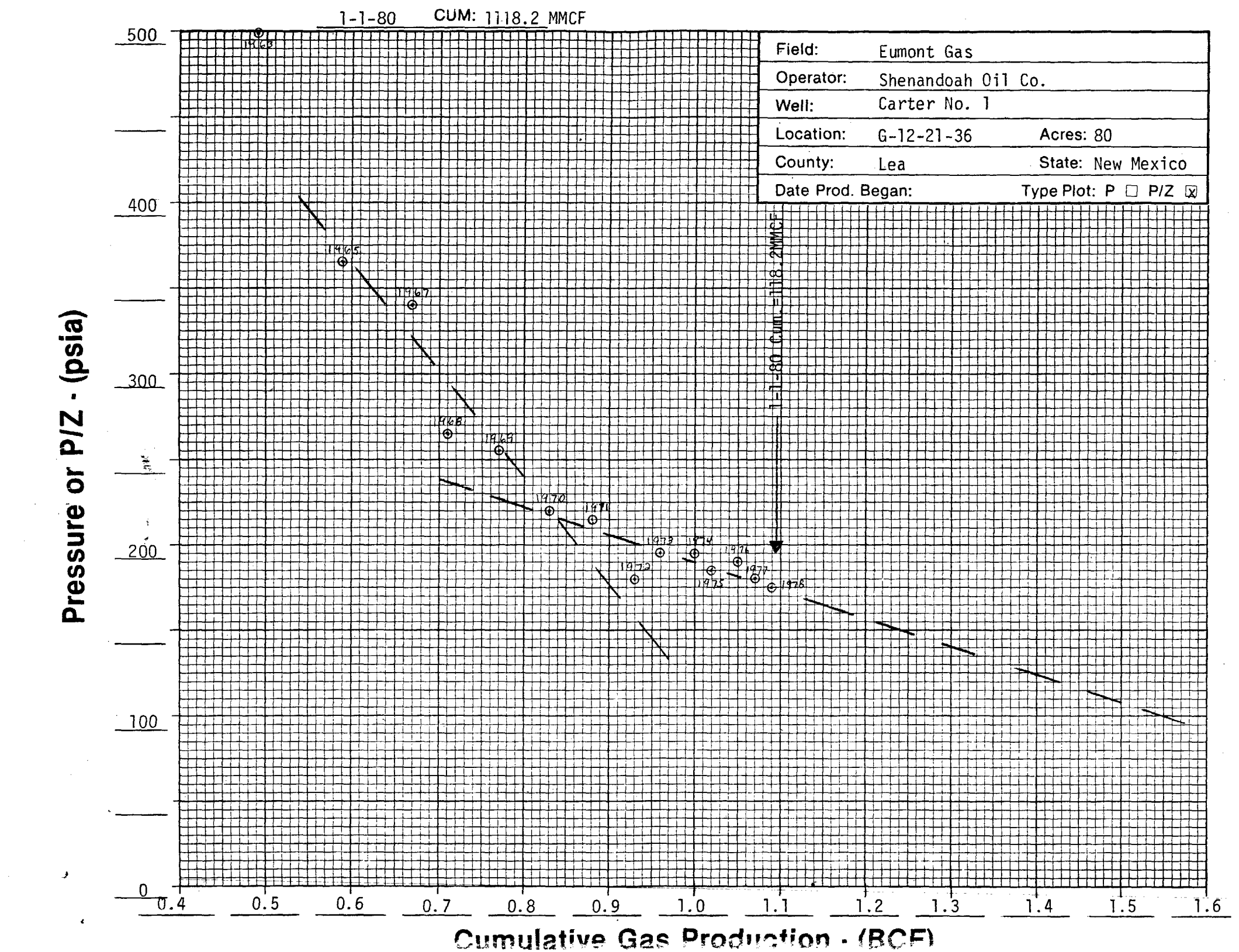
Jan.	1466	July	1499
Feb.	1327	Aug.	1435
March	1514	Sept.	1364
April	2123	Oct.	1375
May	1683	Nov.	2079
June	1516	Dec.	2623

Production (Y-T-D) 20004 MCF

Avg. Rate (Y-T-D) 1667 MCF/mo.

Days or Months (Y-T-D) 12 mos.


1-1-80 Cum: 1118.2 MMCF
Field: Eumont Gas
Operator: Shenandoah Oil Co.
Well: Carter No. 1
Location: G-12-21-36
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 80
1-1-80 Cum. 1118.2MMCF
11.74%/yr.
Gas Production, MCF/month
100,000
10,000
1,000
400
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983


1-1-80 CUM: 1118.2 MMCF
Field: Eumont Gas
Operator: Shenandoah Oil Co.
Well: Carter No. 1
Location: G-12-21-36 Acres: 80
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
1-1-80 CUM.=1118.2MMCF
1966
1965
1967
1968
1969
1970
1971
1973
1974
1976
1972
1975
1977
1978
500
400
300
200
100
0
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6
Pressure or P/Z - (psia)
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date 3-11-80 Page 1 of 1

Operator: Earl Bruno
Well: C. W. Marshall No. 3
Location: M-12-21-36

Pool: Eunice Grayburg San Andres (Oil)
Spud Date: Original Completion Date:
Completion Interval (Gas):
Completion Date (Gas): First Production (Gas):
Remarks: *Cummulative Gas production 1959 thru 1978.

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	* Cum. Gas Production (MMCF)	Annual SIP (psia)		
1978	12	59045	4920	866.9			
1977	12	68338	5695	807.9			
1976	12	63745	5312	739.6			
1975	12	67060	5588	675.9			
1974	12	80227	6686	608.8			
1973	12	72994	6083	528.6			
1972	12	66127	5511	455.6			
1971	12	67480	5623	389.5			
1970	4	20987	5247	322.0			
1969	6	21242	3540	301.0			
1968	12	47307	3942	279.8			
1967	12	45457	3788	232.5			
1966	12	43838	3653	187.0			
1965	12	35265	2939	143.1			
1964	9	17267	1919	107.8			
1963	12	10493	874	90.5			
1962	12	15576	1298	80.0			
1961	12	20447	1704	64.4			
1960	12	21724	1810	44.0			
1959	12	22326	1860	22.3			

19 77 Detail Summary

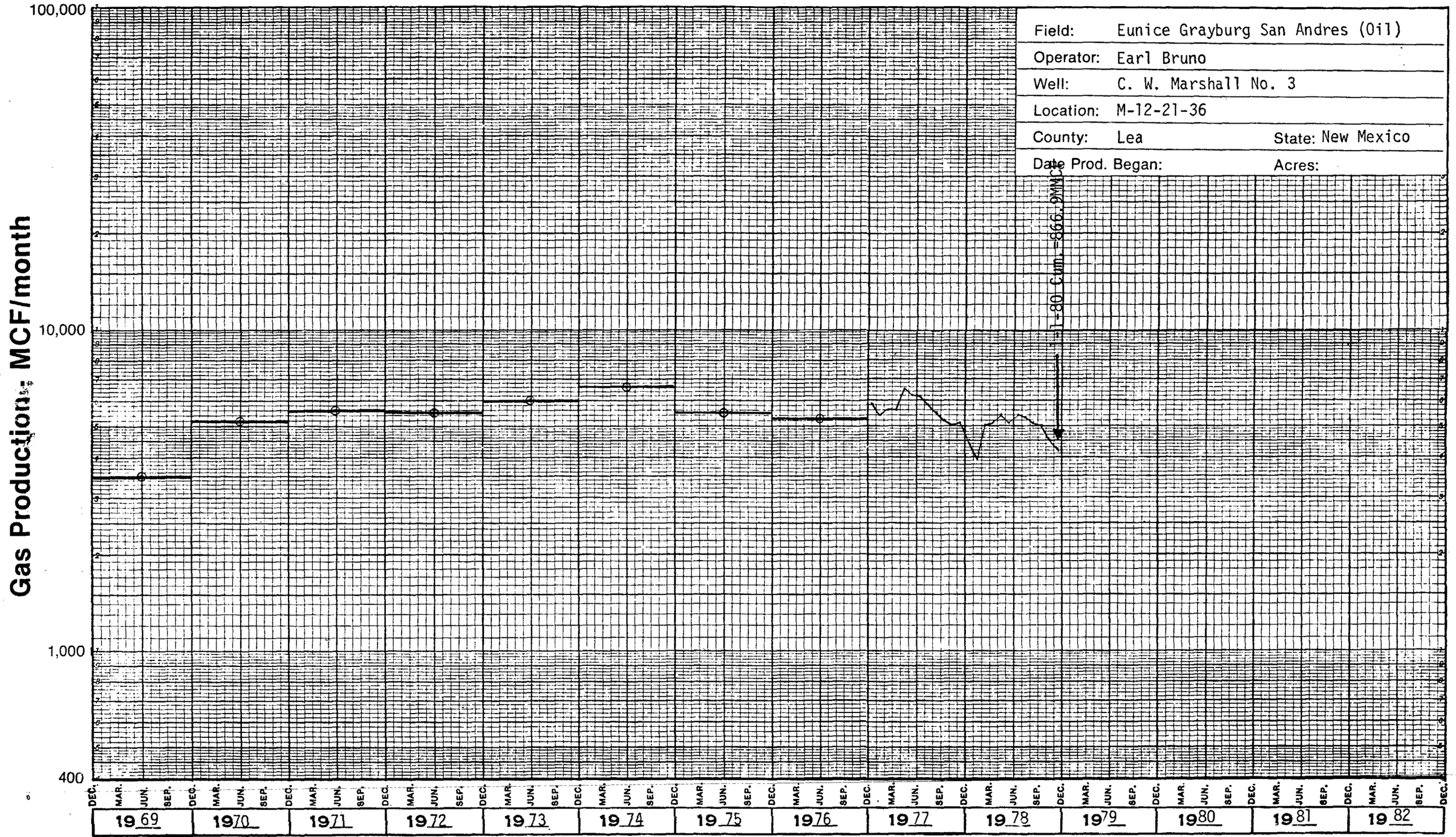
Jan.	5896	July	6116
Feb.	5476	Aug.	5865
March	5611	Sept.	5499
April	5666	Oct.	5272
May	6552	Nov.	5051
June	6213	Dec.	5121

19 78 Detail Summary

Jan.	4542	July	5453
Feb.	3946	Aug.	5376
March	5089	Sept.	5109
April	5191	Oct.	5044
May	5400	Nov.	4519
June	5105	Dec.	4271

Production (Y-T-D) 59045 MCF
Avg. Rate (Y-T-D) 4920 MCF/mo.
Days or Months (Y-T-D) 12 mos.

1-1-80 Cum: 866.9 MMCF



GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Texaxo Inc.
Well: Roy Riddel No. 1
Location: N-12-21-36

Pool: Eumont Gas
Spud Date: Original Completion Date:
Completion Interval (Gas):
Completion Date (Gas): First Production (Gas):
Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	37915	3160	2703.4	N/A	N/A	
19/8	12	42071	3506	2665.5	155.2	160	
1977	12	46315	3860	2623.4	163.2	165	
1976	12	46321	3860	2577.1	285.2	300	
1975	12	37399	3117	2530.8	186.2	195	
1974	12	60585	5049	2493.4	164.2	170	
1973	12	53884	4490	2432.8	190.5	200	
1972	12	72560	6047	2378.9	197.5	205	
1971	12	95247	7937	2306.4	204.2	210	
1970	12	114151	9513	2211.1	190.9	200	
1969	12	159862	13322	2096.9	205.7	210	
1968	12	227766	18980	1937.1	229.9	240	
1967	12	175979	14665	1709.3	284.2	300	
1966	11	109042	9913	1533.4	376.2	395	
1965	11	141756	12887	1424.3	376.2	395	
1964	12	130509	10876	1282.5	483.0	525	
1963	12	120835	10070	1152.0	522.0	570	
1962	12	103988	8666	1031.2	606.2	680	
1961	12	61556	5130	927.2	622	700	
1960	12	95935	7995	865.7	667	750	

19 78 Detail Summary

Jan.	3487	July	4066
Feb.	3265	Aug.	3786
March	3685	Sept.	3563
April	3558	Oct.	3513
May	3684	Nov.	3315
June	2749	Dec.	3400

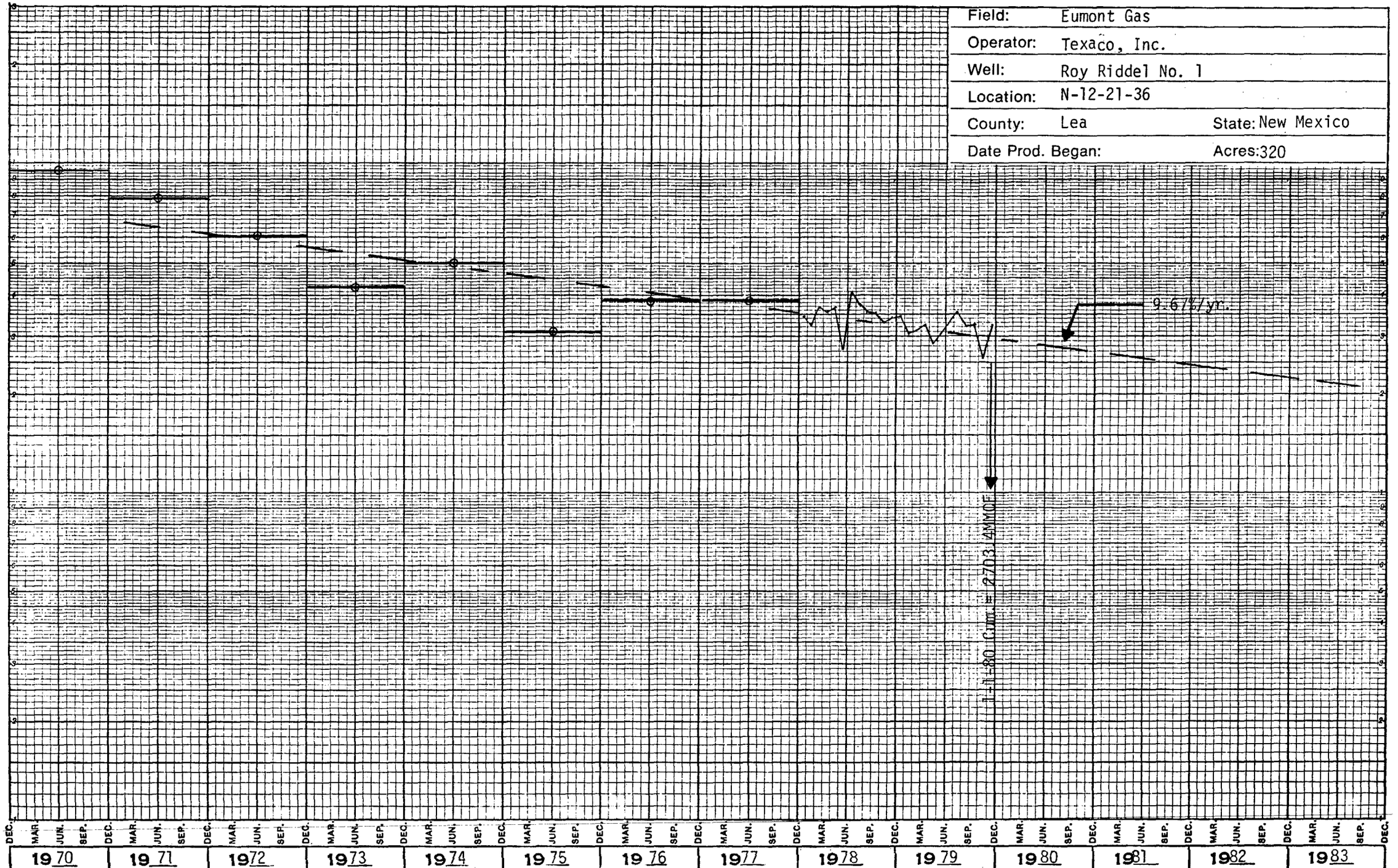
19 79 Detail Summary

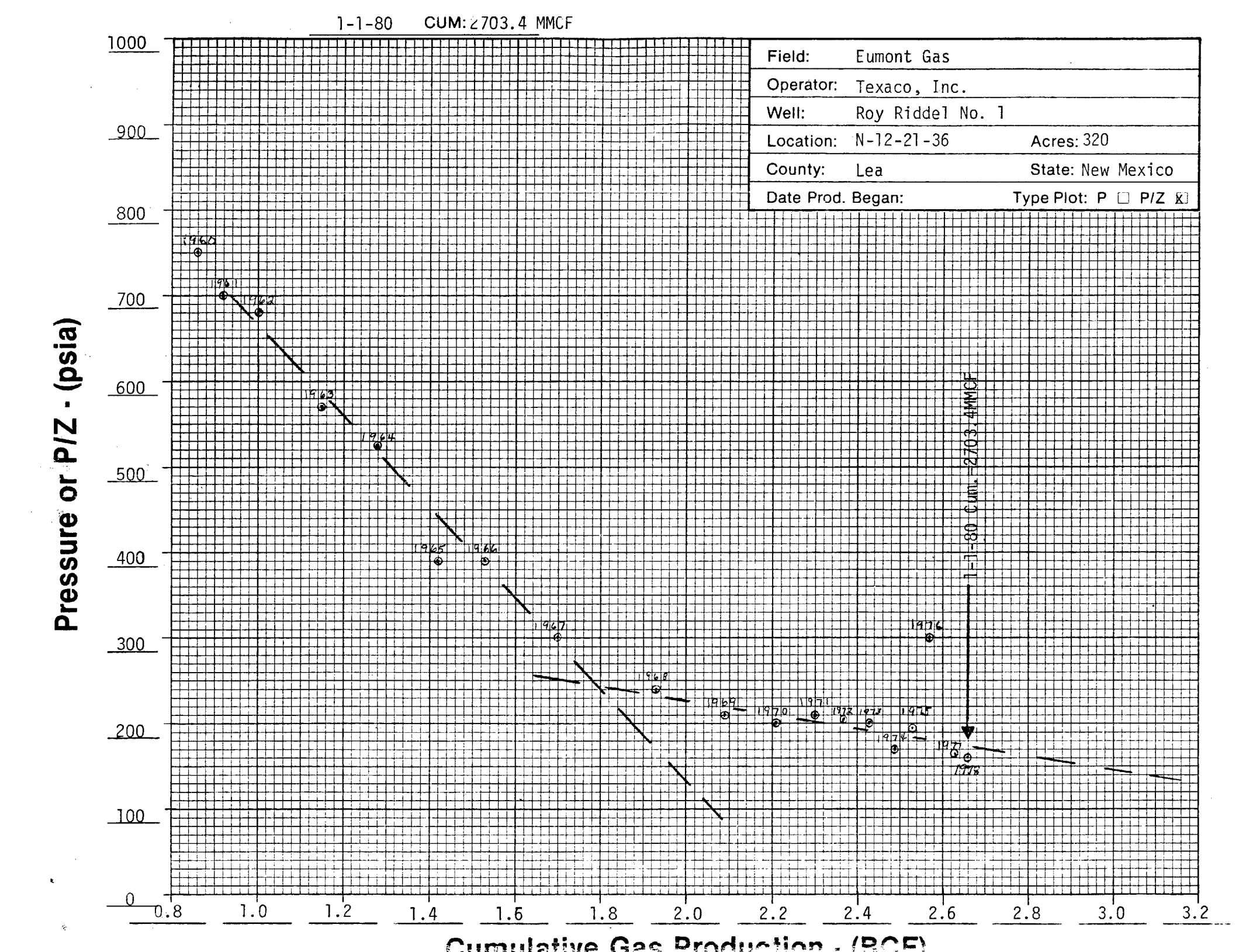
Jan.	3450	July	3321
Feb.	3070	Aug.	3553
March	3128	Sept.	3203
April	3242	Oct.	3262
May	2821	Nov.	2598
June	3019	Dec.	3248

Production (Y-T-D) 37915 MCF
Avg. Rate (Y-T-D) 3160 MCF/mo.
Days or Months (Y-T-D) 12 mos.

1-1-80 Cum. 2703.4 MMcf

Field:	Eumont Gas	
Operator:	Texaco, Inc.	
Well:	Roy Riddel No. 1	
Location:	N-12-21-36	
County:	Lea	State: New Mexico
Date Prod. Began:		Acres: 320




1-1-80 CUM: 2703.4 MMCF
Field: Eumont Gas
Operator: Texaco, Inc.
Well: Roy Riddel No. 1
Location: N-12-21-36 Acres: 320
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
1-1-80 Cum. = 2703.4MMCF
Pressure or P/Z - (psia)
Cumulative Gas Production - (BCF)
1000
900
800
700
600
500
400
300
200
100
0
0.8
1.0
1.2
1.4
1.6
1.8
2.0
2.2
2.4
2.6
2.8
3.0
3.2
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Continental Oil Co.

Well: Lockhart "B" No. 7

Location: D-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks: First Production 1-69.

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	85704	7142	1666.1	N/A	N/A	
1978	12	101642	8470	1580.4	148.2	150	
1977	12	118974	9914	1478.7	158.2	160	
1976	12	141878	11823	1359.8	166.2	170	
1975	12	157463	13122	1217.9	163.2	165	
1974	12	174547	14546	1060.4	195.2	200	
1973	12	207097	17258	885.9	207.2	210	
1972	12	243695	20308	678.8	214.2	220	
1971	12	283359	23613	435.1	245.2	255	
1970	12	135818	11318	151.7	331.2	350	
1969	12	15904	1325	15.9	413.2	445	

19 78 Detail Summary

Jan.	8871	July	8807
Feb.	8336	Aug.	7649
March	9386	Sept.	8037
April	8428	Oct.	7805
May	9550	Nov.	7309
June	8907	Dec.	8557

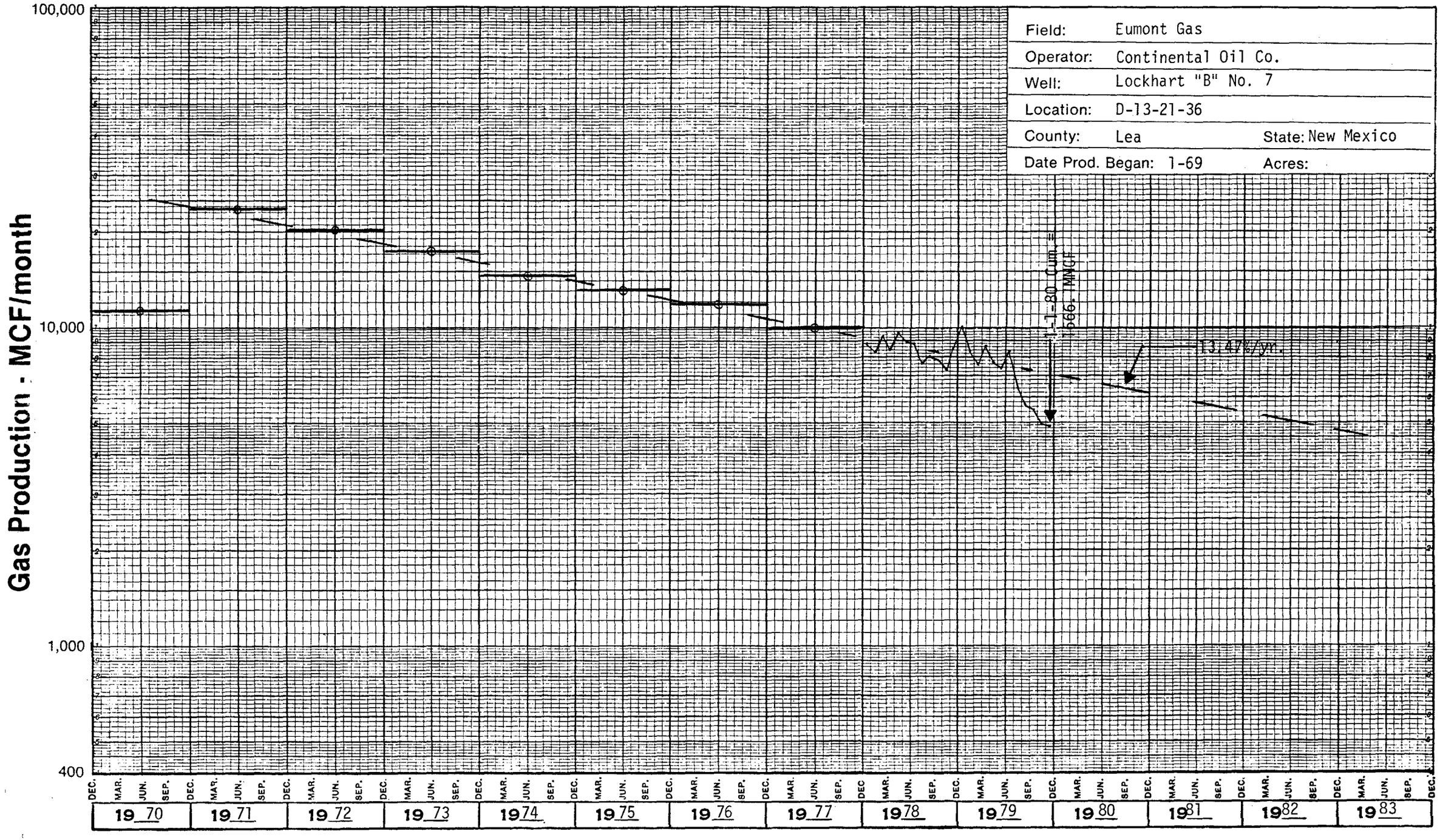
19 79 Detail Summary

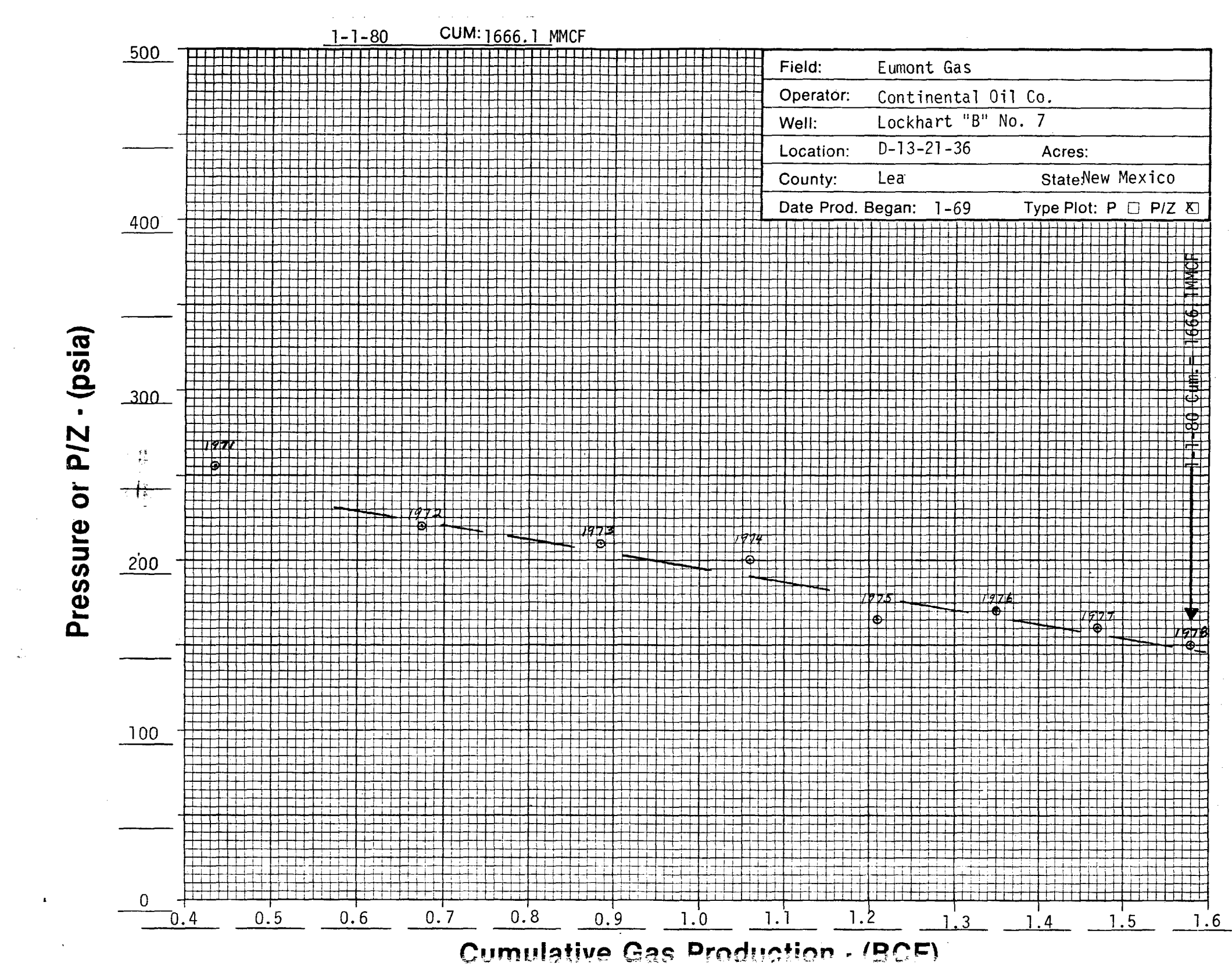
Jan.	10016	July	8310
Feb.	8341	Aug.	6468
March	7616	Sept.	5736
April	8697	Oct.	5511
May	7746	Nov.	4983
June	7402	Dec.	4878

Production (Y-T-D) 85704 MCF

Avg. Rate (Y-T-D) 7142 MCF/mo.

Days or Months (Y-T-D) 12 mos.


1-1-80 Cum: 1666.1 MMCF
100,000
10,000
1,000
400
Gas Production - MCF/month
Field: Eumont Gas
Operator: Continental Oil Co.
Well: Lockhart "B" No. 7
Location: D-13-21-36
County: Lea
State: New Mexico
Date Prod. Began: 1-69
Acres:
1-1-80 Cum. = 1666. MMCF
-13.47%/yr.
DEC. MAR. JUN. SEP.
19 70
19 71
19 72
19 73
19 74
19 75
19 76
19 77
19 78
19 79
19 80
19 81
19 82
19 83


1-1-80 CUM: 1666.1 MMCF
Field: Eumont Gas
Operator: Continental Oil Co.
Well: Lockhart "B" No. 7
Location: D-13-21-36 Acres:
County: Lea State New Mexico
Date Prod. Began: 1-69 Type Plot: P ☐ P/Z ☒
1-1-80 Cum. = 1666.1 MMCF
1971
1972
1973
1974
1975
1976
1977
1978
Pressure or P/Z - (psia)
500
400
300
200
100
0
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Getty

Well: R-M- Marshall

Location: G-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks: Well reported T & A 12-16-77.
Lease released by Getty 6-12-79.

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	9	399	44	374.5	N/A	N/A	
1978	12	795	66	374.1	73.2	75	
1977	12	3811	318	373.3	258.2	270	
1976	12	4893	408	369.5	253.2	265	
1975	12	5324	444	364.6	283.2	295	
1974	12	6211	518	359.3	319.2	340	
1973	12	7759	647	353.1	294.2	310	
1972	12	9125	760	345.3	333.2	350	
1971	12	12527	1044	336.2	358.2	380	
1970	12	18015	1501	323.7	365.2	390	
1969	12	17897	1491	305.7	384.2	400	
1968	12	18281	1523	287.8	413.2	450	
1967	12	25946	2162	269.5	436.2	470	
1966	12	30570	2547	243.5	452.2	480	
1965	12	48941	4078	212.9	464.2	500	
1964	12	74132	6178	164.0	486.2	525	
1963	12	89903	7492	89.9	529.2	595	

19 78 Detail Summary

Jan.	92	July	46
Feb.	74	Aug.	32
March	83	Sept.	55
April	76	Oct.	69
May	80	Nov.	72
June	34	Dec.	82

19 79 Detail Summary

Jan.	75	July	55
Feb.	82	Aug.	23
March	96	Sept.	21
April	0	Oct.	5
May	0	Nov.	14
June	0	Dec.	28

Production (Y-T-D) 399 MCF

Days or Months (Y-T-D) 9 Mos.

Avg. Rate (Y-T-D) 44 MCF/mo.

Field:	Eumont Gas
Operator:	Getty
Well:	R. M. Marshall
Location:	G-13-21-36
County:	Lea — State: New Mexico
Date Prod. Began:	Acres: 160

Gas Production - MCF/month

10000

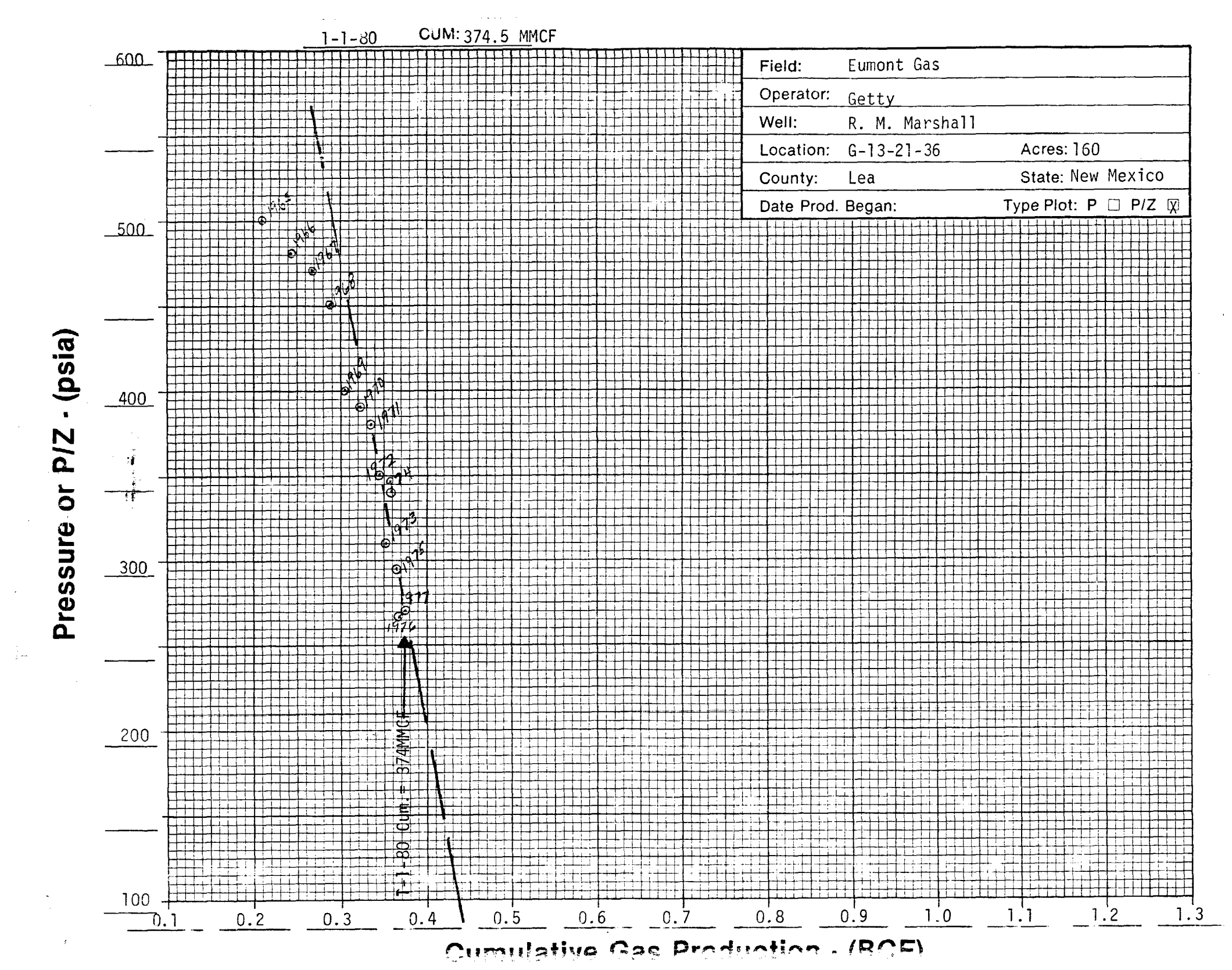
1000

100

16.21%/yr.

DEC. MAR. JUN. SEP.

19 70 | 19 71 | 19 72 | 19 73 | 19 74 | 19 75 | 19 76 | 19 77 | 19 78 | 19 79 | 19 80 | 19 81 | 19 82 | 19 83


1-1-80 CUM: 374.5 MMCF
Field: Eumont Gas
Operator: Getty
Well: R. M. Marshall
Location: G-13-21-36 Acres: 160
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
Pressure or P/Z - (psia)
600
500
400
300
200
100
0.1
0.2
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
T-1-80 Cum. = 374MMCF

GAS PRODUCTION HISTORY

Date 3-5-80

Operator: Tidewater

Well: R. M. Marshall #2

Location: H-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks: P & A 1967.
Last Production January, 1962.

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1962	1	318	318	539.0	N/A	N/A	
1961	12	3221	268	538.7	N/A	N/A	
1960	12	4420	368	535.5	N/A	N/A	
1959	12	7922	660	531.0	507	550	
1958	12	35182	2932	523.1	468	500	
1957	12	78385	6532	487.9	573	630	
1956	12	122660	10222	409.5	774	895	
1955	12	119742	9978	286.9	835	975	
1954	12	123284	10274	167.1	895	1060	
1953	8	43868	5483	43.9	N/A	N/A	

19 61 Detail Summary

Jan.	344	July	185
Feb.	946	Aug.	323
March	703	Sept.	154
April	63	Oct.	100
May	8	Nov.	139
June	61	Dec.	195

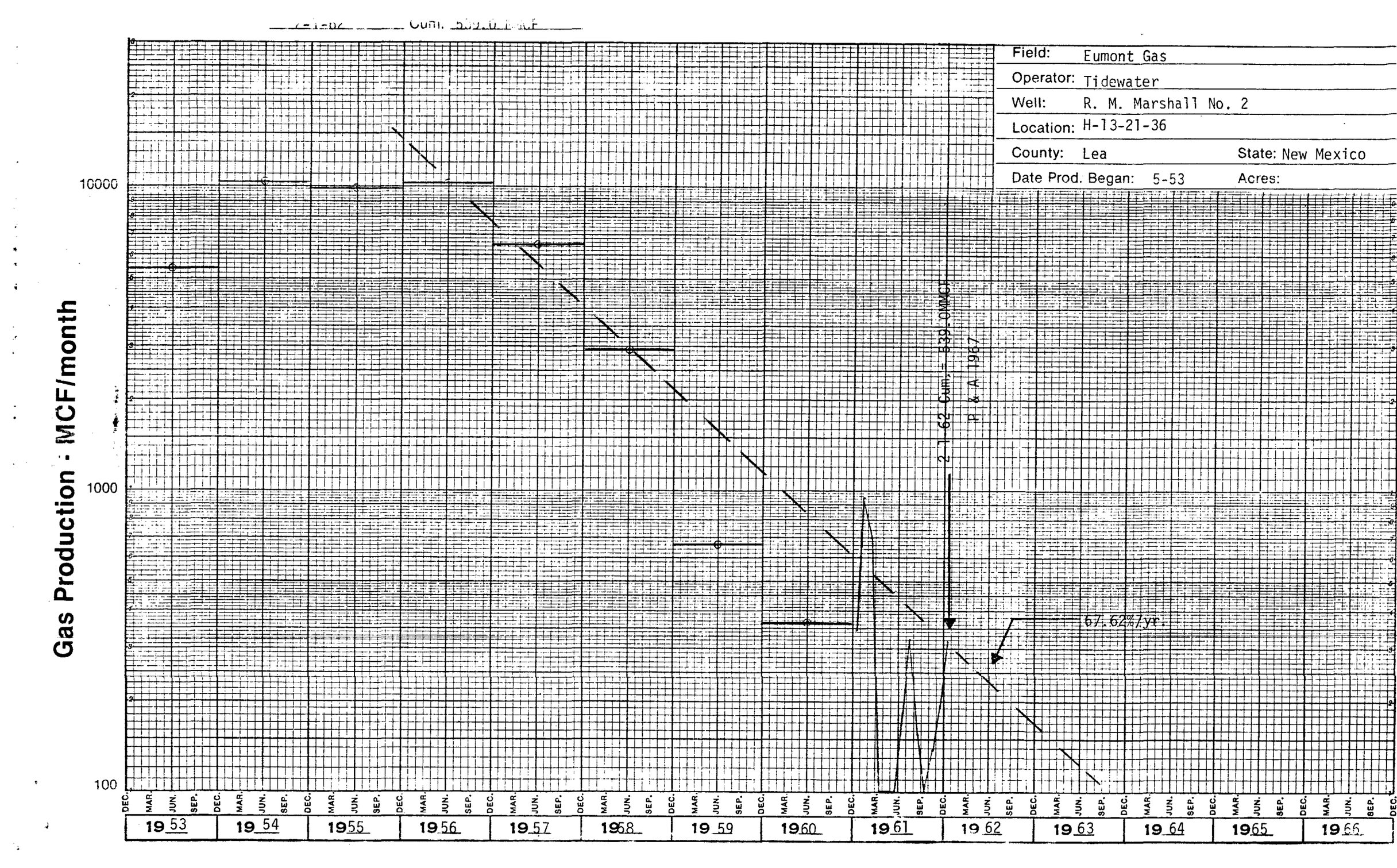
19 62 Detail Summary

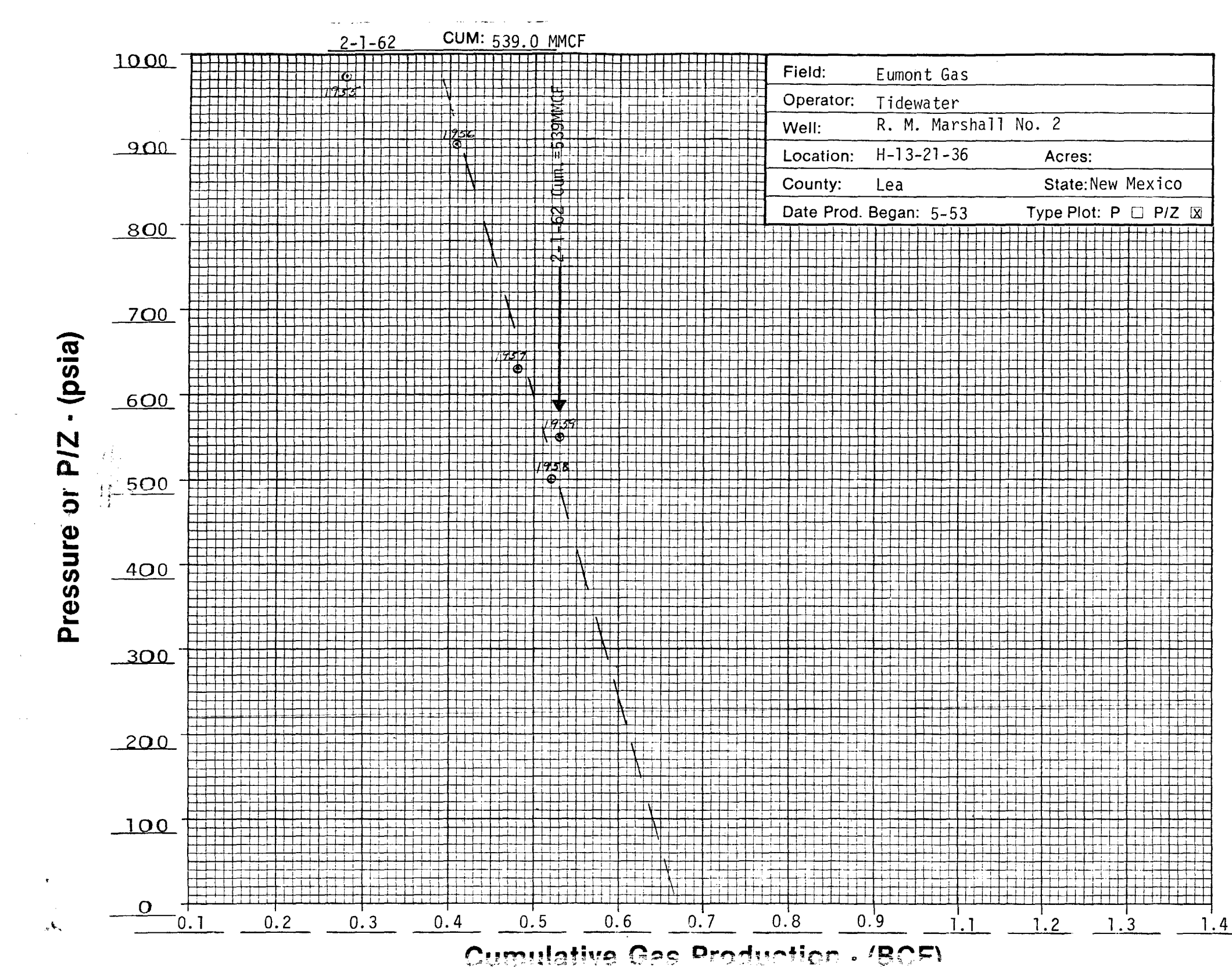
Jan.	318	July	0
Feb.	0	Aug.	0
March	0	Sept.	0
April	0	Oct.	0
May	0	Nov.	0
June	0	Dec.	0

Production (Y-T-D) 318 MCF

Days or Months (Y-T-D) 1 mo.

Avg. Rate (Y-T-D) 318 MCF/mo.


Field: Eumont Gas
Operator: Tidewater
Well: R. M. Marshall No. 2
Location: H-13-21-36
County: Lea
State: New Mexico
Date Prod. Began: 5-53
Acres:
Gas Production - MCF/month
10000
1000
100
2-1-62 Cum. = 839.0MMCF
P & A 1967
67.62%/yr.
DEC. MAR. JUN. SEP.
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966


2-1-62
CUM: 539.0 MMCF
1953
1956
1957
1959
1958
2-1-62 Cum = 539MMCF
Field: Eumont Gas
Operator: Tidewater
Well: R. M. Marshall No. 2
Location: H-13-21-36
Acres:
County: Lea
State: New Mexico
Date Prod. Began: 5-53
Type Plot: P ☐ P/Z ☒
Pressure or P/Z - (psia)
1000
900
800
700
600
500
400
300
200
100
0
0.1
0.2
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.1
1.2
1.3
1.4
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Penrose Production Company

Well: Marshall # 1

Location: I-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	11	18079	1644	1857.3	N/A	N/A	
1978	12	23093	1924	1839.2	203.2	210	
1977	12	25145	2095	1816.1	203.2	210	
1976	12	28991	2416	1790.9	196.2	205	
1975	12	35784	2982	1761.9	198.2	205	
1974	12	38195	3183	1726.2	N/A	N/A	
1973	12	53236	4436	1688.0	181.2	185	
1972	12	75524	6294	1634.8	171.2	175	
1971	12	69123	5760	1559.2	203.2	210	
1970	12	83153	6929	1490.1	302.2	320	
1969	12	91727	7644	1406.9	227.2	245	
1968	12	110261	9188	1315.2	291.2	305	
1967	12	66386	5532	1205.0	317.2	335	
1966	12	75663	6305	1138.6	N/A	N/A	
1965	12	68931	5744	1062.9	343.2	365	
1964	12	51354	4279	994.0	354.2	380	
1963	12	79144	6595	942.6	361.2	375	
1962	12	78573	6548	863.5	419.2	450	
1961	12	66965	5580	784.9	N/A	N/A	
1960	12	87155	7263	717.9	N/A	N/A	

1978 Detail Summary

Jan.	1849	July	2069
Feb.	1665	Aug.	2039
March	2012	Sept.	1942
April	2012	Oct.	1874
May	2128	Nov.	1711
June	2064	Dec.	1728

1979 Detail Summary

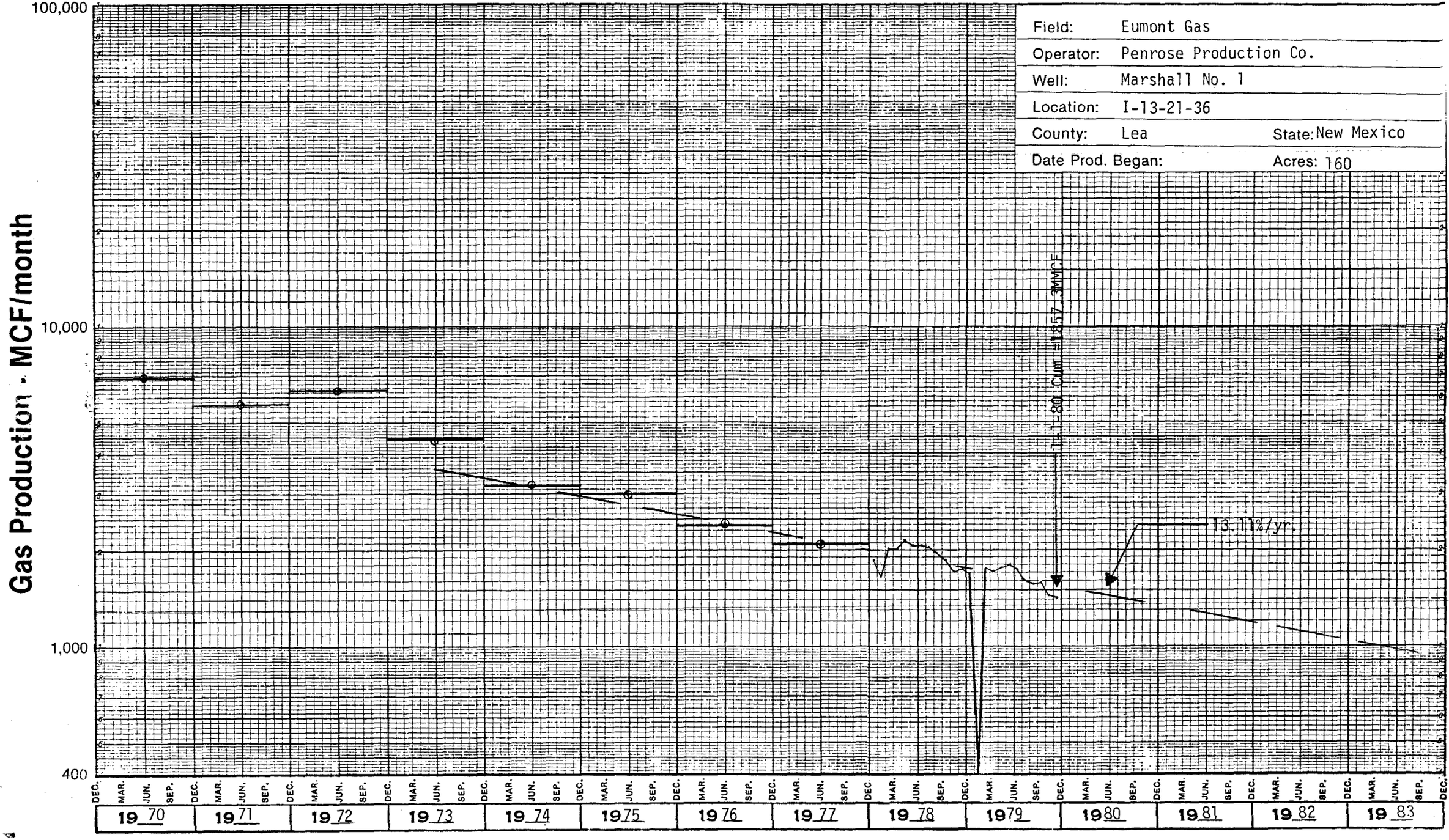
Jan.	1694	July	1727
Feb.	0	Aug.	1607
March	1756	Sept.	1574
April	1714	Oct.	1588
May	1766	Nov.	1442
June	1800	Dec.	1411

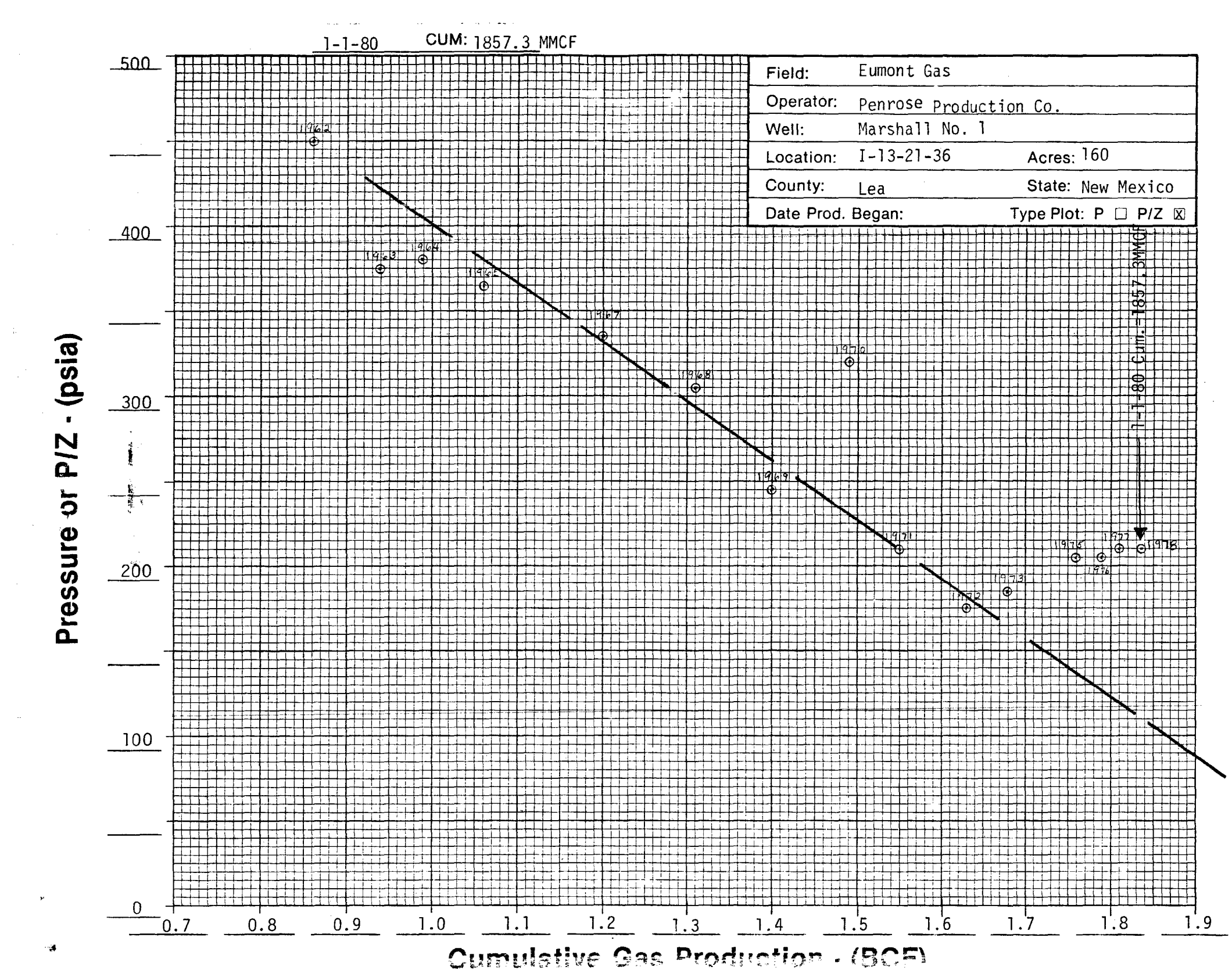
Production (Y-T-D) 18079 MCF

Days or Months (Y-T-D) 11 Mos.

Avg. Rate (Y-T-D) 1644 MCF/mo.

1-1-80 Cum: 1857.3 MMCF




1-1-80 CUM: 1857.3 MMCF
Field: Eumont Gas
Operator: Penrose Production Co.
Well: Marshall No. 1
Location: I-13-21-36 Acres: 160
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
1-1-80 Cum.=1857.3MMCF
Pressure or P/Z - (psia)
500
400
300
200
100
0
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6
1.7
1.8
1.9
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Gulf

Well: Harry Leonard NCT "J" No. 1

Location: G-24-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	26130	2177	2313.2	N/A	N/A	
1978	12	28339	2362	2287.1	N/A	N/A	
1977	12	32700	2725	2258.7	203.2	205	
1976	12	40266	3355	2226.1	232.2	240	
1975	12	48843	4070	2185.8	231.2	240	
1974	12	51186	4265	2136.9	231.2	240	
1973	12	62756	5230	2085.7	231.2	240	
1972	12	75907	6326	2023.0	205.2	210	
1971	12	79090	6591	1947.1	243.2	255	
1970	12	86236	7186	1868.0	249.2	260	
1969	12	94806	7900	1781.8	284.2	295	
1968	12	100612	8384	1686.9	294.2	310	
1967	12	114975	9581	1586.3	320.2	340	
1966	12	134427	11202	1471.4	339.2	360	
1965	12	164607	13717	1337.0	370.2	395	
1964	11	187042	17004	1172.3	501.2	545	
1963	12	55899	4658	985.3	683.2	775	
1962	12	72959	6080	929.4	678.2	770	
1961	12	106880	8907	856.4	N/A	N/A	
1960	12	137951	11496	749.6	N/A	N/A	

19 78 Detail Summary

Jan.	1924	July	2124
Feb.	1550	Aug.	2035
March	1528	Sept.	3300
April	1363	Oct.	3230
May	2171	Nov.	1548
June	4011	Dec.	3555

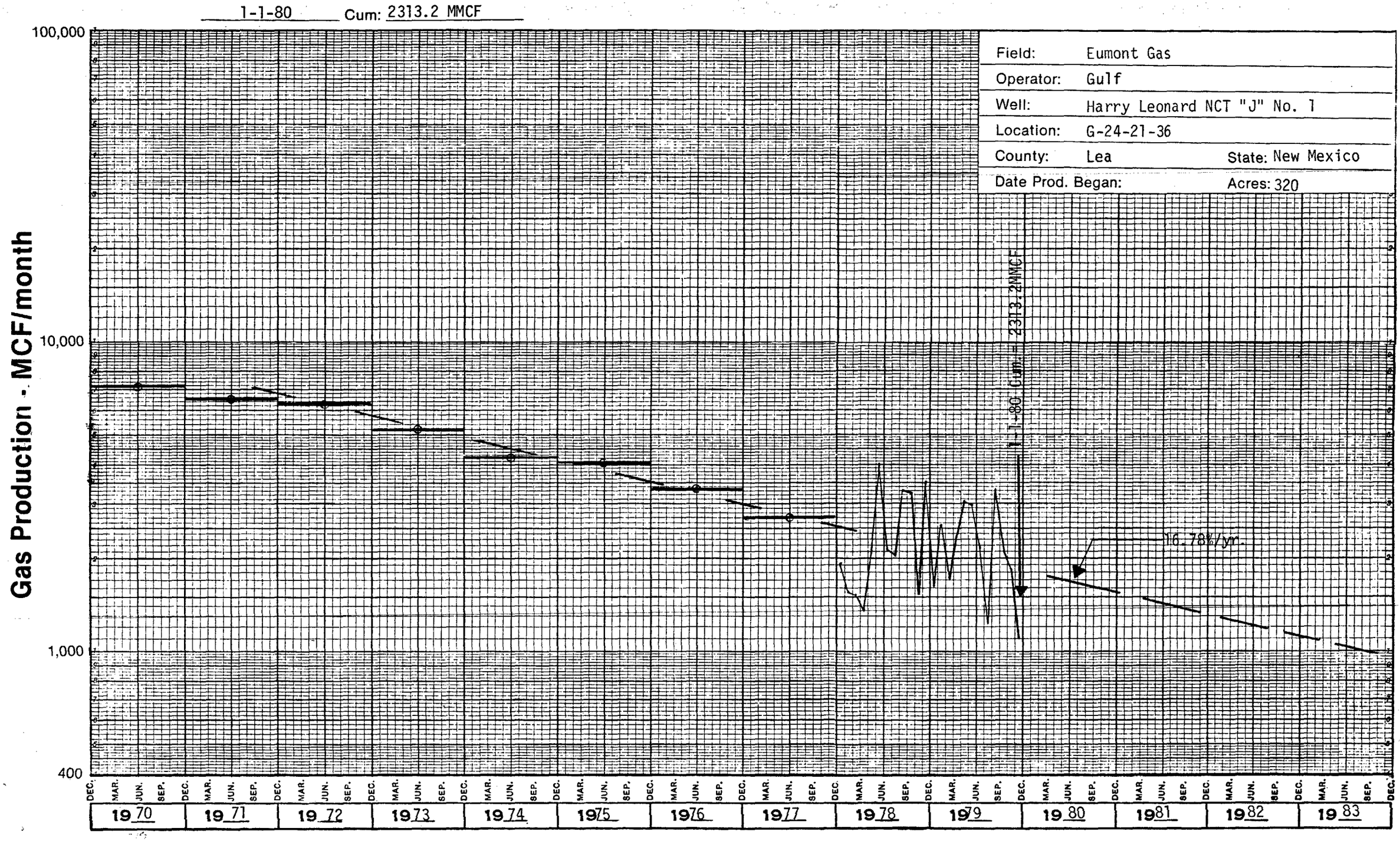
19 79 Detail Summary

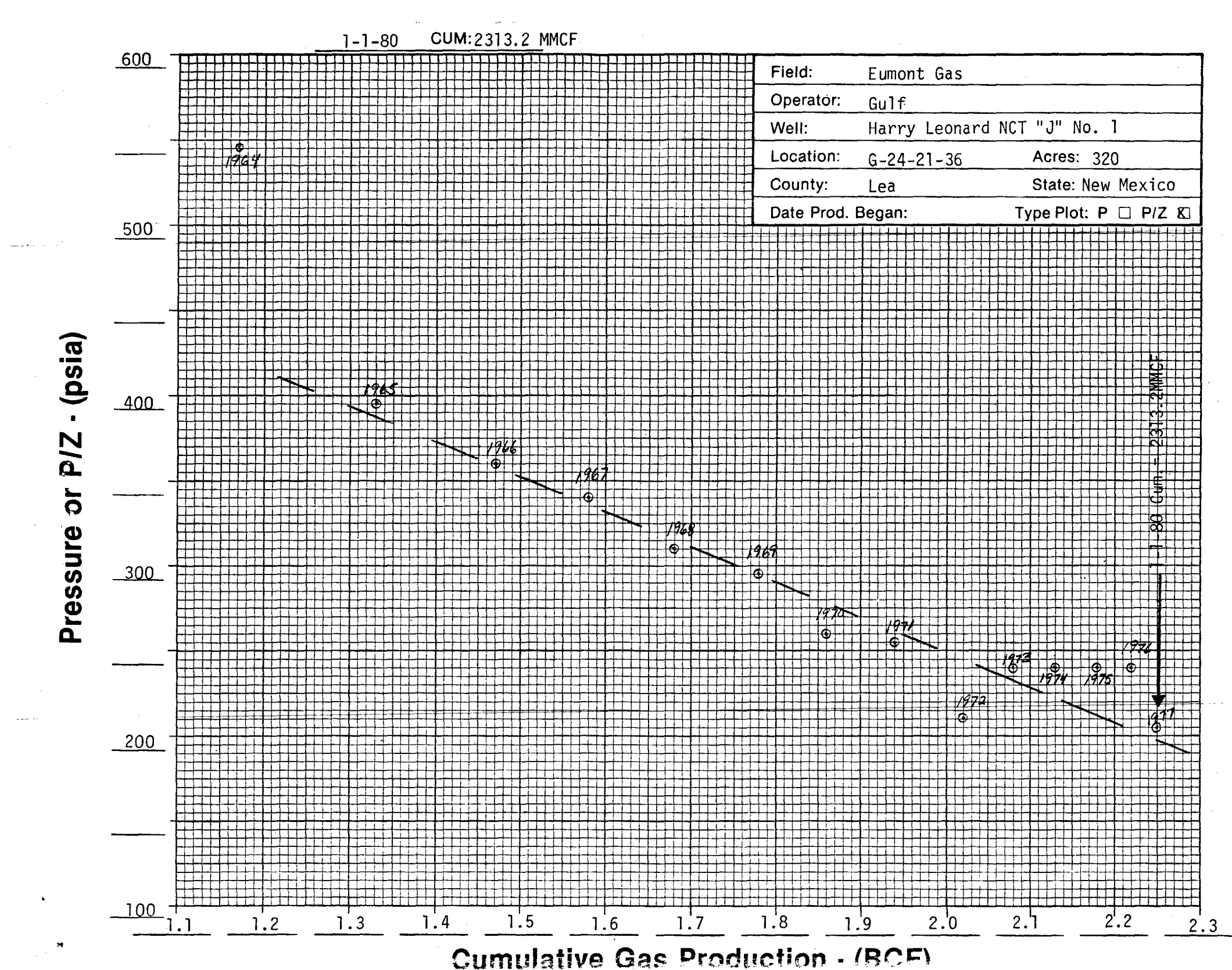
Jan.	1632	July	2173
Feb.	2548	Aug.	1246
March	1731	Sept.	3324
April	2347	Oct.	2101
May	3076	Nov.	1842
June	2997	Dec.	1113

Production (Y-T-D) 26130 MCF

Days or Months (Y-T-D) 12 mos.

Avg. Rate (Y-T-D) 2177 MCF/mo.


1-1-80 Cum: 2313.2 MMCF
Field: Eumont Gas
Operator: Gulf
Well: Harry Leonard NCT "J" No. 1
Location: G-24-21-36
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 320
Gas Production - MCF/month
100,000
10,000
1,000
400
1-1-80 Cum. = 2313.2MMCF
16.78%/yr.
DEC. MAR. JUN. SEP.
1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983


1-1-80 CUM:2313.2 MMCF
Field: Eumont Gas
Operator: Gulf
Well: Harry Leonard NCT "J" No. 1
Location: G-24-21-36 Acres: 320
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1-1-80 Cum = 2313.2MMCF
600
500
400
300
200
100
1.1
1.2
1.3
1.4
1.5
1.6
1.7
1.8
1.9
2.0
2.1
2.2
2.3
Pressure or P/Z - (psia)
Cumulative Gas Production - (BCF)

GAS PRODUCTION HISTORY

Date 3-5-80

Operator: Getty Oil Co.

Well: State AF Com. #1

Location: C-18-21-37

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	6290	524	704.8	N/A	N/A	
1978	12	12819	1068	698.5	198.2	210	
1977	12	14432	1203	685.7	213.2	220	
1976	12	13657	1138	671.3	225.2	230	
1975	12	13502	1125	657.6	222.2	230	
1974	12	14867	1239	644.1	237.2	250	
1973	12	14495	1208	629.3	221.2	225	
1972	12	16756	1396	614.8	250.2	260	
1971	12	16317	1360	598.0	250.2	260	
1970	12	15514	1293	581.7	260.2	270	
1969	12	18789	1566	566.2	272.2	285	
1968	12	19865	1655	547.4	287.2	300	
1967	12	20868	1739	527.5	309.2	330	
1966	12	21160	1763	506.7	326.2	345	
1965	12	24040	2003	485.5	343.2	365	
1964	12	35732	2978	461.5	349.2	370	
1963	11	53641	4876	425.7	412.2	440	
1962	12	51127	4261	372.1	N/A	N/A	
1961	9	50229	5581	320.9	N/A	N/A	
1960	3	3388	1129	270.7	N/A	N/A	

19 78 Detail Summary

Jan.	1127	July	913
Feb.	949	Aug.	1295
March	1325	Sept.	1145
April	1223	Oct.	1152
May	1126	Nov.	774
June	863	Dec.	927

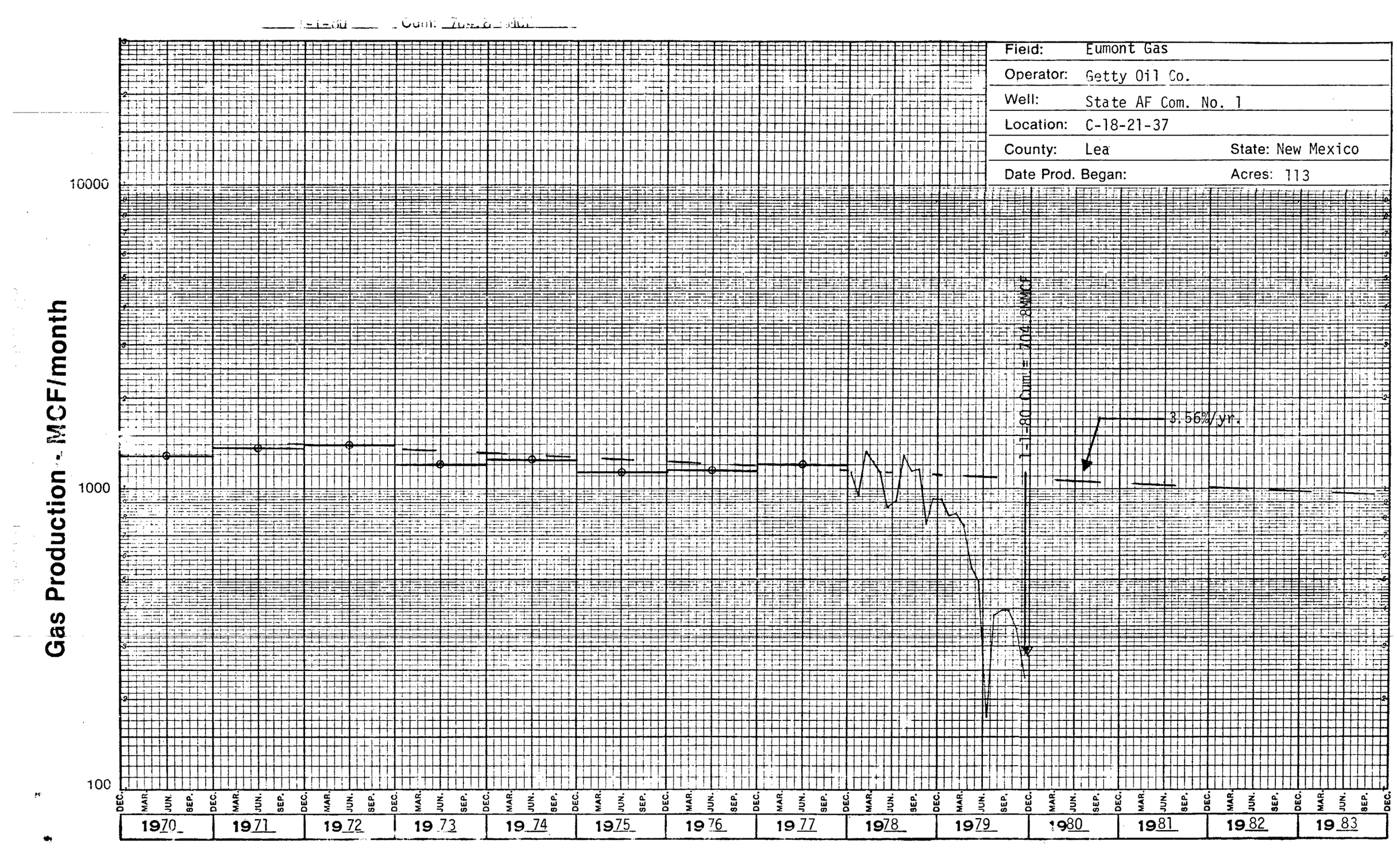
19 79 Detail Summary

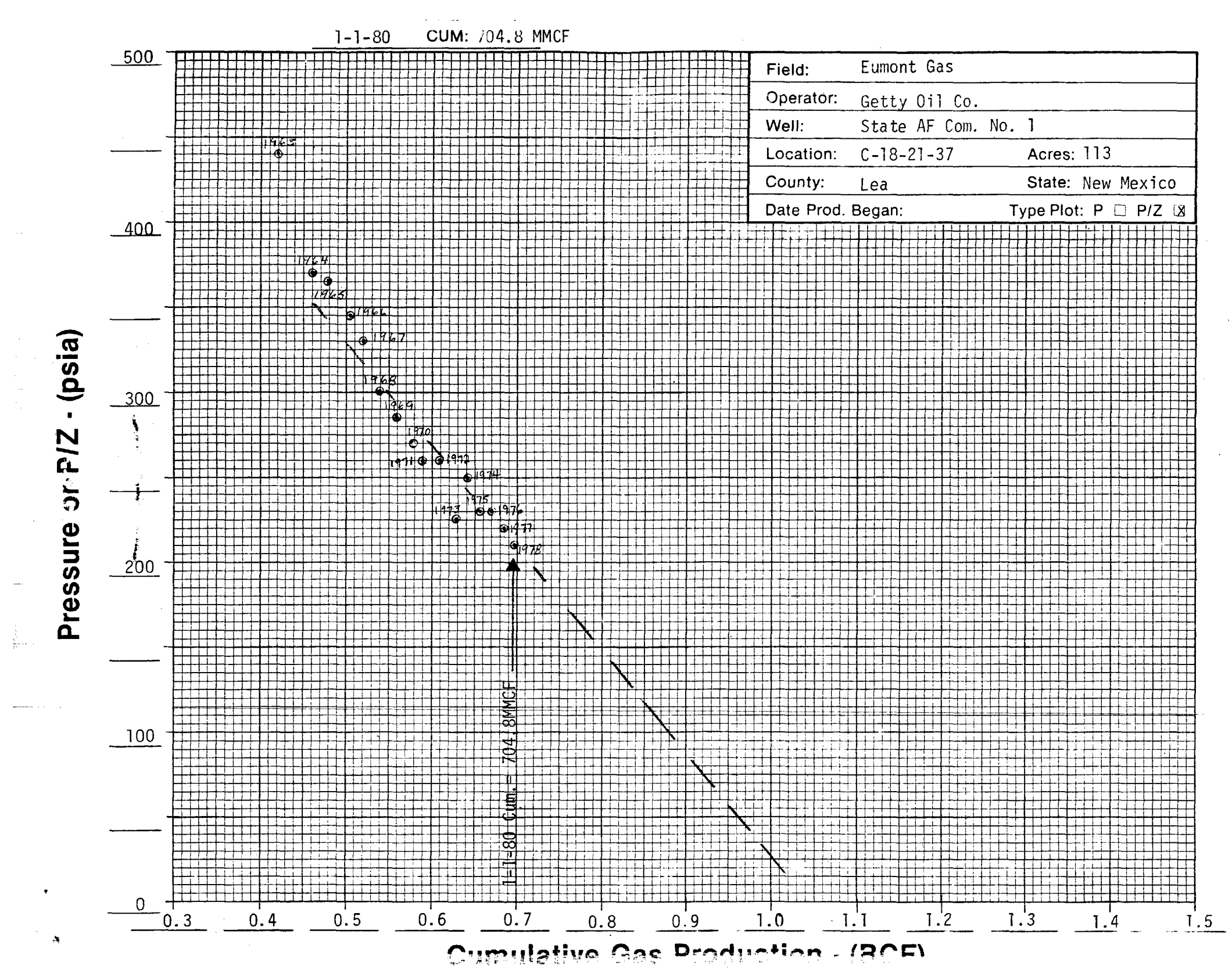
Jan.	924	July	176
Feb.	819	Aug.	380
March	824	Sept.	395
April	758	Oct.	394
May	548	Nov.	343
June	491	Dec.	238

Production (Y-T-D) 6290 MCF

Days or Months (Y-T-D) 12 mos.

Avg. Rate (Y-T-D) 524 MCF/mo.


Field: Eumont Gas
Operator: Getty Oil Co.
Well: State AF Com. No. 1
Location: C-18-21-37
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 113
Gas Production - MCF/month
10000
1000
100
1-1-80 Cum = 704.8MMCF
3.56%/yr.
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983


1-1-80 CUM: 704.8 MMCF
Field: Eumont Gas
Operator: Getty Oil Co.
Well: State AF Com. No. 1
Location: C-18-21-37 Acres: 113
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
Pressure or P/Z - (psia)
Cumulative Gas Production - (BCF)
1-1-80 Cum. = 704.8MMCF
500
400
300
200
100
0
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1964
1965
1966
1967
1968
1969
1970
1971
1972
1974
1975
1973
1976
1977
1978

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Sohio Petroleum Company

Well: Alves #2

Location: G-18-21-37

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

Completion Date (Gas): First Production (Gas):

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/Mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	15227	1269	1358.8	N/A	N/A	
1978	11	14685	1335	1343.6	150.2	155	
1977	12	16269	1356	1328.9	166.2	170	
1976	12	18461	1538	1312.6	191.2	195	
1975	12	5871	489	1294.2	207.2	210	
1974	12	14186	1182	1288.3	190.2	195	
1973	12	7734	644	1274.1	184.2	190	
1972	12	7158	596	1266.4	170.2	175	
1971	12	14754	1229	1259.2	175.9	180	
1970	12	23790	1982	1244.5	231.5	240	
1969	12	31687	2641	1220.7	218.4	230	
1968	12	37876	3156	1189.0	229.5	240	
1967	12	45119	3760	1151.1	246.9	255	
1966	12	49200	4100	1106.0	258.4	270	
1965	12	49611	4134	1056.8	268.2	280	
1964	12	53298	4441	1007.2	N/A	N/A	
1963	12	66170	5514	953.9	N/A	N/A	
1962	12	72920	6077	887.7	317.2	335	
1961	12	249952	20829	814.8	388.	420	

19 78 Detail Summary

Jan.	1240	July	-0-
Feb.	1144	Aug.	1433
March	1206	Sept.	1386
April	1341	Oct.	1390
May	1445	Nov.	1338
June	1375	Dec.	1387

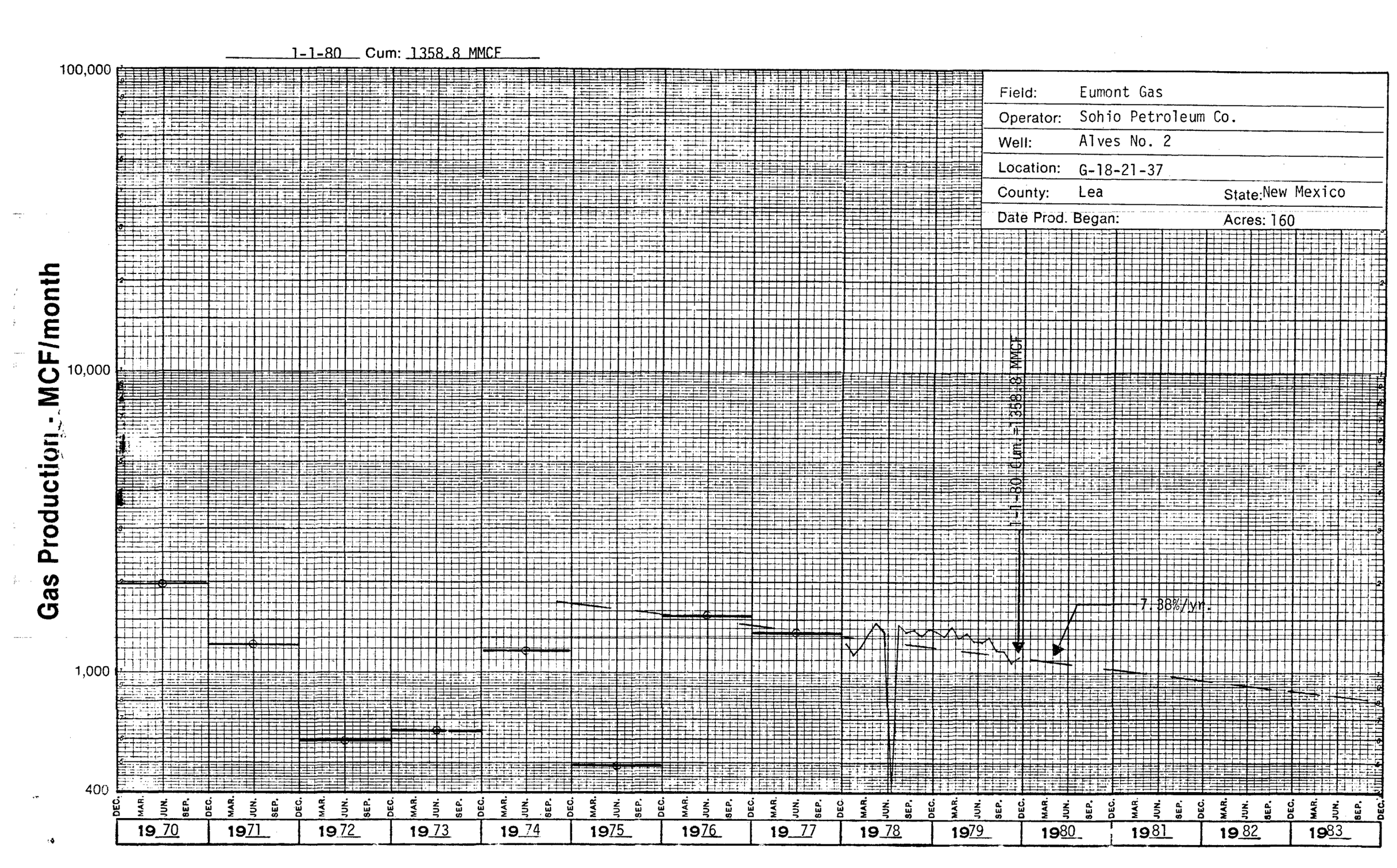
19 79 Detail Summary

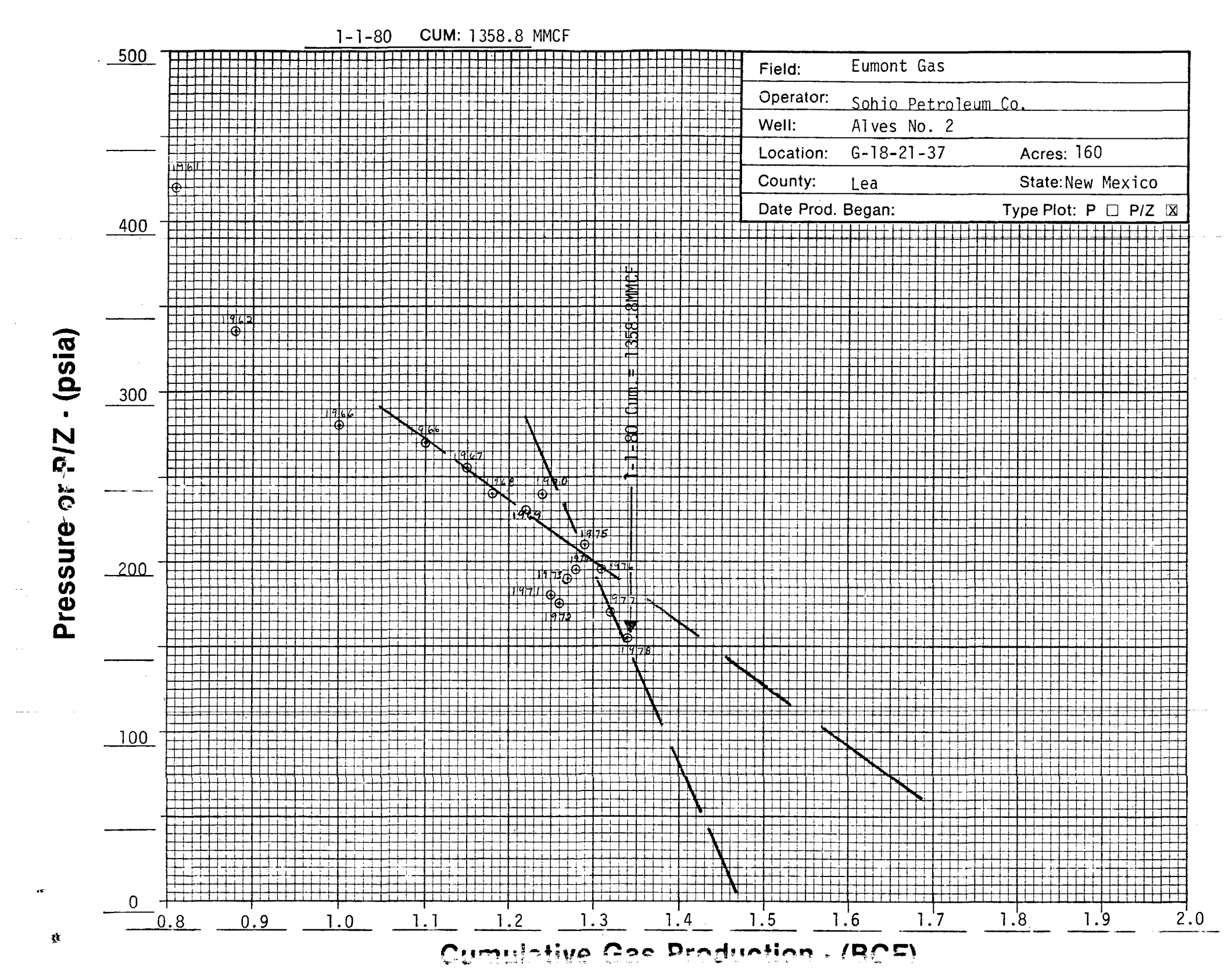
Jan.	1373	July	1269
Feb.	1322	Aug.	1318
March	1412	Sept.	1198
April	1301	Oct.	1185
May	1346	Nov.	1093
June	1288	Dec.	1122

Production (Y-T-D) 15227 MCF

Days or Months (Y-T-D) 12 Months

Avg. Rate (Y-T-D) 1269 MCF/mo.


1-1-80 Cum: 1358.8 MMCF
Field: Eumont Gas
Operator: Sohio Petroleum Co.
Well: Alves No. 2
Location: G-18-21-37
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 160
Gas Production - MCF/month
100,000
10,000
1,000
400
1-1-80 Cum. = 1358.8 MMCF
7.38%/yr.
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983


1-1-80 CUM: 1358.8 MMCF
Field: Eumont Gas
Operator: Sohio Petroleum Co.
Well: Alves No. 2
Location: G-18-21-37 Acres: 160
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒
1-1-80 Cum. = 1358.8MMCF
Pressure or P/Z - (psia)
Cumulative Gas Production - (BCF)
500
400
300
200
100
0
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6
1.7
1.8
1.9
2.0
1961
1963
1966
1966
1967
1968
1969
1970
1975
1976
1973
1971
1972
1977
1978

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case 6846

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the N/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the N/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the N/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By William F. Carr

William F. Carr
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

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NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease: STATE [ ] FEE [X]

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work

b. Type of Well: DRILL [X] DEEPEN [ ] PLUG BACK [ ]
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

2. Name of Operator: Doyle Hartman

9. Well No.: 1

3. Address of Operator: P. O. Box 10426, Midland, Texas 79702

10. Field and Pool, or Wildcat: Eumont

4. Location of Well: UNIT LETTER B LOCATED 330 FEET FROM THE North LINE AND 1980 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

12. County: Lea

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
4200	Grayburg	Rotary

21. Elev. (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3527 G.L.	Multi-well Approved	Kenai	April 20, 1980

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 7
CASE NO. 6846

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Larry A. Mennyn Title Engineer Date April 7, 1980

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Doyle Hartman	Gutman	1

Unit Letter	Section	Township	Range	County
B	13	21 South	36 East	Lea

Actual Footage Location of Well:
330 feet from the North line and 1980 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3526.9	Grayburg	Eumont	80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

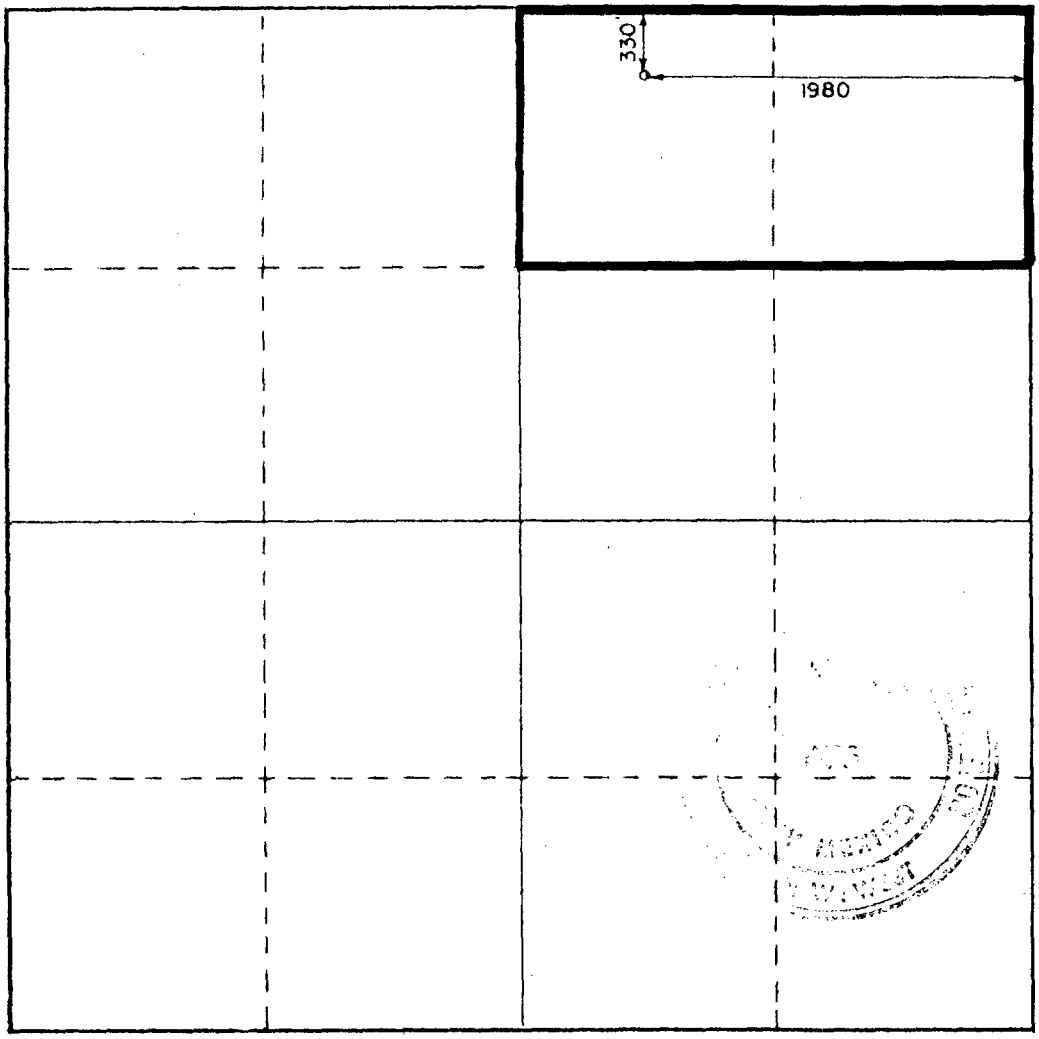
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in ~~N/2 NE/4 Section 13 set for~~ hearing on 4-9-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry A. Nermyr

Name: Larry Nermyr

Position: Engineer

Company: Doyle Hartman

Date: April 7, 1980

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: 4-3-1980

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

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NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease: STATE [ ] FEE [X]

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work

b. Type of Well: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

2. Name of Operator: Doyle Hartman

9. Well No.: 2

3. Address of Operator: P. O. Box 10426, Midland, Texas 79702

10. Field and Pool, or Wildcat: Eumont

4. Location of Well: UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE AND 1980 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

12. County: Lea

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
4200	Grayburg	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3535 G. L.	Multi-well Approved	Kenai	4-20-80

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Larry A. Mowry Title Engineer Date April 7, 1980

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Doyle Hartman	Gutman	2

Unit Letter	Section	Township	Range	County
G	13	21 South	36 East	Lea

Actual Footage Location of Well:
1650 feet from the North line and 1980 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3534.7	Grayburg	Eumont	80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

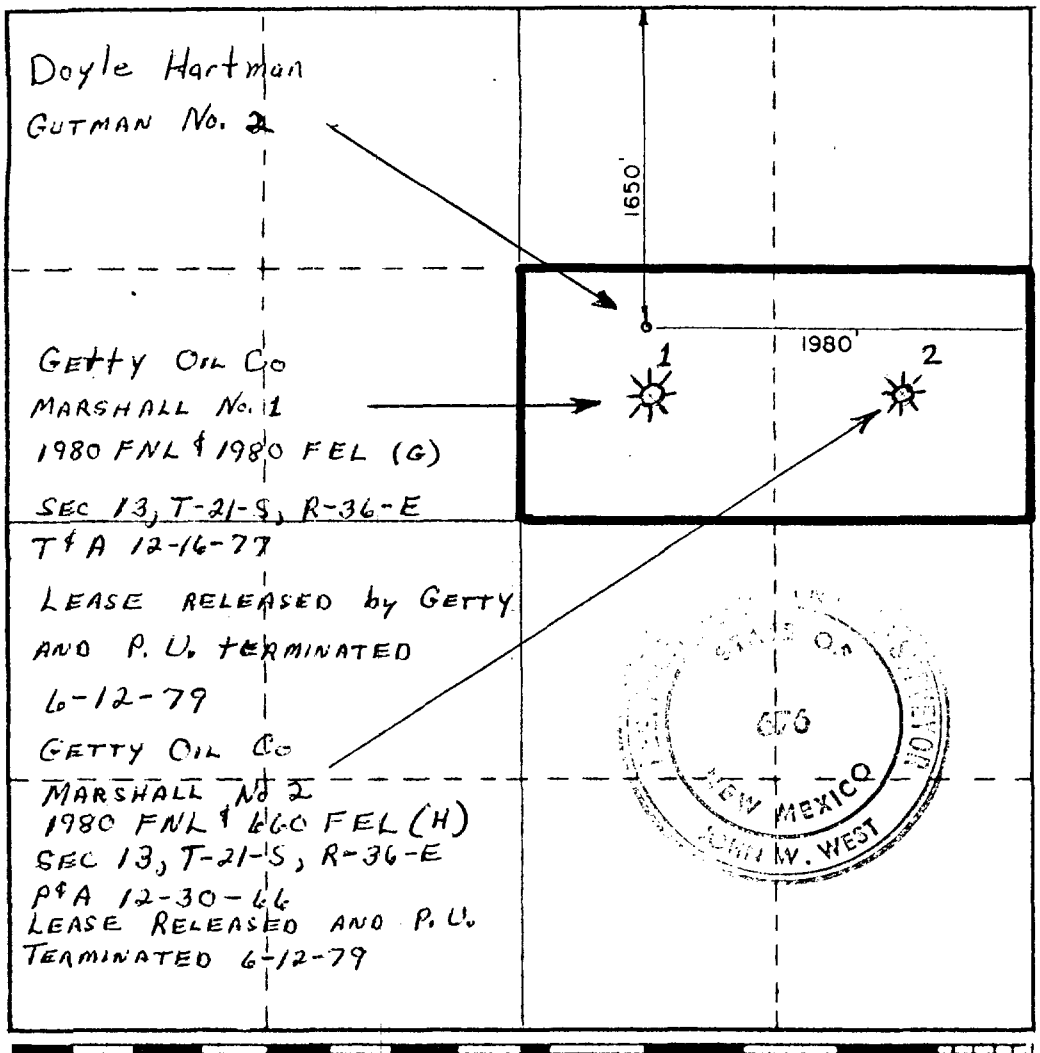
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc? Compulsory Pooling Application consolidating all interest in S/2 NE/4 Section 13

☐ Yes ☐ No If answer is "yes," type of consolidation set for hearing on 4-9-80

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry A. Nermyr

Name: Larry Nermyr

Position: Engineer

Company: Doyle Hartman

Date: April 7, 1980

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: 4-3-1980

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

COTTON, BLEDSOE, TIGHE, MORROW & DAWSON
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
SUITE 2000 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701
TELEPHONE (915) 684-5782
P. O. BOX 2776 ZIP 79702

March 4, 1980

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 8
CASE NO. 6846

No. 3911

Mr. Doyle Hartman
Suite 508
C & K Petroleum Building
Midland, Texas 79701

Attention: Mr. James A. Davidson

ORIGINAL TITLE OPINION covering the following described lands located in Lea County, New Mexico:

Township 21 South, Range 36 East, N.M.P.M.

Section 13: NE/4, containing 160 acres, more or less.

Dear Sir:

We have examined the following:

ABSTRACTS

The following abstracts of title certified by Lovington Abstract Company as covering the mineral estate only in the captioned lands from inception of the records to February 21, 1980, at 8:00 a.m., as follows:

1. Abstract of Title No. 5-2179 certified from inception of the records to May 21, 1979, at 8:00 a.m., containing 358 pages; and

2. Supplemental Abstract of Title No. 2-2180-B certified from May 21, 1979, at 8:00 a.m., to February 21, 1980, at 8:00 a.m., containing 40 pages.

INSTRUMENTS

Xerox copies of the Oil and Gas Leases analyzed below.

FEE TITLE TO OIL, GAS AND OTHER MINERALS

Based upon an examination of the foregoing, and subject to the requirements hereinafter made, it is our opinion that title to the oil, gas and other minerals in captioned lands is vested as follows:

Fluor Oil and Gas Corporation 1/16

J. C. McIntyre. . . . (Leascher & Sullivan) . . 1/16 ✓

The Atlantic Refining Company (we assume that this interest is now vested in Atlantic Richfield Company) (ARCo) . . . . . 1/16 ✓

W. L. Pickens 1/32

General Crude Oil Company 1/32

E. D. Berryman. 1/40

Texaro Oil Company. 1/40

Daniel L. Gutman, Successor Trustee U/W of Max Gutman, deceased, to hold for the life of Lela R. Gutman and then to vest in fee:
65% in Miriam Gutman Star
15% in Mollie Hoffman and her heirs
15% equally in Edith G. Socolow, Daniel L. Gutman and Alfred E. Gutman
5% equally in Betty Guttag and Charles Gutman. . . . . 1/3 of 28/40*

Edith G. Socolow and A. Walter Socolow as Trustees UTA dated 11/24/76. . . . . (Isbell?) . . . . . 1/9 of 28/40* ✓

Daniel L. Gutman, separate property . . . . . 1/9 of 28/40*

Alfred E. Gutman, separate property . . . . . 1/9 of 28/40*

Dorothy Gutman, a widow . . . (Isbell?) . . . . . 1/3 of 28/40* ✓

*These mineral interests are subject proportionately to the following interests in the royalty, nonparticipating, both of which are limited to the usual 1/8 royalty:

E. D. Berryman 1/64

Jule Levine Daniels. 1/32

NOTE: The interest of General Crude Oil Company is limited to oil, gas and associated hydrocarbons; all other minerals in this interest are vested in GCO Minerals Company, a Texas corporation, pursuant to Conveyance dated 7/5/79, recorded at 375 DR 854.

OIL AND GAS LEASES

Lease 1:

Dated:	May 15, 1979.
Recorded:	318 OGR 266.
Lessor:	Lydia Quilter, dealing in her sole and separate property (we assume that this lease covers all of the 1/16 mineral interest which we have credited to J. C. McIntyre).
Lessee:	Doyle Hartman.
Land Covered:	NE/4 Section 13, recited to comprise 160 acres, more or less, from the surface to a subsurface depth of 4,100 feet.
Primary Term:	One (1) year from date.
Royalty:	3/16 on oil and gas.

Shut-In Gas Royalty:	Payable in the sum of $1.00 per net mineral acre beginning on or before 90 days after a well is shut in and annually thereafter.
Delay Rentals:	None, this is a paid-up lease.
Pooling Clause:	Units for oil not to exceed 40 acres and units for gas not to exceed 640 acres, plus 10% tolerance, subject to being increased into such larger units as may be prescribed by governmental authority.
Lease Form:	Producers 88 Rev. (5 Year Lease) 10-57, form 345, Hall-Poorbaugh Press, Roswell, New Mexico, being a commence operations commercial form lease. The warranty has been deleted from the lease in paragraph 9.

Lease 2:

Dated:	May 10, 1979.
Recorded:	318 OGR 107.
Lessor:	General Crude Oil Company.
Lessee:	James A. Davidson.
Land Covered:	NE/4 Section 13, recited to comprise 160 acres, more or less, and being a 1/32 interest lease.
Primary Term:	One (1) year from date.
Royalty:	1/4 on oil and gas.
Shut-In Gas Royalty:	Payable in the sum of $5.00 per net mineral acre, the first payment due within 30 days after date of shut in and subsequent payments due annually thereafter on or before the shut in date, provided that such payments will not maintain the lease for more than two consecutive years.
Delay Rentals:	None payable.
Pooling Clause:	None.
Lease Form:	This is a special lease form used by General Crude Oil Company and provides in paragraph 7 for the continuous development of the leased lands once production is secured with no more than 90 days between wells until the leased lands have been fully developed according to applicable proration units. At the end of the primary term or upon cessation of continuous development the lease will terminate as to all horizons below the base of the deepest zone then producing in paying quantities. In paragraph 15 the lease provides that no assignment of the lease shall be made by lessee unless the written consent of the lessor shall have been first obtained. Paragraph 19 of the lease requires the lessee to furnish to the lessor complete information obtained from the drilling of any well on the leased lands.

Lease 3:

Dated:	May 18, 1979.
Recorded:	317 OGR 109.
Lessor:	E. D. Berryman and wife Ina Bell Berryman.
Lessee:	James A. Davidson.
Land Covered:	NE/4 Section 13, being a 1/40 interest lease.
Primary Term:	Three (3) years from date.
Royalty:	1/4 on oil and gas.

Shut-In Gas Royalty:	Payable in the sum of $1.00 per net mineral acre beginning on or before 90 days after a well is shut in and annually thereafter.
Delay Rentals:	None, this is a paid-up lease.
Pooling Clause:	Units for oil not to exceed 40 acres and units for gas not to exceed 640 acres, plus 10% tolerance, subject to being increased into such larger units as may be prescribed by governmental authority.
Lease Form:	Producers 88 Rev. (2-55) With 640 Acres Pooling Provision, form 340, Hall-Poorbaugh Press, Roswell, New Mexico, being a commence operations commercial form lease.

Lease 4:

Dated:	May 21, 1979.
Recorded:	317 OGR 302.
Lessor:	W. L. Pickens and wife Ruth Gardner Pickens.
Lessee:	James A. Davidson.
Land Covered:	NE/4 Section 13, being a 1/32 interest lease.
Primary Term:	Three (3) years from date.
Royalty:	1/4 on oil and gas.
Shut-In Gas Royalty:	Same as Lease 3.
Delay Rentals:	None, this is a paid-up lease.
Pooling Clause:	Same as Lease 3.
Lease Form:	Same as Lease 3.
Lease Rider:	

"11. Notwithstanding anything stated herein to the contrary, it is understood and agreed that this lease shall terminate at the end of the primary term (as said primary term may be extended under Paragraph 5) as to any part of the above described land which is not at such time included in a proration unit prescribed by the Oil Conservation Commission of New Mexico for a well capable of producing in paying quantities."

LEASEHOLD ESTATE

(Limited in depth to the depths covered by the above described Oil and Gas Leases)

Doyle Hartman	1/16 of 13/16	W.I.
James A. Davidson	1/16 of 3/4 plus 1/40 of 3/4	W.I.
Unleased	34/40	M.I.

LIENS AND ENCUMBRANCES

None reflected of record.

EASEMENTS

None reflected in the abstracts, but the abstracts are limited to the mineral estate only and it is possible that there are various road and pipeline easements encumbering the captioned lands and you should locate the same and avoid any pipeline easements in conducting your drilling operations.

TAXES

Taxes assessed against captioned land have been paid for all lienable years up to and including 1979.

POSSESSION

This opinion does not cover the ownership of the surface estate of captioned lands since the abstracts submitted for examination are limited to the mineral estate only. However, you are charged with notice of the nature and extent of the claims of any party in actual possession and you should satisfy yourself that no one other than the surface owner is in actual possession of any portion of captioned lands. If possession is held through tenancy, a tenant's consent agreement should be obtained.

TITLE REQUIREMENTS

1.

The records reflect an old Oil and Gas Lease covering only NE/4 Section 13 which was apparently held by production. Title to this lease was vested in Getty Oil Company and on June 12, 1979, Getty executed a Release of this Oil and Gas Lease and the same is reflected at 318 OGR 281.

The records reflect an Oil and Gas Lease dated May 10, 1979, recorded 317 OGR 285 from Lydia McIntyre Quilter, a widow, as lessor, to Gary E. Leascher as lessee, covering only NE/4 Section 13 and providing for a primary term of five years and royalty of 3/16 on oil and gas. By Assignment dated July 26, 1979, recorded 318 OGR 289, Garry E. Leascher and wife Cynthia D. Leascher assigned an undivided 1/2 interest in this lease to Michael Sullivan and wife Gail Sullivan.

The records also reflect an Oil and Gas Lease dated May 22, 1979, recorded 317 OGR 800, from Texaro Oil Company as lessor, to Doyle Hartman as lessee covering only NE/4 Section 13 from the surface down to the depth of 4,100 feet below the surface and providing for a primary term of 120 days and royalty of 3/16 on oil and gas.

REQUIREMENT (a) Satisfy yourself that there is no production of oil, gas or other mineral from NE/4 Section 13, that there are no drilling operations currently being conducted thereon and that there are no shut in gas wells located thereon, so that all old Oil and Gas Leases covering NE/4 Section 13 have expired by virtue of their own terms.

(b) Obtain from Gary E. Leascher and wife Cynthia D. Leascher and Michael Sullivan and wife Gail Sullivan a release of the above described Oil and Gas Lease dated May 10, 1979, from Lydia McIntyre Quilter and file such release for record in Lea County, New Mexico.

2.

By Mineral Deed dated June 29, 1928, E. B. Germany acquired an undivided 1/16 mineral interest in NE/4 Section 13. By Mineral Deed of the same date E. B. Germany and wife Maggie Lee Germany conveyed an undivided 1/32 mineral interest in NE/4 Section 13

to W. L. Pickens.

By Mineral Deed dated April 8, 1929, E. B. Germany, without the joinder of any wife, purported to convey an undivided 1/64 mineral interest in NE/4 Section 13 to Cranfill & Germany, Inc., and this interest was later conveyed to General Crude Oil Company. Without the joinder of the wife of E. B. Germany in this Mineral Deed, such Deed was absolutely void and the grantee therein and subsequently General Crude Oil Company acquired no interest in the 1/64 mineral interest purportedly conveyed.

By Mineral Deed dated April 19, 1929, recorded 18 DR 97, E. B. Germany and wife M. L. Germany conveyed to Cranfill & Reynolds an undivided 1/64 mineral interest in NE/4 Section 13 and this mineral interest was later conveyed to General Crude Oil Company.

The above described Mineral Deeds reflect that the 1/16 mineral interest acquired by E. B. Germany was the community property of himself and his wife Maggie Lee Germany and that they were married on April 8, 1929, so that the failure of Maggie Lee Germany to join in the Mineral Deed dated 4/8/29, to Cranfill & Germany, Inc. renders such Deed void. Therefore, General Crude Oil Company did not acquire title to this 1/64 mineral interest which is still vested of record in E. B. Germany.

REQUIREMENT Advisory that an undivided 1/64 mineral interest in the captioned lands is vested of record in E. B. Germany and this interest is 1/2 of the 1/32 mineral interest which we have credited to General Crude Oil Company. General Crude Oil Company should obtain from E. B. Germany and wife Maggie Lee Germany, or their heirs or devisees or assigns, a conveyance of all mineral interest in NE/4 Section 13.

3.

We have not examined a copy of the Trust Agreement dated November 24, 1976, under which Edith G. Socolow and A. Walter Socolow are Trustees.

REQUIREMENT In the event that you acquire an Oil and Gas Lease from these Trustees a copy of the Trust Agreement should be submitted for our examination.

4.

J. C. McIntyre owns of record an undivided 1/16 mineral interest in captioned lands and we have described Oil and Gas Leases above from Lydia McIntyre Quilter and Lydia Quilter, and we assume that Lydia McIntyre Quilter and Lydia Quilter are the same person and that she has succeeded to the entire mineral interest of J. C. McIntyre in captioned lands.

REQUIREMENT An investigation should be made concerning the mineral interest which we have credited to J. C. McIntyre and we should be furnished with the instruments pursuant to which Lydia McIntyre Quilter acquired this interest, if this is the case. If J. C. McIntyre is deceased, we should be furnished with certified copies of the probate proceedings conducted upon his estate, including a copy of the Will, order admitting Will to probate and final decree. The abstracts do not reflect any New Mexico probate proceedings upon the Estate of J. C. McIntyre and any interest passing under

his estate is not legally merchantable until his heirship has been determined of record in the State of New Mexico.

COMMENTS

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

This opinion cannot cover the question of possible dedication to interstate commerce of natural gas underlying captioned land. Although the abstracts and other materials examined do not contain a gas contract covering captioned land in favor of an interstate gas company, nor any memorandum of such a contract, recent judicial holdings indicate that the absence of such a contract is not sufficient to guarantee the freedom from interstate dedication of the gas underlying captioned land.

The material submitted for examination is returned herewith.

Very truly yours,

COTTON, BLEDSOE, TIGHE & DAWSON

By: Tevis Herd
Tevis Herd

TH:cm
Encls.

ARCO

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

ACREAGE DESCRIPTION: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

NAME OF POOLED PARTY: Arco Oil and Gas Company

POOLED INTEREST: 6.25% (10 net acres)

I. Furnished offer to lease or farmout: X Yes ____ No

When? April 12, 1979 (originally Munance Corporation)
April 20, 1979 "
March 12, 1980 (by telephone)

II. Furnished offer to participate with copy of corresponding AFE:

X Yes ____ No

When? April 12, 1979
March 12, 1980

III. Furnished Operating Agreement: X Yes ____ No

When? April 1, 1980

IV. Furnished notice of Compulsory Pooling: X Yes ____ No

When? March 31, 1980 (Certified Mail)

V. REMARKS

Agreed to join in letter from G. Thane Akins with ARCo dated 6-20-79. Executed copy of Operating Agreement and requested advanced payment has not been returned.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 10
CASE NO. 6846

DOYLE HARTMAN
Oil Operator
SUITE 509
C A K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

March 12, 1980

Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

Attention: Mr. Thane Akins
Joint Interest Superintendent

Re: Proposed Farmout
NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Gentlemen:

As discussed in our telephone coversation, enclosed are copies of New Mexico State forms C-101 and C-102 for our proposed Gutman No. 1 and Gutman No. 2 wells located in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

The proposed spud date is April 20, 1980. In view of the approaching date, enclosed are two copies of our proposed AFE for each well. If these meet with your approval, sign one copy and return it to this office. The second copy may be retained for your files.

If you should have any further questions in this regard, please do not hesitate to contact me.

Very truly yours,

Doyle Hartman

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

ARCo Oil and Gas Company
P. O. Box 1610
Midland, Texas 79701

Attention: Mr. Kurt Krehbiel

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area. Also enclosed is a bill for your share of the estimated cost of both wells, being $ 35,400.00 and computed as follows:

Your 6.25% x two (2) wells x $283,200.00 per well= $ 35,400.00

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 508
OAK PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 19 80

Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

INVOICE NO. 800390002

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	6.25000	$35,400.00

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
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24. Sucker Rods _____	8,500	-----
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27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

LEASCHER AND SULLIVAN

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

ACREAGE DESCRIPTION: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

NAME OF POOLED PARTY: Gary Leascher and wife, Cynthia Leascher
Michael Sullivan and wife, Gail Sullivan

POOLED INTEREST: 6.25% (net 10 acres)

I. Furnished offer to lease or farmout: X Yes _____ No

When? 2-28-80
3-11-80 (Certified Mail)

II. Furnished offer to participate with copy of corresponding AFE:

X Yes _____ No

When? 3-11-80 (Certified Mail)
4-01-80

III. Furnished Operating Agreement: X Yes _____ No

When? 4-01-80

IV. Furnished notice of Compulsory Pooling: X Yes _____ No

When? 3-31-80 (Certified Mail)

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 9
CASE NO. 6846

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682 6482 – OFFICE
684 5472 – RESIDENCE

February 28, 1980

Mr. Gary E. Leascher
P. O. Box 8046
Midland, Texas 79703

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Dear Mr. Leascher:

It is my understanding that you and Mr. Sullivan own a 1/16 interest lease, being 10 net acres, in the above noted tract.

I would appreciate your consideration of an offer for this lease of $200.00 per acre, being $2,000.00, with you to retain a 1/16 of 8/8 override (so I would be assigned a 75% net revenue interest). My offer subject only to title approval.

Thank you for your consideration and please let me hear from you as soon as possible.

Very truly yours,

James A. Davidson

JAD/mh

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan.

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 28, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13, and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner, we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 28, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, PA
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing		
5. Fuel _____ Water 8,500	8,500	8,500
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8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
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11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
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Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
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Ft. of _____ @ _____ Per Ft.	1,200	600
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	3,000	300
20. Casing Head	16,000	-----
21. Xmas Tree or Pumping Connections	10,000	-----
22. Pumping Unit	8,500	-----
23. Engine Motor, Controller, Powerline, etc.	1,200	-----
24. Sucker Rods	10,000	-----
25. Pump		
26. Tank Battery Separator, Water tank, etc.		
27. Separator or Dehydration Equip.		
28. Metering Equipment		
29. Flow Lines		
30. Other	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by _____ Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

Doyle Hartman

Name of Operator

508 K & K Petroleum Building, Midland, Texas 79701

Address

Well No. 1 Unit Letter B Located 330 Feet from the North Line and 2310 Feet from the East Line of Sec. 13 Twp. 21S Rge. 36E

Field Name: Eumont

County: Lea

Elevation (Show whether DF, RT, etc.)	Lease Status	Proposed Depth	Formation	Rotary or C.T.
3535 G. L.	Multi-well Approved	4200	Grayburg	Rotary

Drilling Contractor	Approx. Date Work will start
Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Doug A. Thomas Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ILLEGIBLE

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Doyle Hartman		Gutman		1
Unit Letter	Section 13	Township 21 South	Range East	County Lea

320 Acres — Well location: 330 feet from the North line and 2310 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage
2530.4	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

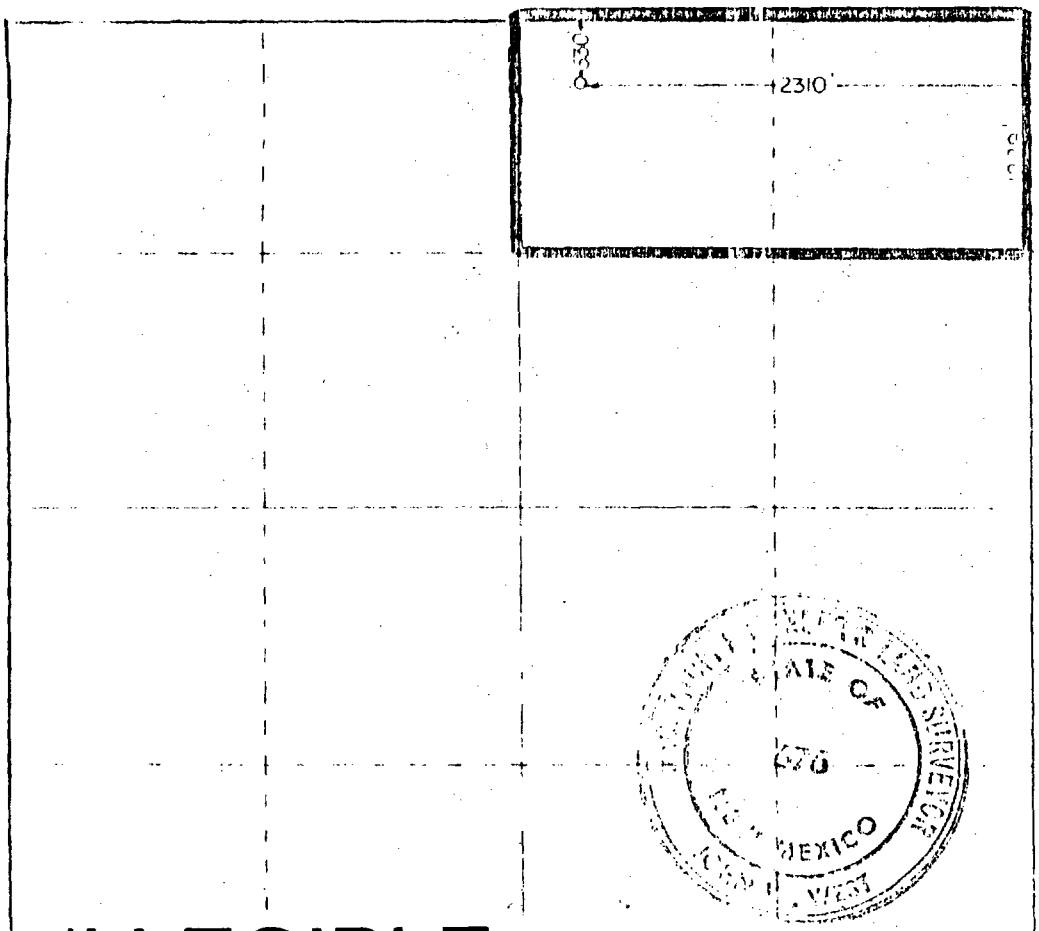
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes [ ] No [ ] If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



ILLEGIBLE

Larry A. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 2, 1980

Date Surveyed

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

330 660 90 1320 1650 1980 2310 2640 2000 1500 1000 800

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

a. Type of Work: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

8. Name of Operator: Doyle Hartman

9. Address of Operator: P. O. Box 10426, Midland, Texas 79702

4. Location of Well: UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE

2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

5A. Indicate Type of Lease: STATE [ ] FEE [X]

5. State Oil & Gas Lease No.

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

9. Well No.: 2

10. Field and Pool, or Wildcat: Eumont

12. County: Lea

19. Proposed Depth: 4200

19A. Formation: Grayburg

20. Rotary or C.T.: Rotary

21. Elevations (Show whether DF, RT, etc.): 3535 G. L.

21A. Kind & Status Plug. Bond: Multi-well Approved

21B. Drilling Contractor: Kenai

22. Approx. Date Work will start: 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Leroy A. Hanagan Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ILLEGIBLE

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

Operator: Doyle Hartman		Lease: Gutman		Well No.: 2
Unit Letter: G	Section: 13	Township: 21 South	Range: 36 East	County: Lea

Actual Footage Location of Well:
1650 feet from the North line and 2310 feet from the East line

Ground Level Elev.: 3534.7	Producing Formation: Penrose	Pool: Eumont	Dedicated Acreage: 80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

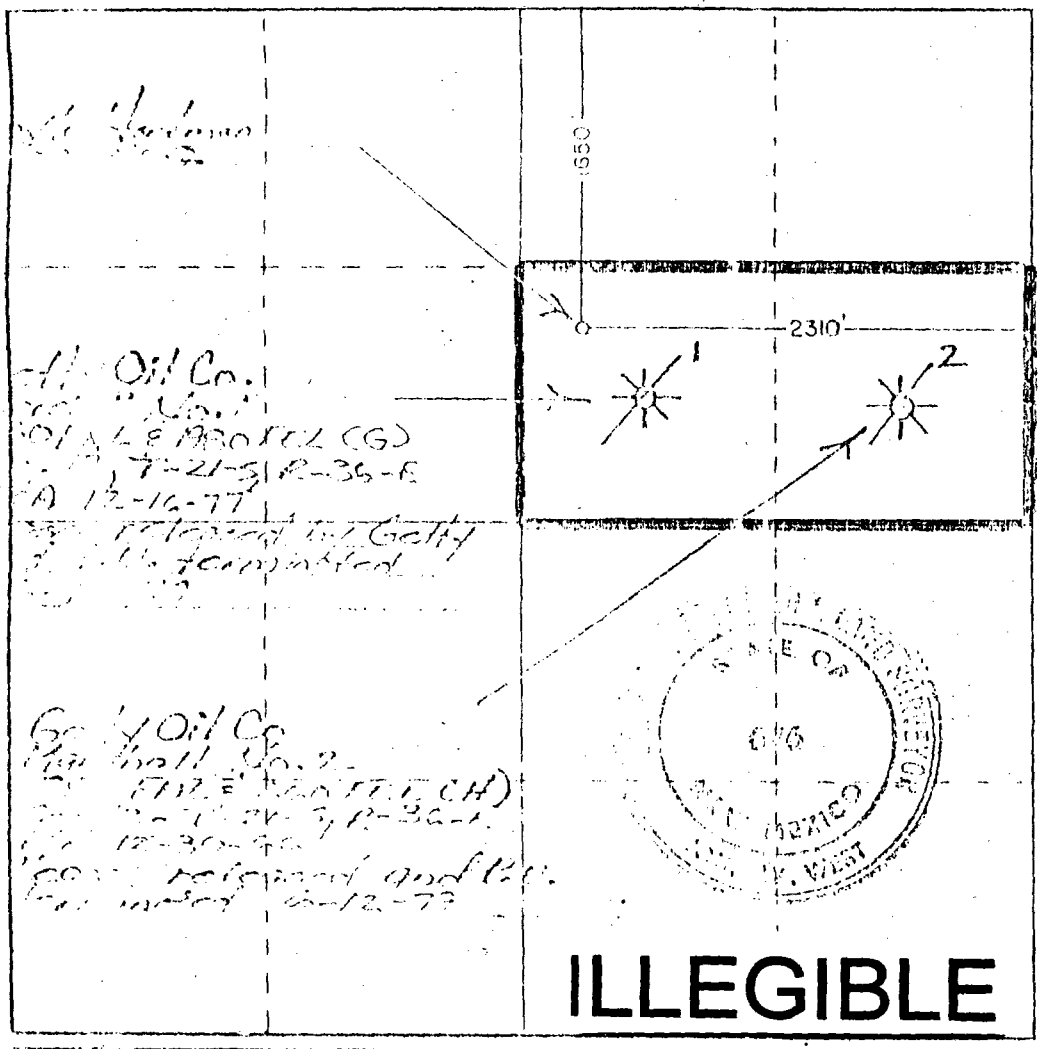
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

[ ] Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry Nermyr
Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 25, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 – OFFICE
683-5472 – RESIDENCE

February 28, 1980

Mr. Gary E. Leascher
P. O. Box 8046
Midland, Texas 79703

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Dear Mr. Leascher:

It is my understanding that you and Mr. Sullivan own a 1/16 interest lease, being 10 net acres, in the above noted tract.

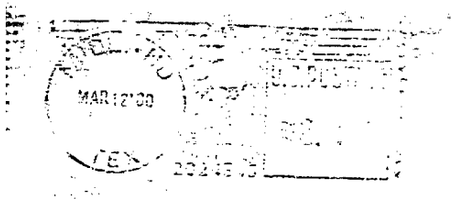
I would appreciate your consideration of an offer for this lease of $200.00 per acre, being $2,000.00, with you to retain a 1/16 of 8/8 override (so I would be assigned a 75% net revenue interest). My offer subject only to title approval.

Thank you for your consideration and please let me hear from you as soon as possible.

Very truly yours,

James A. Davidson

JAD/mh



PS Form 3811, Jan. 1973

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... 80¢
- ☐ Show to whom, date and address of delivery.... ___¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered..... ___¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery $ ___

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
M/M G. Leascher & M/M M. Sullivan
4622 Wilshire
Midland, Texas 79701

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112774	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 288-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Gary E. Leascher and Cynthia D. Leascher
and Michael Sullivan and Gail Sullivan
4622 Wilshire
Midland, Texas 79701

No. 112774

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Leascher & Sullivan
STREET AND NO.
4622 Wilshire
P.O., STATE AND ZIP CODE
Midland, Texas

POSTAGE		$ 54
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	80 ¢
OPTIONAL SERVICES	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	¢ 80
	RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 2.14

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112774

PS Form 3811, Jan. 1978 ★ RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered..... 80¢
   - ☐ Show to whom, date and address of delivery....¢
   - ☐ RESTRICTED DELIVERY
   - Show to whom and date delivered.....¢
   - ☐ RESTRICTED DELIVERY.
   - Show to whom, date, and address of delivery.$
   - (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
   M/M G. Leascher & M/M M. Sullivan
   P. O. Box 8046
   Midland, Texas 79703

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112773	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979-283-848

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Gary E. Leascher and Cynthia D. Leascher
and Michael Sullivan and Gail Sullivan
P. O. Box 8046
Midland, Texas 79703

No. 112773

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Leascher & Sullivan
STREET AND NO.
P. O. Box 8046
P.O., STATE AND ZIP CODE
Midland, Texas 79703

POSTAGE		$ 54
CONSULT POSTMASTER FOR FEES — OPTIONAL SERVICES	CERTIFIED FEE	80 ¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	80 ¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	-- ¢
TOTAL POSTAGE AND FEES		$ 2.14

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112773
MAIL

MIDLAND TEX. 2.14

March 17, 1980

GARY E. LEASCHER
P. O. BOX 3734
MIDLAND, TEXAS 79701

Doyle Hartman
Suite 508
C & K Petroleum Bldg.
Midland, Tx. 79701

Re: NE/4 of Section 13, Twsp. 21 South, Range 36 East, Lea Co., New Mexico

Dear Mr. Hartman,

This letter is to acknowledge the receipt of your AFE for the proposed wells on the above captioned land.

In reference to your letter and Mr. Davidson's letter, the terms of a farmout agreement were not presented. I would appreciate your forwarding these terms. Also, as of this date I have not received an Operating Agreement and would appreciate your forwarding this.

My associates and I are studying your proposed AFE, which seems extremely high, and will have a response after I have examined your Operating Agreement.

I would appreciate your mailing the AFE, Operating Agreement, etc. on Mr. Sullivan's interest to him at :

Mike Sullivan
2505 Stephens Road
Boulder, Colo. 80303

Sincerely,
Gary E. Leascher
Gary E. Leascher

RECEIVED MAR 1 8 1980

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Gary Leascher and wife, Cynthia D. Leascher
P. O. Box 3734
Midland, Texas 79701

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Dear Sir:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area. Also enclosed is a bill for your share of the estimated cost of both wells, being $ 17,700.00 and computed as follows:

Your 3.125% interest x 2 wells x $283,200.00 per well= $ 17,700.00.

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 19 80

Gary Leascher
P. O. Box 3734
Midland, Texas 79701

INVOICE NO. 800390003

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	3.12500	$17,700.00

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
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19. Tubing 4000 Ft. of 2 3/8 @ 2,30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Michael Sullivan and wife, Gail Sullivan
2505 Stephens Road
Boulder, Colorado 80303

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Dear Sir:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area. Also enclosed is a bill for your share of the estimated cost of both wells, being $ 17,700.00 and computed as follows:

Your 3.125% interest x 2 wells x $283,200.00 per well= $17,700.00

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

Oil Operator
SUITE 508
C A K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 1980

Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

INVOICE NO. 800390001

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	3.12500	$17,700.00

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
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Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
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24. Sucker Rods _____	8,500	-----
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26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

EDITH G. SOCOLOW AND WALTER SOCOLOW, TRUSTEES

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

ACREAGE DESCRIPTION: NE/4 Section 13
T-21-S, R-36-E
Lea County, New Mexico

NAME OF POOLED PARTY: Edith G. Socolow and A. Walter Socolow, individually and as Trustees under Agreement dated 11-24-76; James H. Isbell, possible Lessee

POOLED INTEREST: 7.777% (12.4 net acres)

I. Furnished offer to lease or farmout: X Yes ____ No

When? 2-19-80
3-11-80 (Certified Mail to Edith and Walter Socolow as Trustees)

II. Furnished offer to participate with copy of corresponding AFE:

X Yes ____ No

When? 3-11-80 (Certified Mail to Edith and Walter Socolow as Trustees)
4-01-80 (James H. Isbell as possible Lessee)

III. Furnished Operating Agreement: X Yes ____ No

When? 4-01-80 (James H. Isbell as possible Lessee)

IV. Furnished notice of Compulsory Pooling: X Yes ____ No

When? 3-31-80 (Certified Mail to Edith and Walter Socolow as Trustees)
3-31-80 (Certified Mail to James H. Isbell as possible Lessee)

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HORNADAY EXHIBIT NO. 11
CASE NO. 6846

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 – OFFICE
694-5472 – RESIDENCE

February 19, 1980

Mr. and Mrs. Walter Socolow, Trustee
45 East 82nd Street
New York City, New York 10028

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. and Mrs. Socolow:

Please find enclosed a plat of the above noted 160-acre tract in which you appear to own a 28/360 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

Your consideration of making this same deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 1,866.67 computed as follows:

   Your 28/360 interest x 160 acres= 12.4444 net acres
   x $ 150.00 per acre= $ 1,866.67.

If you find these enclosures satisfactory, please add your Bank and its address in Paragraph 4 (for payment of shut-in gas royalty, if any), sign the lease before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place all in the Collection Department of your bank to be forwarded to the First National Bank of Midland, P. O. Box 1599, Midland, Texas 79702.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to commence the proposed well as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Producer's 88—(Producer's Revised 1965) (New ...ico) Form 342 Printed a...r sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this _____ day of _____, 19 80, between

EDITH G. SOCOLOW and A. WALTER SOCOLOW, Individually and as Trustees under Agreement dated November 24, 1976

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the _____ Bank at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(A. Walter Socolow)

(Edith G. Socolow)

Individually and as Trustees under Agreement dated November 24, 1976

New York,
STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____,
19 80 by Edith G. Socolow and A. Walter Socolow, in the capacities therein stated

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My Commission expires _____, 19____ Notary Public

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My Commission expires _____, 19____ Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

Term _____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock _____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

_____ County Clerk.

By: _____ Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

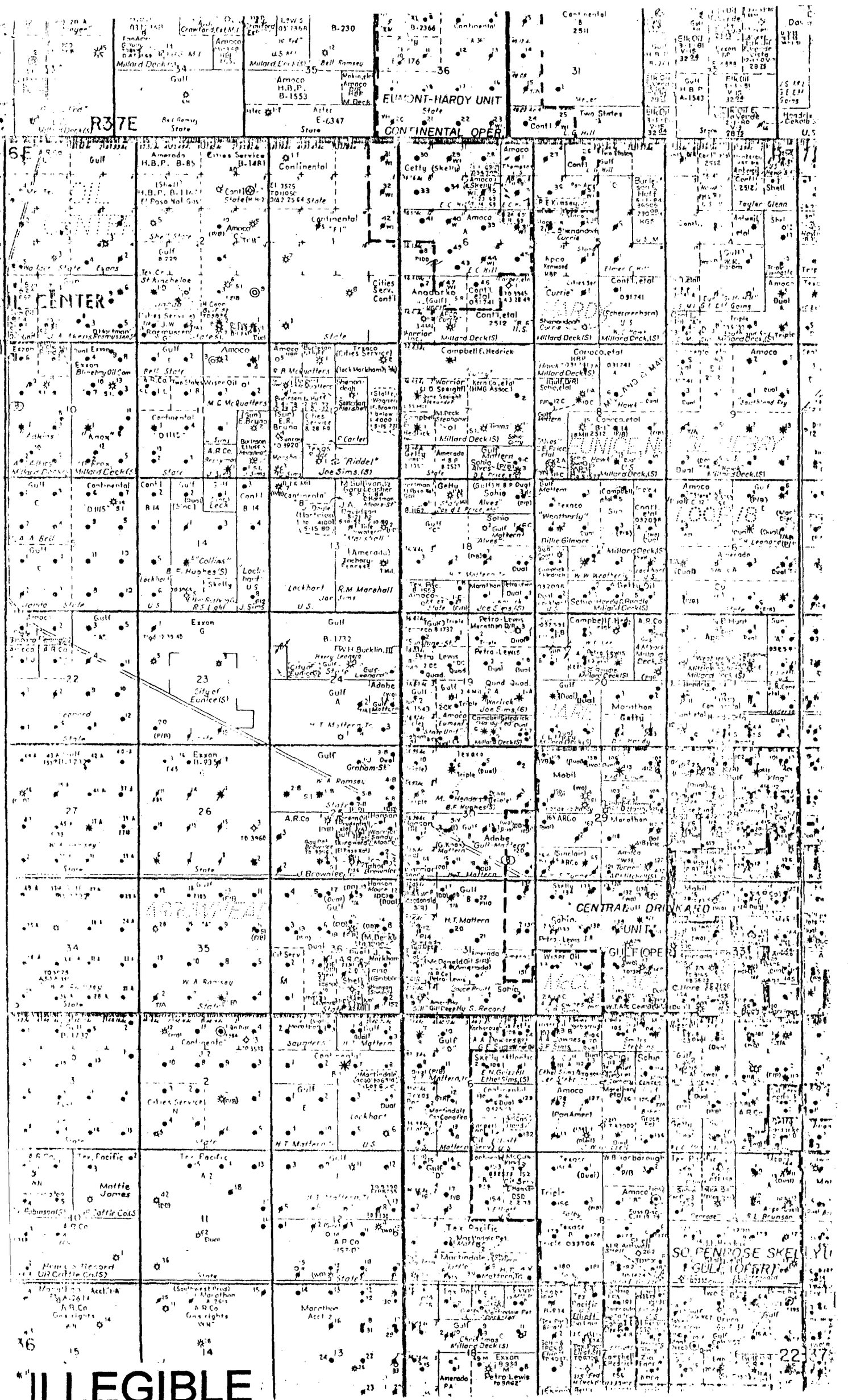
STATE OF _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public


R37E
EUMONT-HAROY UNIT
CONTINENTAL OPER
Gulf
Amoco
Continental
Getty (Skelly)
Cities Service
Conoco,etal
Texaco
Exxon
Mobil
Marathon
Shell
Sohio
Petro-Lewis
Amerada
Tex Pacific
Martindale
Lockhart
Skelly
Millard Deck(S)
Joe Sims,(S)
Riddel
Mattern
Collins
Graham-St
Mattie James
SO PENROSE SKEL
GULF (OPER)
CENTRAL DRINKARD UNIT
ILLEGIBLE

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19, (DATE), 19 80 NO.

-30- DAYS AFTER Sight ARE SUBJECT TO APPROVAL OF TH

PAY TO THE ORDER OF Edith G. Socolow and A. Walter Socolow, Trustees

$ 1,866.67

One thousand eight hundred sixty-six and 67/100---------- DOLLAR
WITH EXCHANGE

FOR Oil and Gas lease covering payee's interest in NE/4 Section 13,
T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 915-682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

James A. Davidson

FNB CAS-13

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Edith G. Socolow And A. Walter Socolow, Individually and as Trustees under Agreement dated November 24, 1976.

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 19, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13 and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner, we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 19, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____	_____	_____
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____	_____	_____
28. Metering Equipment _____	_____	_____
29. Flow Lines _____	_____	_____
30. Other _____	1,000	500
_____	_____	_____
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	---
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

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NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

Type of work: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

Type of well: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

Name of operator: Doyle Hartman

Address of operator: 508 C & K Petroleum Building, Midland, Texas 79701

Location of well: UNIT LETTER B LOCATED 330 FEET FROM THE North LINE

2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

Gutman

Well No.: 1

Field and Pool, if wildcat: Eumont

County: Lea

Elevation (Show whether DF, RT, etc.)	Proposed Depth	Formation	Rotary or C.T.
3535 G. L.	4200	Grayburg	Rotary

Plat Approval	Drilling Contractor	Approx. date work will start
Multi-well Approved	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Perry A. Mesaros Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

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WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	1

Unit Letter	Section	Township	Range	County
I	13	21 South	East	Lea

Actual Footage Location of Well:
330 feet from the North line and 2310 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3530.4	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

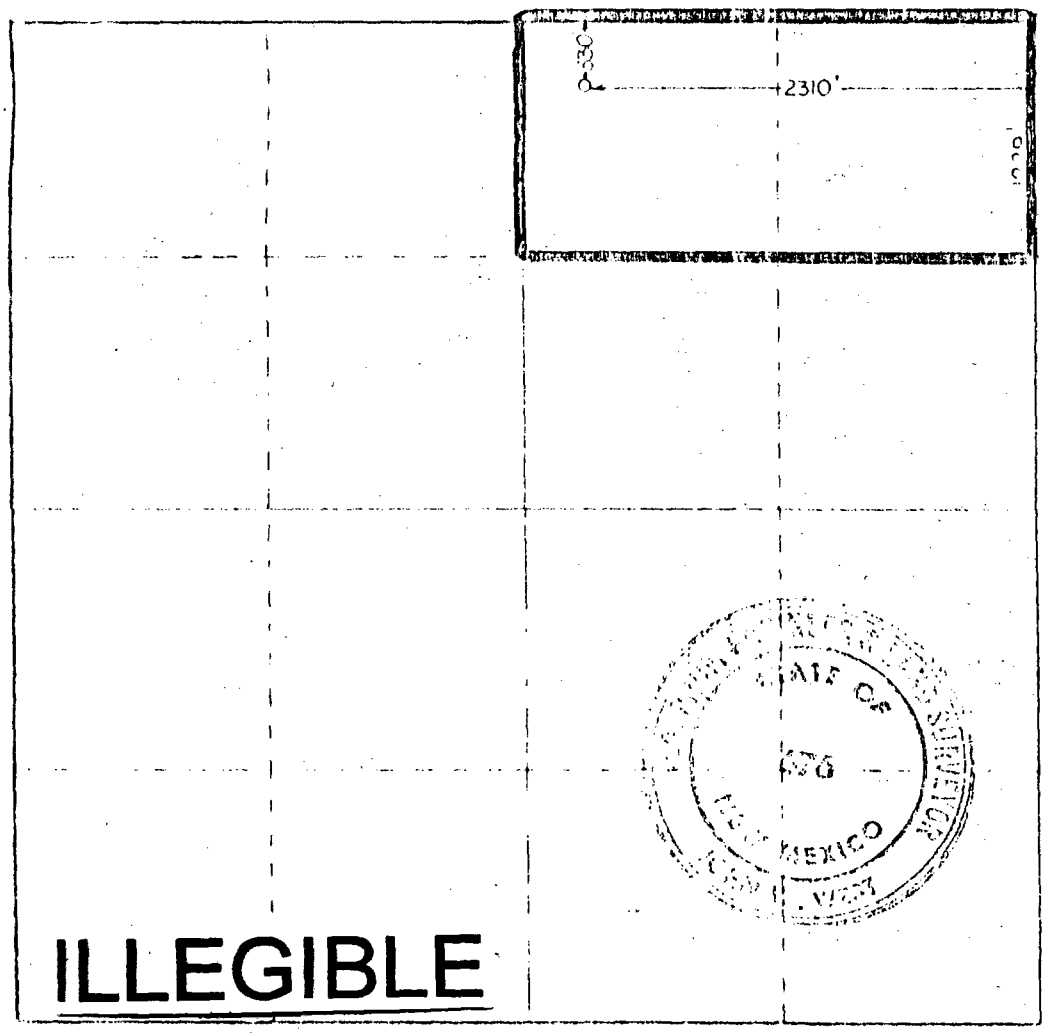
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



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Larry P. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 2, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

330 660 90 1320 1650 1980 2310 2640 2000 1500 1000 500

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. Name of Operator: Doyle Hartman

3. Address of Operator: P. O. Box 10426, Midland, Texas 79702

4. Location of Well: UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE AND 2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

5. Lease Name: Gutman

6. Well No.: 2

7. Field and Pool, or Wildcat: Eumont

8. County: Lea

9. Proposed Depth: 4200

10A. Formation: Grayburg

10B. Rotary or C.T.: Rotary

11. Elevations (Show whether DF, RT, etc.): 3535 G. L.

12A. Kind & Status Plug. Bond: Multi-well Approved

12B. Drilling Contractor: Kenai

13. Approx. Date Work will start: 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

ILLEGIBLE

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Tony Q. Hanagan Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-128
Revised 10-1-78

All distances must be from the outer boundaries of the Section

Operator: Doyle Hartman	Lease: Gutman		Well No.: 2
Unit Letter: G	Section: 13	Township: 21 South	Range: 36 East	County: Lea

Actual Footage Location of Well:
1650 feet from the North line and 2310 feet from the East line

Ground Level Elev.: 3531.7	Producing Formation: Penrose	Pool: Eumont	Dedicated Acreage: 80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

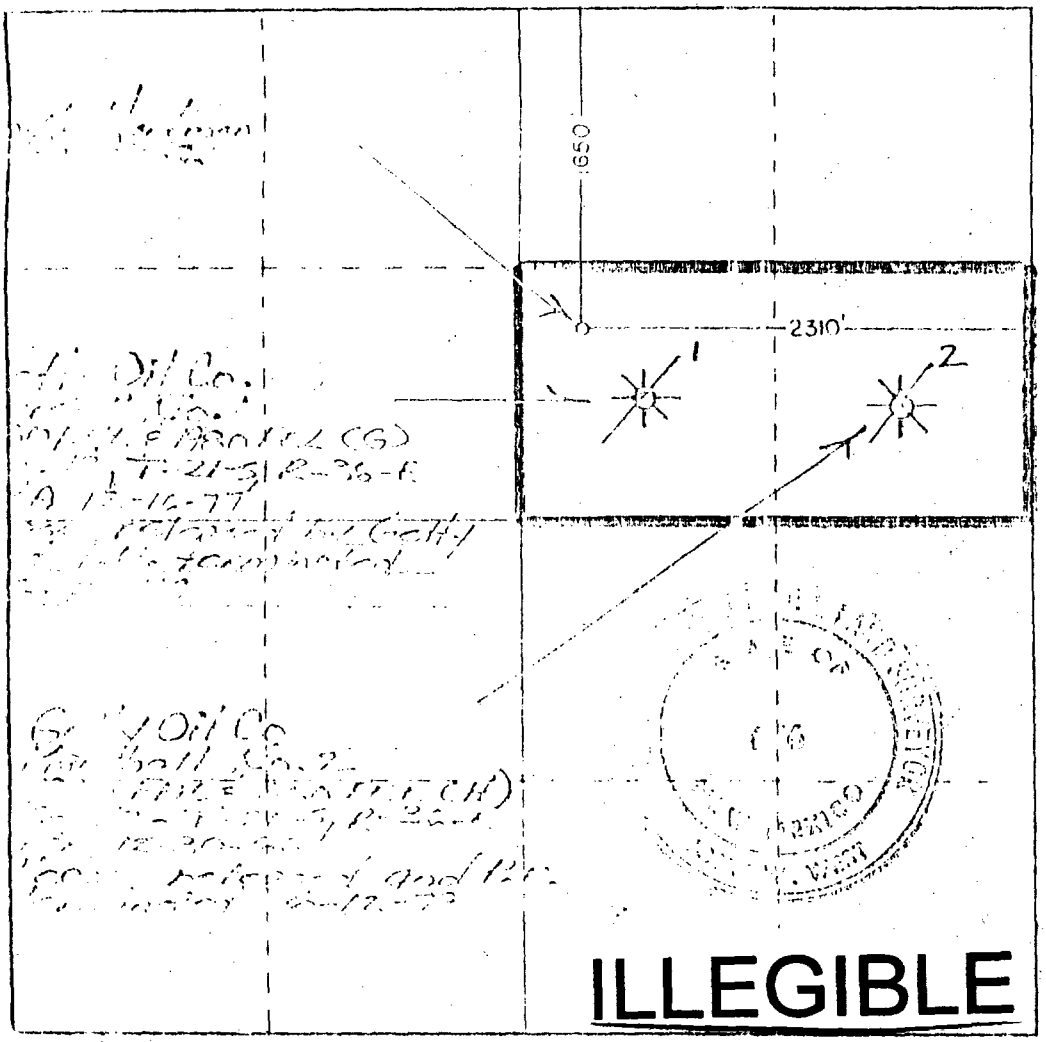
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

[ ] Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry Nermyr
Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 28, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676
RONALD J. EIDSON 3239
PATRICK A. ROMERO 6668

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702
(915) [illegible] 6482 – OFFICE
[illegible] 5472 – RESIDENCE

February 19, 1980

Mr. and Mrs. Walter Socolow, Trustee
45 East 82nd Street
New York City, New York 10028

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. and Mrs. Socolow:

Please find enclosed a plat of the above noted 160-acre tract in which you appear to own a 28/360 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

Your consideration of making this same deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 1,866.67 computed as follows:

   Your 28/360 interest x 160 acres= 12.4444 net acres
   x $ 150.00 per acre= $ 1,866.67.

If you find these enclosures satisfactory, please add your Bank and its address in Paragraph 4 (for payment of shut-in gas royalty, if any), sign the lease before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place all in the Collection Department of your bank to be forwarded to the First National Bank of Midland, P. O. Box 1599, Midland, Texas 79702.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to commence the proposed well as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Form 88—(Producer's Revised 1965) (New Mexico Form 342 — Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this ____ day of ____ 19 80, between

EDITH G. SOCOLOW and A. WALTER SOCOLOW, Individually and as Trustees under

Agreement dated November 24, 1976

of New York City, New York
(Post Office Address)

hereinafter called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, or either of them, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product thereof, the market value at the mouth of the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ____ Bank at ____, which bank, or any successor or successors thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charges is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, lessee's mineral estate or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same; or if it be within the primary term) commences or resumes the payment or tender of rental, or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days, and if during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessee shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion or portions, all held the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by reason of Force Majeure, or by any Federal or State law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, express or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(A. Walter Socolow) (Edith G. Socolow)

Individually and as Trustees under Agreement dated November 24, 1976

New York,
STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

The foregoing instrument was acknowledged before me this ____ day of ____, 19 80 by Edith G. Socolow and A. Walter Socolow, in the capacities therein stated

My Commission expires ____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

The foregoing instrument was acknowledged before me this ____ day of ____, 19 ... by ...

My Commission expires ____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

The foregoing instrument was acknowledged before me this ____ day of ____, 19 ... by ...

My Commission expires ____, 19____ Notary Public

STATE OF ...

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

The foregoing instrument was acknowledged before me this ____ day of ____, 19 ... by ...

My Commission expires ____, 19____ Notary Public

No. ____

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date ____, 19____

Section ____, Township ____, Range ____

No. of Acres ____

____ County, New Mexico

Term ____

STATE OF NEW MEXICO
COUNTY OF ____

I hereby certify that this instrument was filed for record on the ____ day of ____, A. D., 19____, at ____ o'clock ____ M., and was duly recorded in Book ____ at Page ____ of the Records of said County.

By ____ Deputy.

____ County Clerk.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

The foregoing instrument was acknowledged before me this ____ day of ____, 19 ...

by ____, ____ President

of ____ a ____ corporation

on behalf of said corporation.

My Commission Expires: ____ Notary Public

STATE OF ...

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of ...

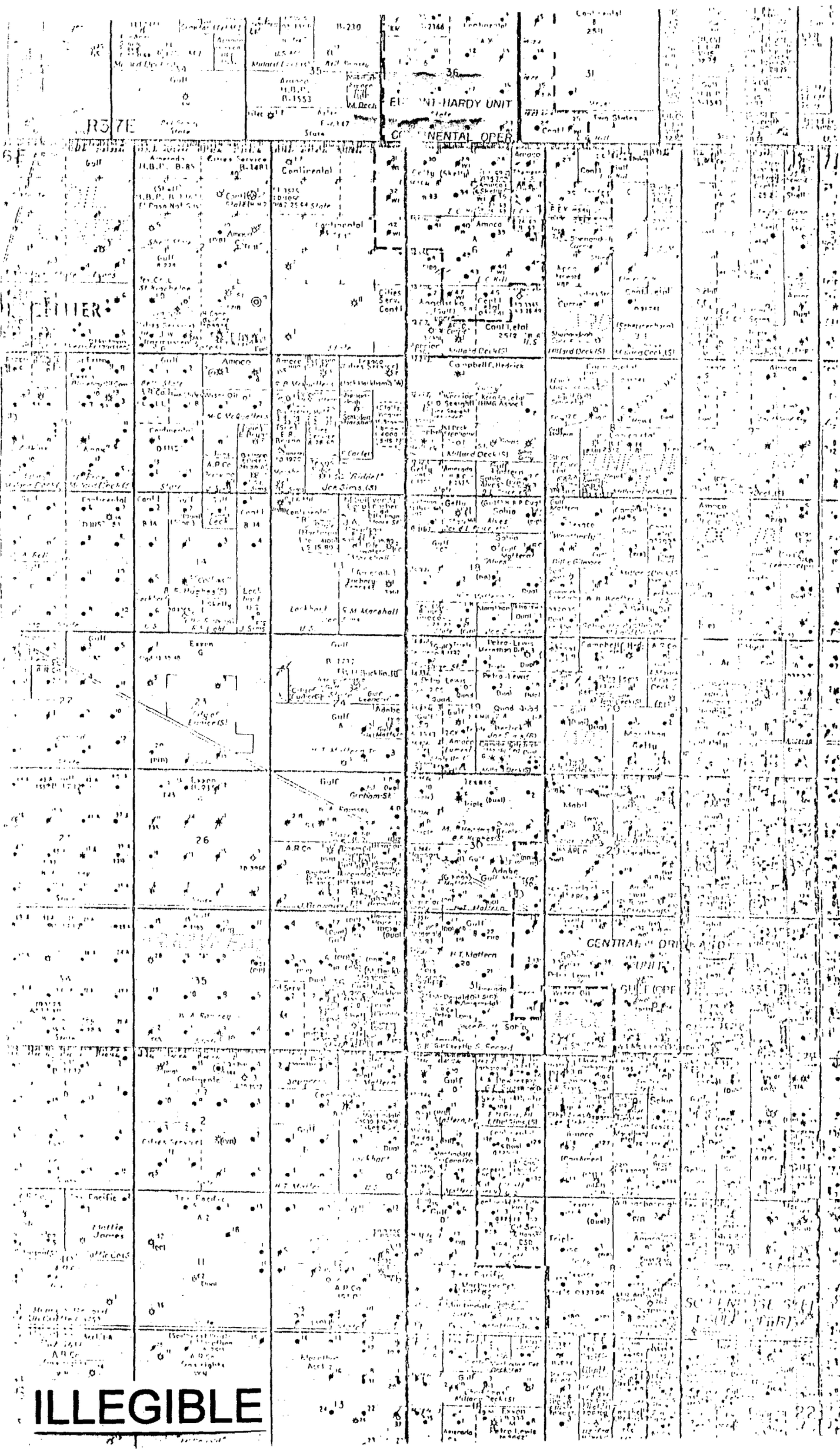
The foregoing instrument was acknowledged before me this ____ day of ____, 19 ...

by ____, ____ President

of ____ a ____ corporation

on behalf of said corporation.

My Commission Expires: ____


R3E
R3E
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ELLIOTT-HARDY UNIT
CONTINENTAL OPER
Continental
Gulf
Amoco
Exxon
Texaco
Cities Service
Tex Pacific
Campbell C. Hedrick
Petro-Lewis
Adobe
Sohio
Mobil
A.R.Co
Marathon
Getty
Conti
Two States
Shell
Union
Pan Am
Hillard Deck (S)
Wallace Deck (S)
Joe Sims (S)
Zachary
S.M. Marshall
R.E. Hughes (S)
H.E. Mattern
B.A. Gurley
Lockhart
Skelly
Dual
Triple (Dual)
Graham-St
Lillie James
ILLEGIBLE

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19, (DATE) 19 80 O.

-30- DAYS AFTER Sight

PAY TO THE ORDER OF Edith G. Socolow and A. Walter Socolow, Trustees

$ 1,866.67

One thousand eight hundred sixty-six and 67/100---------- DOLLAR
WITH EXCHANGE

FOR Oil and Gas lease covering payee's interest in NE/4 Section 13,
T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 915-682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

FNB CAS-13

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered..... 80¢
- [ ] Show to whom, date and address of delivery.... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Edith G and A Walter Socolow
45 East 82nd St.
New York City, New York 10028

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112776	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 283-843

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Edith G. and A. Walter Socolow
Individually and as Trustees under
Agreement dated November 24, 1976
45 East 82nd St.
New York City, New York 10028

No. 112776

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Edith and Walter Socolow
STREET AND NO.
45 East 82nd Street
P.O. STATE AND ZIP CODE
New York, New York 10028

POSTAGE	$ 54
CERTIFIED FEE	80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	80 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$ 2.14

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112776
MAIL

James H. Isbell
OIL PROPERTIES
727 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701

AREA CODE 915/684-3933

March 19, 1980

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Re: NE/4 Section 13
T-21-S, R-36-E, N.M.P.M.
Lea County, New Mexico
28/360 Interest of
Edith G. and A. Walter
Socolow
28/120 Interest of the
Estate of Dorthy Gutman,
Deceased

Dear Sir:

This letter is to inform you that I am in receipt of two fully executed oil and gas leases covering the above respective interests amounting to a combined total of 31.11% of the minerals under the subject land. Myself or my assigns intend to participate to the full extent of this interest in the drilling of your proposed Eumont test as set forth in your C-101 form dated March 11, 1980. Further, we have no objections to the location as proposed on your well location and acreage dedication plat dated February 22, 1980. Subject to certain terms and conditions to be agreed upon herein, we have no objection to your assuming the duties as operator.

As noted in your letter of March 11, 1980, to the unconsolidated interests, you are seeking an order force pooling all the captioned lands for the drilling of two nonstandard Eumont locations. Assuming the first well is successful, I will have no objection to the drilling of a second location at a reasonable future date. Therefore, for purposes of this NMOCD force-pooling action, you may consider our interest committed.

As noted above, I am willing to execute a Standard Form AAPL Operating Agreement with attached COPAS naming you as operator if such agreement contains the following provisions:

1. Option #2 in the title section providing that title expenses shall be shared in accordance with the interest of the parties.

2. Individual loss of title provision.

3. 200% nonconsent penalty at casing point election.

4. Parties shall have the right to take production in kind.

5. The elimination of all preferential right of purchase.

6. COPAS accounting procedure providing for fixed overhead rates of $275.00 per producing well and $2,500.00 drilling well rate.

7. Additional provision providing that "Notwithstanding any of the provisions hereof, the undersigned parties agree that each nonoperating party shall have thirty (30) days after receipt of photostatic copies of statements for charges for drilling, completing and operating the wells covered by this agreement prior to paying such charges. Should such charges be disputed, nonoperators agree to promptly notify operator and request a full explanation. Any nonoperator's share of expenses which shall be delinquent for longer than thirty (30) days after the date of the receipt of such explanation for such charges shall bear interest at the prime rate plus one (1) percent. Further, for the purposes hereof, it is agreed that the fixed well rate provided for herein shall fully compensate operator for all office and field overhead."

I will be happy to discuss with you or your representatives any additional matters concerning the operating agreement. Prior to execution of the operating agreement, I would appreciate the opportunity to discuss certain expenditures set forth in your AFE attached to the force-pooling notice. Certain expenditures appear to be excessive in view of my recent experience in this area.

Very truly yours,

James H. Isbell

JHI:llh

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Mr. James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Dear Sir:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area.

Also enclosed is a bill for your share of the estimated cost of both wells, being $ 176,213.32 and computed as follows:

Your 31.1111% interest x 2 wells x $283,200.00 per well= $ 176,213.32.

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 1980

James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	31.1111	$176,213.32

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doug Hart Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

GUTMAN

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

ACREAGE DESCRIPTION: NE/4 Section 13, T-21-S, R-36-E Lea County, New Mexico

NAME OF POOLED PARTY: Charles Gutman, Betty Guttag, and Jack Guttag, Co-Executors of the Estate of Dorothy Gutman, Deceased; James H. Isbell, possible lessee

POOLED INTEREST: 23.333% (37.333 net acres)

I. Furnished offer to lease or farmout: X Yes _____ No

When? 2-19-80 (All Co-Executors)
3-11-80 (All Co-Executors, Certified Mail)
3-20-80 (Betty Guttag's Attorney w/ cc to all Co-Executors)
4-1-80 (All Co-Executors)

II. Furnished offer to participate with copy of corresponding AFE:

X Yes _____ No

When? 3-11-80 (All Co-Executors, Certified Mail)
4-1-80 (James H. Isbell as possible Lessee*)

III. Furnished Operating Agreement: X Yes _____ No

When? 4-1-80 (James H. Isbell as possible Lessee*)

IV. Furnished notice of Compulsory Pooling: X Yes _____ No

When? 3-31-80 (Certified mail to all Co-Executors and to James H. Isbell as possible Lessee)

V. REMARKS

*Lease from Betty & Jack Guttag as Independent Co-Executors U/W/O Dorothy Gutman, Deceased, now being legally contested in the State of New York by Charles Gutman, also a Co-Executor and 50% beneficiary U/W/O Dorothy Gutman.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
GUTMAN EXHIBIT NO. 12
CASE NO. 6846

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 – OFFICE
684-5472 – RESIDENCE

February 19, 1980

Mrs. Betti G. and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. and Mrs. Guttag:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. Charles Gutman as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $5,600.00 computed as follows:

   Your 28/120 interest x 160 acres= 37.334 net acres
   x $ 150.00 per acre= $ 5,600.00

If you are all three agreable, it would be helpful for you to sign the same lease and draft (you and Mr. Gutman have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection Department of your

Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Producers 88—(Producer's Revised 1965) (New Mexico) Form 342 Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this _____ day of February 19 80, between

BETTI G. GUTTAG, JACK GUTTAG, and CHARLES GUTMAN, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the _____ Bank at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(Charles Gutman)

(Betti G. Guttag)

(Jack Guttag)

(Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased.)

New York

STATE OF ~~NEW MEXICO~~,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires _____, 19____. _____ Notary Public

New York,

STATE OF ~~NEW MEXICO~~,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires _____, 19____. _____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. _____ Notary Public

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. _____ Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM _____

TO _____

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

Term _____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock ____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

_____ County Clerk.

By _____ Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____, _____ President of _____ a _____ corporation on behalf of said corporation.

My Commission Expires: _____ _____ Notary Public

STATE OF _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____, _____ President of _____ a _____ corporation on behalf of said corporation.

My Commission Expires: _____ _____ Notary Public

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

PLACE _____ DATE February 19, 19 80 NO. _____

-30- DAYS AFTER Sight AND SUBJECT TO APPROVAL OF

PAY TO THE ORDER OF Betti G. Guttag, Jack Guttag, and Charles Gutman, Individuall

and as Co-Executors of the Estate of Dorothy Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- DOLLA

WITH EXCHANGE

FOR Oil and Gas lease covering payee's interest in NE/4 Section 13,

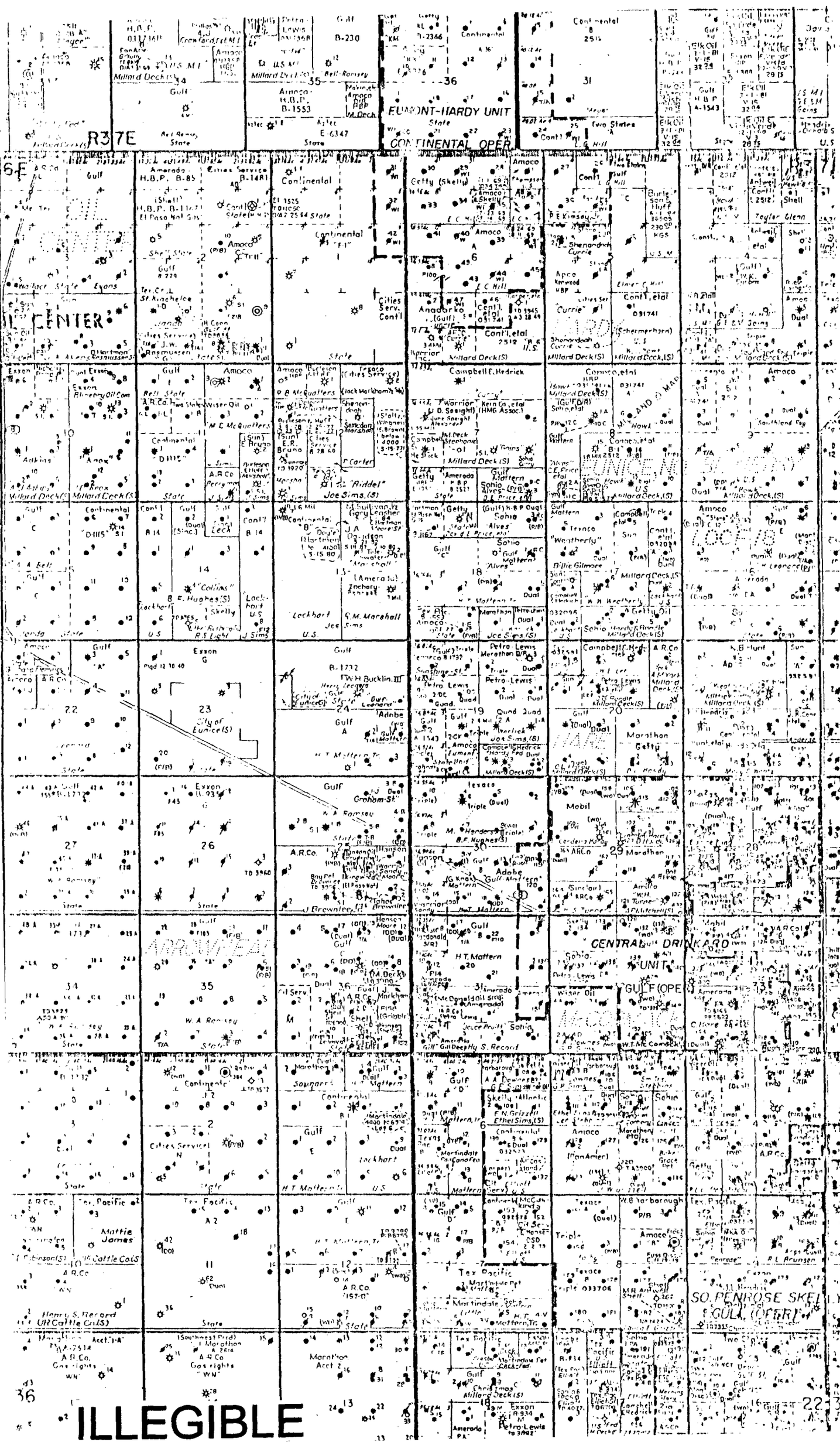
T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

Signature illegible

FNB CAS-13


R37E
EUMONT-HARDY UNIT
CONTINENTAL OPER.
EUNICE
CENTER
Gulf
Amoco
Continental
Shell
Texaco
Mobil
Marathon
Getty
Sohio
Exxon
Cities Service
Tex Pacific
Millard Deck(S)
Lockhart
Joe Sims,(S)
Mattie James
Cattle Co(S)
Henry S. Record
UR Cattle Co(S)
ILLEGIBLE

JAMES A DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 683-6482 - OFFICE
684-5472 - RESIDENCE

February 19, 1980

Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. Gutman:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. and Mrs. Jack Guttag as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 5,600.00 computed as follows:

   Your 28/120 interest x 160 acres= 37.3334 net acres
   x $ 150.00 per acre= $ 5,600.00

If you are all three agreeable, it would be helpful for you to sign the same lease and draft (you and Mr. and Mrs. Guttag have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection

Department of your Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mrs. Betti G. Guttag and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Producers 88—(Producer's Revised 1965) (New Mexico) Form 342 Printed or sold by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this _____ day of February 19 80, between

BETTI G. GUTTAG, JACK GUTTAG, and CHARLES GUTMAN, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ✓ Bank at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(Charles Gutman)

(Betti G. Guttag)

✓

(Jack Guttag)

(Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased)

New York

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires _____, 19____

Notary Public

New York,

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires _____, 19____

Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____

Notary Public

STATE OF _____

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____

Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM _____

TO _____

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

Term _____

_____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock ____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

_____ County Clerk.

By _____ Deputy.

STATE OF NEW MEXICO

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

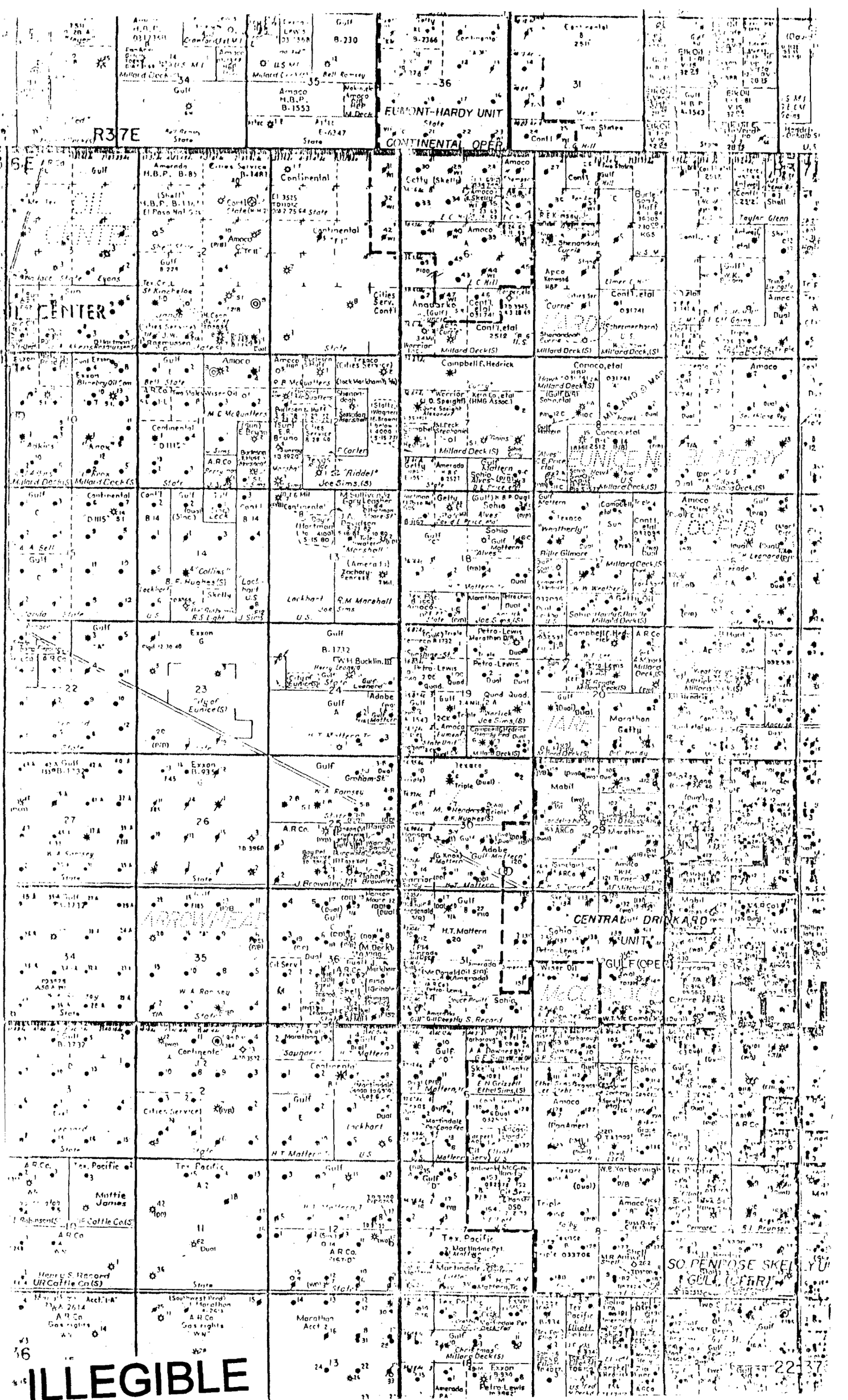
The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____

Notary Public


R37E
EUMONT-HARDY UNIT
CONTINENTAL OPER
CENTER
UNIT
ILLEGIBLE

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19 (DATE), 1960 NO.

-30- DAYS AFTER S. .t AND SUBJECT TO APPROVAL OF

PAY TO THE ORDER OF Betti G. Guttag, Jack Guttag, and Charles Gutman, Individually and as Co-Executors of the Estate of Dorothy Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- DOLLARS WITH EXCHANGE

FOR Oil and Gas Lease covering payee's interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

James A. Davidson

FNB CAS-13

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

Charles Gutman Individually and
as Co-Executor under the will
of Dorothy Gutman, Deceased

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 19, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13, and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner, we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 19, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water Tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
_____		
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

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AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

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NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. Name of Operator: Doyle Hartman

3. Address of Operator: 508 C & K Petroleum Building, Midland, Texas 79701

4. Location of Well: UNIT LETTER B LOCATED 330 FEET FROM THE North LINE, 2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

5. State A & C Lease No.

6. Unit Agreement Name

8. Farm or Lease Name: Gutman

9. Well No.: 1

10. Field and Pool, or Wildcat: Eumont

12. County: Lea

11. Proposed Depth: 4200

19A. Formation: Grayburg

20. Rotary or C.T.: Rotary

21. Elevations (Show whether DF, RT, etc.): 3535 G. L.

21A. Kind & Status Plug. Bond: Multi-well Approved

21B. Drilling Contractor: Kenai

22. Approx. Date Work will start: 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Rory A. Hennyn Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

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WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	1

Unit Letter	Section	Township	Range	County
I	13	21 South	East	Lea

Actual Footage Location of Well:
320 feet from the North line and 2310 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Acres
3530.4	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

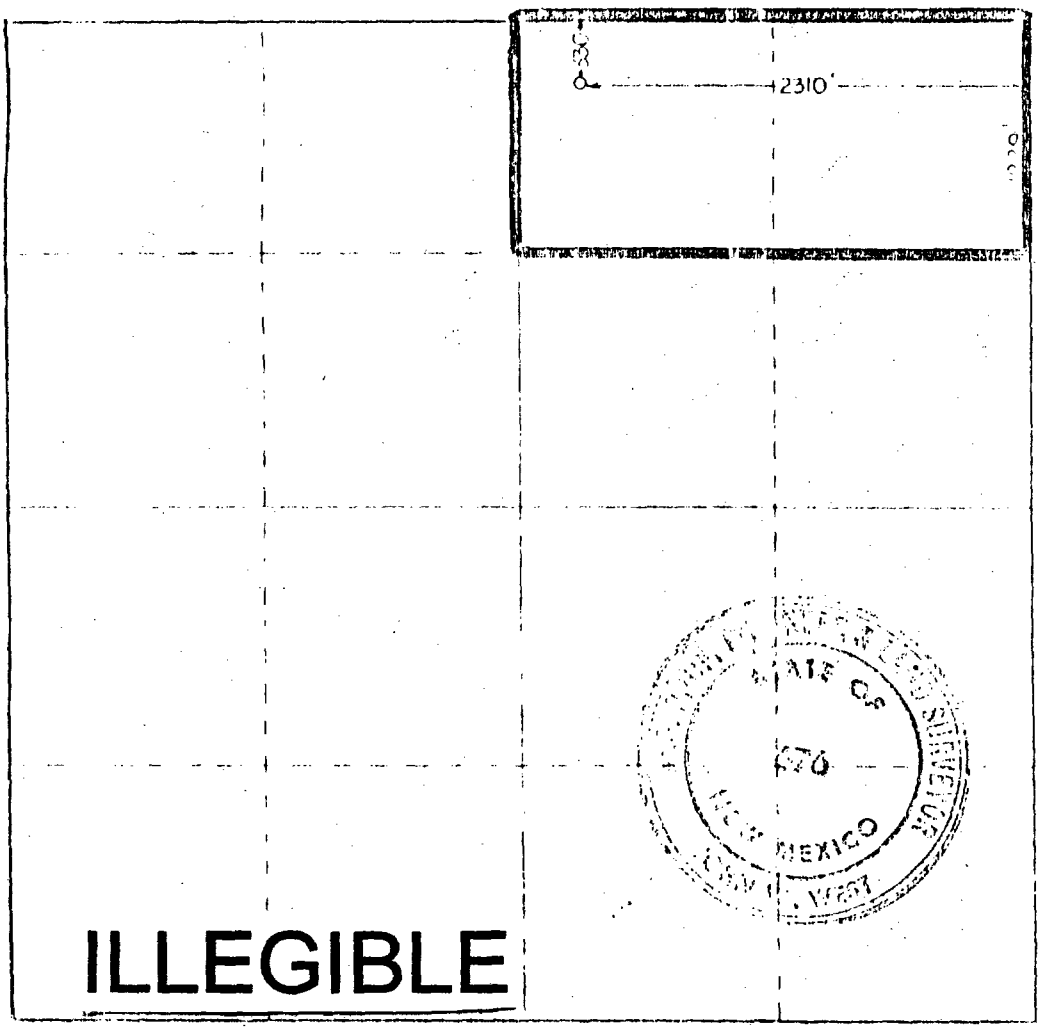
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

[ ] Yes [ ] No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



ILLEGIBLE

Larry A. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 7, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

5. Lease Name: Gutman

2. Name of Operator: Doyle Hartman

6. Well No.: 2

3. Address of Operator: P. O. Box 10426, Midland, Texas 79702

10. Field and Pool, or Wildcat: Eumont

4. Location of Well: UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE AND 2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

12. County: Lea

19. Proposed Depth: 4200

19A. Formation: Grayburg

20. Rotary or C.T.: Rotary

21. Elevations (Show whether DF, RT, etc.): 3535 G. L.

21A. Kind & Status Plug. Bond: Multi-well Approved

21B. Drilling Contractor: Kenai

22. Approx. Date Work will start: 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Perry Q. Hanagan Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ILLEGIBLE

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	2

Unit Letter	Section	Township	Range	County
G	13	21 South	36 East	Lea

Actual Footage Location of Well:
1650 feet from the North line and 2310 feet from the East

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage
3534.7	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

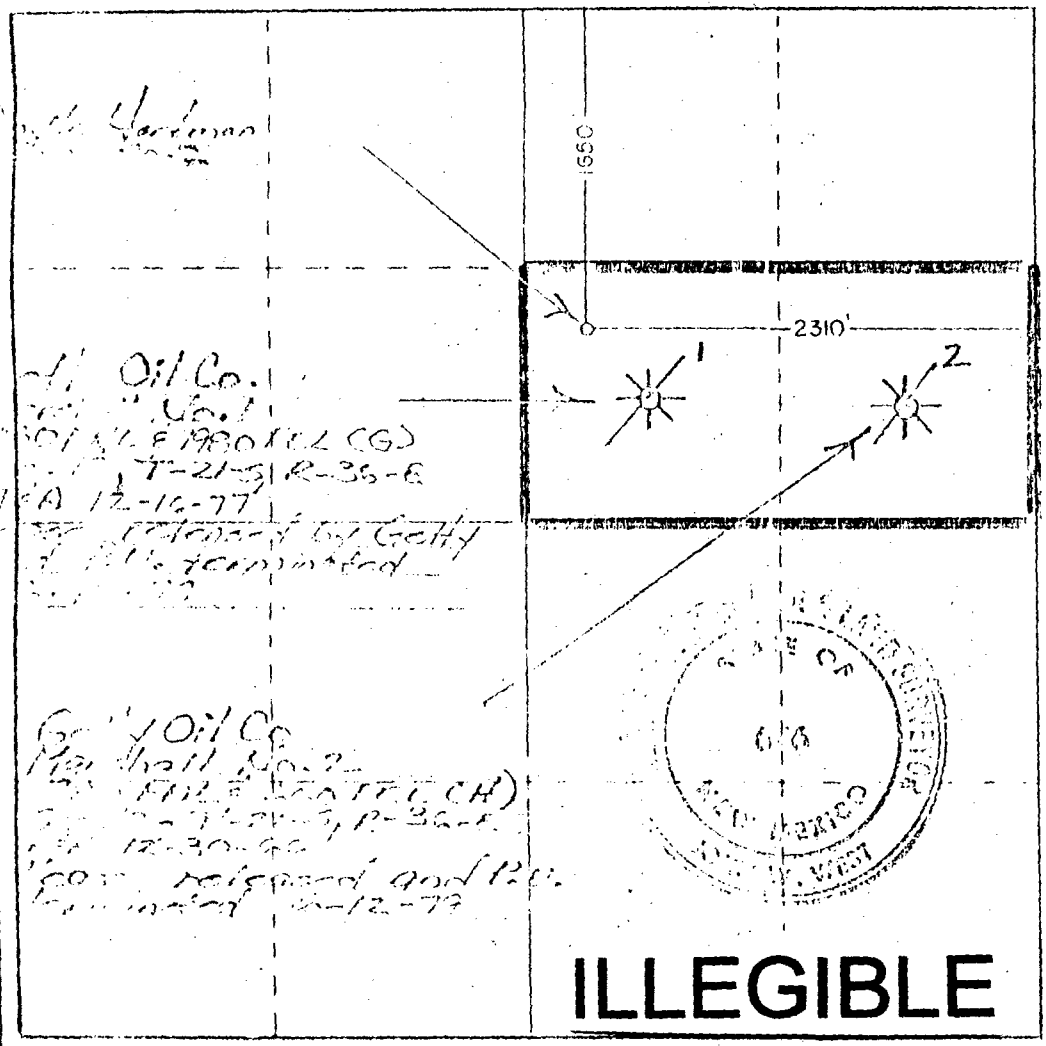
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

[ ] Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 29, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676

PATRICK A. ROMERO 6668

Ronald J. Eidson

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. Box 494
MIDLAND, TEXAS 79702
(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

February 19, 1980

Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. Gutman:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. and Mrs. Jack Guttag as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 5,600.00 computed as follows:

   Your 28/120 interest x 160 acres= 37.3334 net acres
   x $ 150.00 per acre= $ 5,600.00

If you are all three agreeable, it would be helpful for you to sign the same lease and draft (you and Mr. and Mrs. Guttag have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection

Department of your Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mrs. Betti G. Guttag and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

8--(Producer's Revised 1965) (New ...so) Form 342 Printed or ... sale by Hall Poorbaugh Press ... well, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this ... day of ... February ... 19 80, between

BETTI G. GUTTAG, JACK GUTTAG, and CHARLES GUTMAN, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

hereinafter called Lessor (whether one or more) and JAMES A. DAVIDSON, hereinafter called Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T 16-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term") and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each royalty payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ... Bank

... (time to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a proper instrument making provision for another acceptable method of payment or tender, and any depositary charges is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any ... ously payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or portion thereof with other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard prescribed or permitted by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be created, enlarged or reduced, from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such pooled unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in bona fide operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days, and if during the drilling or reworking of any well under this paragraph, lessee does or finds the hole or well and after diligent effort is in good faith unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well as above provided to fulfill the same with the purpose. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force as long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessee shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling on said land, free of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments hereunder, however effected, shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies of instruments constituting chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any gas rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals mentioned in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereon, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder to the satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a lesser interest in the oil or gas or in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), then the royalties, shut-in royalty, rental, and all other amounts, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, or assigns, by delivering or mailing a release thereof to lessor, or by placing a release thereof of record in the county in which said land is situated; whereupon lessee shall be relieved from all obligations, except as to acreage or depths not surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(Charles Gutman)

(Betti G. Guttag)

(Jack Guttag)

New York

STATE OF NEW MEXICO,

County of ...

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of February, 19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires ..., 19...

Notary Public

New York,

STATE OF NEW MEXICO,

County of ...

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of February, 19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires ..., 19...

Notary Public

STATE OF NEW MEXICO,

County of ...

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of ..., 19 ... by ...

My Commission expires ..., 19...

Notary Public

STATE OF ...

County of ...

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of ..., 19 ... by ...

My Commission expires ..., 19...

Notary Public

No. ...

OIL AND GAS LEASE
NEW MEXICO

FROM ...

TO ...

Date ..., 19...

Section ..., Township ..., Range ...

No. of Acres ...

County, New Mexico

Term ...

STATE OF NEW MEXICO
COUNTY OF ...

I hereby certify that this instrument was filed for record on the ... day of ..., A. D. 19..., at ... o'clock ... m., and was duly recorded in Book ... at Page ... of the Records of said County.

By ...
Deputy.

... County Clerk.

STATE OF NEW MEXICO

County of ...

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of ..., 19 ...

By ..., President

of ... a ... corporation on behalf of said corporation.

My Commission Expires: ...

Notary Public

STATE OF ...

County of ...

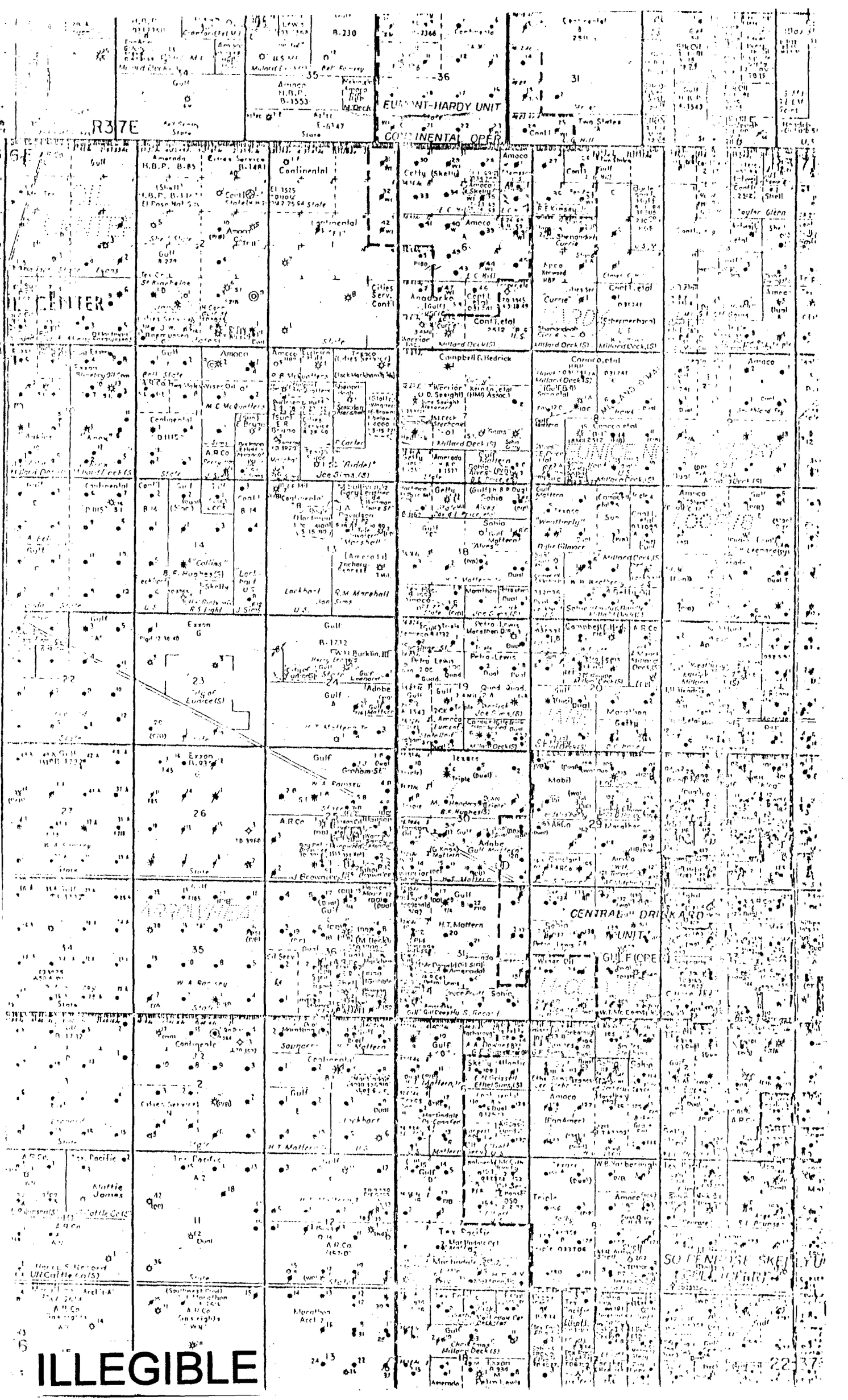
CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ... day of ..., 19 ...

By ..., President

of ... a ... corporation on behalf of said corporation.

My Commission Expires: ...


R37E
CONTINENTAL OPER
EUNICE-HARDY UNIT
CENTRAL DRINKARD UNIT
GULF (OPE
SOUTHEAST SKELLY UNIT
CENTER
ILLEGIBLE

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19 (DATE), 1980 NO.

-30- DAYS AFTER Sight AFTER DATE AND SUBJECT TO APPROVAL OF TI

PAY TO THE ORDER OF Betti G. Guttag, Jack Guttag, and Charles Gutman, Individually and as Co-Executors of the Estate of ~~Dorothy~~ Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- DOLLAR
WITH EXCHANGE

FOR Oil and Gas Lease covering payee's interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

FNB CAS-13

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the S/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the S/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

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1. Applicant is the owner of approximately 53% of the working interest in and under the N/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the N/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c.	Texaro Oil Company	1/40
d.	Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased	28/120
e.	Edith G. Socolow and A. Walter Socolow	28/360

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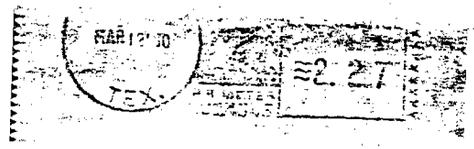
Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By_____

William F. Carr
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501



PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered..... 80¢
- [ ] Show to whom, date and address of delivery.... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Charles Gutman
51 East 42nd Street
New York City, New York 10017

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112775	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: — CLERK'S INITIALS

☆GPO : 1979 286-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Mr. Charles Gutman
Individually and Co-Executor UWO
Dorothy Gutman, Deceased
51 East 42nd Street
New York City, New York 10017

No. 112775

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Charles Gutman
STREET AND NO.
51 East 42nd Street
P.O., STATE AND ZIP CODE
New York, New York 10017

POSTAGE		$ .67
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	80 ¢
	OPTIONAL SERVICES: SPECIAL DELIVERY	¢
	OPTIONAL SERVICES: RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE: SHOW TO WHOM AND DATE DELIVERED	80 ¢
	RETURN RECEIPT SERVICE: SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	RETURN RECEIPT SERVICE: SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE: SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 2.27

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112775
MAIL

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Betti G. Guttag, Jack Guttag
Individually and as Co-Executors
under the will of Dorothy Gutman
Deceased.

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 19, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13 and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner, we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 19, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P.Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of @ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Dayl Hart Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging	7,000	7,000
7. Cementing Service _____ Cement _____ Floats	13,000	3,000
8. Company Labor _____ Contract Labor	1,000	1,000
9. Logging Pits _____ Filling Pits	700	700
10. Roads & Bridges _____ Dredging & Grading	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Logging	-----	2,000
13. Trucking Cost	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of @ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head	1,200	600
21. Xmas Tree or Pumping Connections	3,000	300
22. Pumping Unit	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods	8,500	-----
25. Pump	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip.		
28. Metering Equipment		
29. Flow Lines		
30. Other	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doug Hart Title _____ Date 3-11-90

Approved _____ Title _____ Date _____

ILLEGIBLE

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,850
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____	_____	_____
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	_____
12. Logging _____	_____	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	_____
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	_____
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	_____
23. Engine Motor, Controller, Powerline, etc.	10,000	_____
24. Sucker Rods _____	8,500	_____
25. Pump _____	1,200	_____
26. Tank Battery Separator, Water tank, etc.	10,000	_____
27. Separator or Dehydration Equip. _____	_____	_____
28. Metering Equipment _____	_____	_____
29. Flow Lines _____	_____	_____
30. Other _____	1,000	500
_____	_____	_____
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by _____ Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

ILLEGIBLE

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease: STATE [ ] FEE [X]

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

2. Name of Operator: Doyle Hartman

9. Well No.: 1

3. Address of Operator: 508 C & K Petroleum Building, Midland, Texas 79701

10. Field and Pool, or Wildcat: Eumont

4. Location of Well: UNIT LETTER B LOCATED 330 FEET FROM THE North LINE

2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

12. County: Lea

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
4200	Grayburg	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3535 G. L.	Multi-well Approved	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Barry A. Hennon Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ILLEGIBLE

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Doyle Hartman	Gutman	1
Unit Letter: I	Section: 13	Township: 21 South	Range: East	County: Lea

Actual Footage Location of Well:
330 feet from the North line and 2310 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3530.4	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

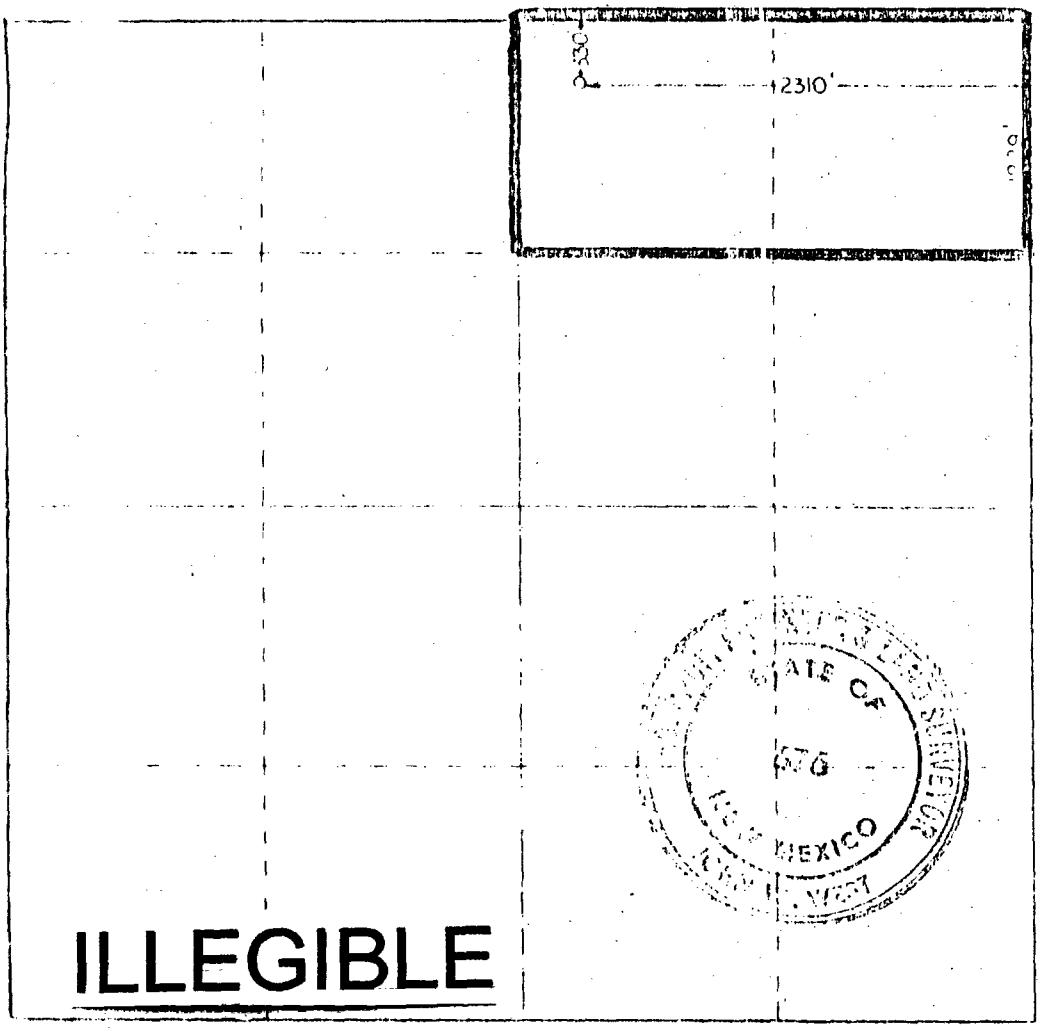
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



ILLEGIBLE

Larry A. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 29, 1980

Date Surveyed

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

GAS WELL [X] SINGLE ZONE [X] MULTIPLE ZONE [ ]

Doyle Hartman

P. O. Box 10426, Midland, Texas 79702

Gutman

2

Eumont

UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE

2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E NMPM

Lea

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
4200	Grayburg	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3535 G. L.	Multi-well Approved	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

ILLEGIBLE

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Perry O. Thompson Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-128

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	2

Unit Letter	Section	Township	Range	County
G	13	21 South	36 East	Lea

Actual Footage Location of Well:
1650 feet from the North line and 2310 feet from the East

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3521.7	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

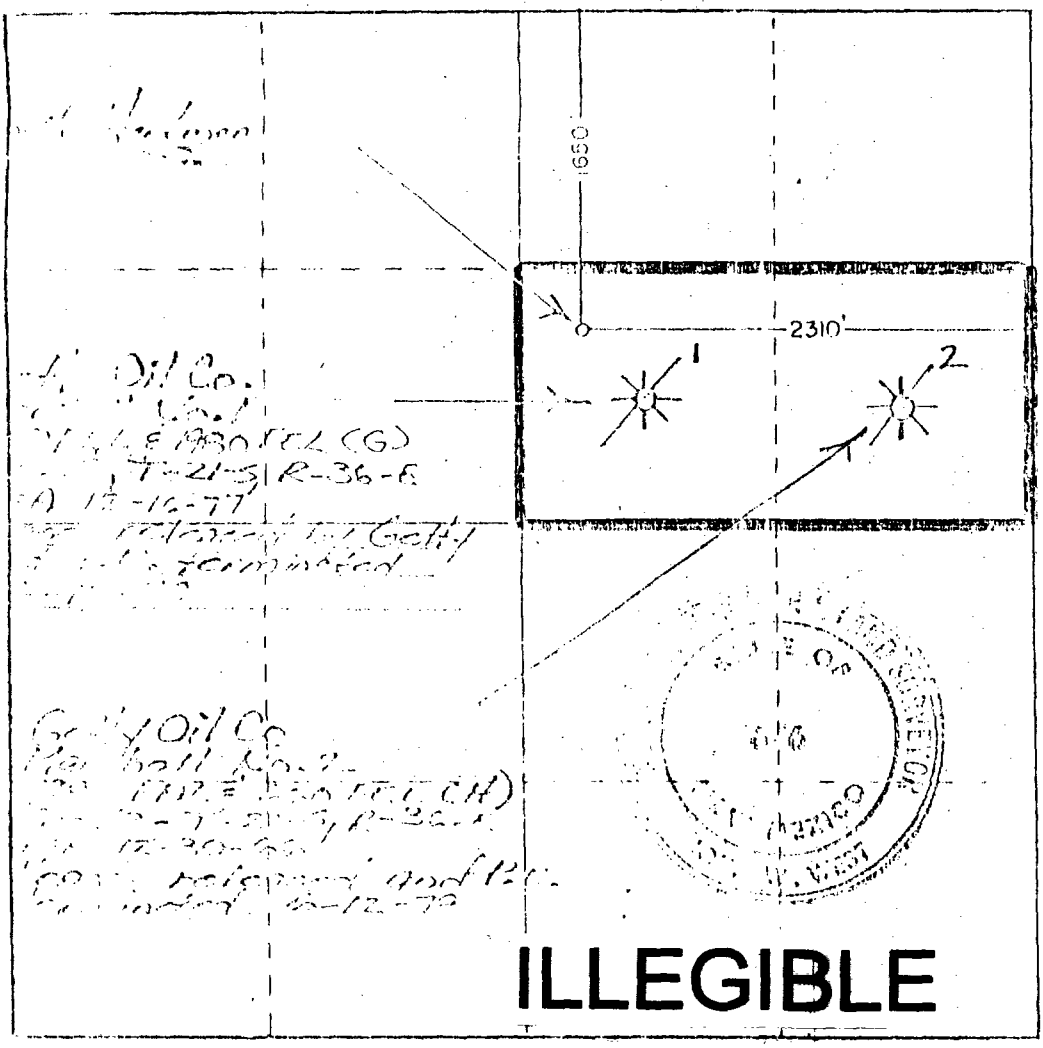
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

[ ] Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



ILLEGIBLE

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 29, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 676
PATRICK A. ROMERO 6668
Ronald J. Eidson 3239

330 660 90 1320 1650 1980 2310 2640 2000 1500 1000 500

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the S/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the S/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under case.) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c.	Texaro Oil Company	1/40
d.	Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased	28/120
e.	Edith G. Socolow and A. Walter Socolow	28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

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1. Applicant is the owner of approximately 53% of the working interest in and under the N/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the N/2 NE/4 of said Section 13, except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

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WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By_____

William F. Carr
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682 6482 — OFFICE
683 5472 — RESIDENCE

February 19, 1980

Mrs. Betti G. and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. and Mrs. Guttag:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. Charles Gutman as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $5,600.00 computed as follows:

   Your 28/120 interest x 160 acres= 37.334 net acres
   x $ 150.00 per acre= $ 5,600.00

If you are all three agreable, it would be helpful for you to sign the same lease and draft (you and Mr. Gutman have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection Department of your

Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Producers 88—(Producer's Revised 1965) (New Mexico Form 342 — Printed and for sale by Hall-Poorbaugh Press Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this ____ day of February, 19 80, between

BETTI G. GUTTAG, JACK GUTTAG, and CHARLES GUTMAN, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, —1/4— of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of —1/4— of the gas so sold or used, provided that on gas sold at the wells the royalty shall be —1/4— of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, lessee on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ✓ Bank at _____, which bank, or any successor thereof shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals, or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

ILLEGIBLE

(Charles Gutman)

(Betti G. Guttag)

✓

(Jack Guttag)

(Individually and as Co-Executors under the Will of Dorothy

STATE OF New York,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires _____, 19____ Notary Public

STATE OF New York,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of February, 19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____ Notary Public

STATE OF _____

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____ Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM _____

TO _____

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

_____ County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock ____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

_____ County Clerk.

By _____ Deputy.

STATE OF NEW MEXICO

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19, 1980 (DATE) NO

-30- (DAYS AFTER) sight THIS DRAFT IS SUBJECT TO APPROVAL OF

PAY TO THE ORDER OF Betti G. Guttag, Jack Guttag, and Charles Gutman, Individually and as Co-Executors of the Estate of Dorothy Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- (WITH EXCHANGE) DOLLARS

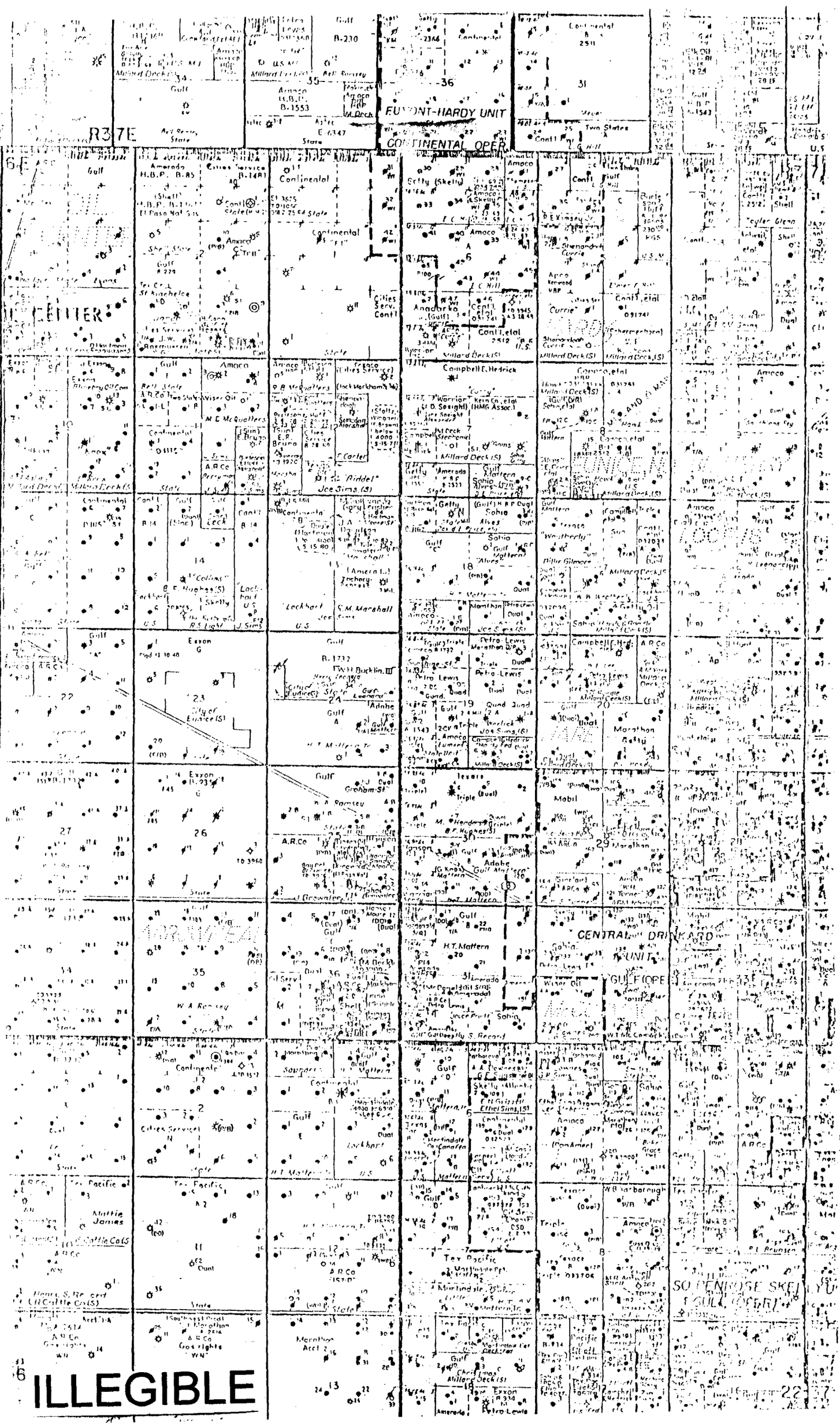
FOR Oil and Gas lease covering payee's interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

James A. Davidson

FNB CAS-13


R37E
FUQUONT-HARDY UNIT
CONTINENTAL OPER.
CENTER
ILLEGIBLE

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered..... 80 ¢
- [ ] Show to whom, date and address of delivery..... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

B. and J. Guttag
16 Sutton Place
New York, NY 10022

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112772	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 280-848

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Betti G. Guttag and Jack Guttag
Individually and as Co-Executors
UWO Dorothy Gutman, Deceased
16 Sutton Place
New York City, New York 10022

No. 112772

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
B. and J. Guttag

STREET AND NO.
16 Sutton Place

P.O., STATE AND ZIP CODE
New York, NY 10022

POSTAGE		$ .67
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	80 ¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
OPTIONAL SERVICES — RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	80 ¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 2.27

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112772
MAIL

James H. Isbell
OIL PROPERTIES
727 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701

AREA CODE 915/684-3933

March 19, 1980

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Re: NE/4 Section 13
T-21-S, R-36-E, N.M.P.M.
Lea County, New Mexico
28/360 Interest of
Edith G. and A. Walter
Socolow
28/120 Interest of the
Estate of Dorthy Gutman,
Deceased

Dear Sir:

This letter is to inform you that I am in receipt of two fully executed oil and gas leases covering the above respective interests amounting to a combined total of 31.11% of the minerals under the subject land. Myself or my assigns intend to participate to the full extent of this interest in the drilling of your proposed Eumont test as set forth in your C-101 form dated March 11, 1980. Further, we have no objections to the location as proposed on your well location and acreage dedication plat dated February 22, 1980. Subject to certain terms and conditions to be agreed upon herein, we have no objection to your assuming the duties as operator.

As noted in your letter of March 11, 1980, to the unconsolidated interests, you are seeking an order force pooling all the captioned lands for the drilling of two nonstandard Eumont locations. Assuming the first well is successful, I will have no objection to the drilling of a second location at a reasonable future date. Therefore, for purposes of this NMOCD force-pooling action, you may consider our interest committed.

As noted above, I am willing to execute a Standard Form AAPL Operating Agreement with attached COPAS naming you as operator if such agreement contains the following provisions:

1. Option #2 in the title section providing that title expenses shall be shared in accordance with the interest of the parties.

2. Individual loss of title provision.

3. 200% nonconsent penalty at casing point election.

4. Parties shall have the right to take production in kind.

5. The elimination of all preferential right of purchase.

6. COPAS accounting procedure providing for fixed overhead rates of $275.00 per producing well and $2,500.00 drilling well rate.

7. Additional provision providing that "Notwithstanding any of the provisions hereof, the undersigned parties agree that each nonoperating party shall have thirty (30) days after receipt of photostatic copies of statements for charges for drilling, completing and operating the wells covered by this agreement prior to paying such charges. Should such charges be disputed, nonoperators agree to promptly notify operator and request a full explanation. Any nonoperator's share of expenses which shall be delinquent for longer than thirty (30) days after the date of the receipt of such explanation for such charges shall bear interest at the prime rate plus one (1) percent. Further, for the purposes hereof, it is agreed that the fixed well rate provided for herein shall fully compensate operator for all office and field overhead."

I will be happy to discuss with you or your representatives any additional matters concerning the operating agreement. Prior to execution of the operating agreement, I would appreciate the opportunity to discuss certain expenditures set forth in your AFE attached to the force-pooling notice. Certain expenditures appear to be excessive in view of my recent experience in this area.

Very truly yours,

James H. Isbell

JHI:llh

C

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

March 20, 1980

Netter, Dowd and Alfieri
Attorneys at Law
660 Madison Ave.
New York, New York 10021

Attn: Mr. Hector G. Dowd

Re: NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Reference is made to a letter of Feb. 19, 1980, from James A. Davidson and my letter of March 11, 1980, both to your client, Mrs. Betty G. Guttag. As explained in these letters, we are in the process of obtaining oil and gas leases on the above described tract and plan to commence a 4,200 foot Eumont test no later than April of this year. At the present time we have the majority of the various mineral owners in this tract under oil and gas leases, including Mr. Daniel L. Gutman, Mr. Alfred E. Gutman, The Estate of Max Gutman, Mobil Oil Corporation, Fluor Oil and Gas Company, and a number of other individual owners. In the above noted Davidson letter, we made the same offer for an oil and gas lease to the Estate of Dorothy Gutman as was made to the remainder of the Gutman Family. We have not received a reply to those letters from Mrs. Guttag, but were informed in a telephone conversation with her that you represent her in this matter.

We have also written and discussed this matter by telephone with Mr. Charles Gutman who is also a co-executor and 50% beneficiary of the Estate of Dorothy Gutman. It is my understanding from Mr. Charles Gutman that our offer to lease is the best offer that has been received on this tract to date by the Estate of Dorothy Gutman. It is also my understanding in talking with Mr. Charles Gutman that he feels our offer is fair and reasonable and acceptance of the same would expedite the drilling of the above noted well thus maximizing the Estate's potential income from this property.

It should also be noted that the Estate's interest in this tract is presently suffering drainage from offset wells located on adjacent lands and therefore it appears that time is of the essence in getting the proposed 4200 foot Eumont test commenced.

As was indicated in my letter of March 11, 1980, we have a Compulsory Pooling hearing docketed before the New Mexico Oil Conservation Division in Santa Fe, New Mexico concerning all presently unconsolidated interests, however, it has

been our policy to avoid this type of solution whenever possible. We would much prefer for the Estate of Dorothy Gutman to lease as per our previous offer or join in the drilling for its 23.333% interest (estimated net cost would be $66,000 per well) under the terms of an AAPL model Form Operating Agreement.

If you need any additional information, please call me collect and we would greatly appreciate being advised of your decision as soon as possible.

Very truly yours,

Doyle Hartman

cc: Mr. and Mrs. Jack Guttag
16 Sutton Place
New York, New York 10022

Mr. Daniel L. Gutman
239 E. 79th St.
New York, New York 10021

Mr. Charles Gutman
51 E. 42nd St.
New York, New York 10017

Mr. & Mrs. A. Walter Socolow
45 East 82nd St.
New York, New York 10028

Mr. Alfred Gutman
206 Winthrop
Taunton, Massachusetts

Campbell and Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501
Attn: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Estate of Dorothy Gutman, Deceased
250 E. 65th St.
New York City, New York 10021

Attention: Mr. Charles Gutman, Co-Executor

Re: Oil and Gas Lease
NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Dear Mr. Gutman:

As we recently discussed, I am proposing the following offer for an oil and gas lease on the 23.333% interest owned by the Estate of Dorothy Gutman in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico:

1. One year lease providing for a 30.5% royalty (12.5% RI + 18.0% ORRI).

2. Check for the amount of $ 7,840.00 payable to the Estate of Dorothy Gutman as a bonus for leasing its interest in the NE/4 Section 13, and computed as follows:

   The Estate's 28/120 interest x 160 acres= 37.3334 net acres
   x $ 210.00 per acre= $7,840.00

As you can see from the above offer, I am proposing both a 30.5% Royalty and $210.00 per net acre which you have indicated is the best net offer that the Estate has received to date on its interest. Furthermore, since I will be the operator for the newly proposed development work on the subject tract and also since I am not a middleman trying to carve out an additional interest, I believe that I am in the best position of being able to maximize the Estate's future income from its holdings in the NE/4 Sec. 13.

At the present time, the interests of both James H. Isbell and the Estate are still included on the force-pooling docket set for hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on April 9, 1980. In the event that Mr. Isbell (who is actually a non-enhancing middleman concerning the newly proposed development work) does not moderate his present hard-line stance in this matter and also in the event the leasing situation concerning the Estate's interest remains up in the air, both interests will necessarily be force-pooled at the scheduled hearing. The net effect of

the force-pooling on the Estate's interest would be a possible substantial loss in future net income on its interest from the subject property.

Since my major concern is to commence drilling operations on the subject tract as soon as possible while protecting both my interest and the interests of my lessors, I would much rather solve the problem of the Estate's interest in an amicable manner and not have to proceed with the scheduled force-pooling. I therefore respectfully urge that the Estate accept the generous offer noted above as soon as possible.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

Producer's 88—(Producer's Revised 1965) (New Mexico) Form 342 Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this 1st day of April 19 80, between

CHARLES GUTMAN, BETTI G. GUTTAG, AND JACK GUTTAG, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and DOYLE HARTMAN (508 C & K Petroleum Bldg, Midland, TX 79701) lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 30½% of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 30½% of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 30½% of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ✓ Bank at ✓, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or reaumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

✓
(Betti G. Guttag)

✓
(Charles Gutman)

✓
(Jack Guttag)

(Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased)

STATE OF New York,
XXXXXXXXXX,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ✓

The foregoing instrument was acknowledged before me this ✓ day of April,
19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires ✓, 19 .

Notary Public

STATE OF New York,
XXXXXXXXXX,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ✓

The foregoing instrument was acknowledged before me this ✓ day of April,
19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires , 19 .

Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of ,
19 by

My Commission expires , 19 .

Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of ,
19 by

My Commission expires , 19 .

Notary Public

No.

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date , 19

Section , Township , Range

No. of Acres

Term County, New Mexico

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the day of ,
A. D., 19 , at o'clock m., and was duly recorded in Book at Page of the Records of said County.

By Deputy.

County Clerk.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of , 19
by , President
of a corporation
on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of , 19
by , President
of a corporation
on behalf of said corporation.

My Commission Expires:

Notary Public

DOYLE HARTMAN, OIL OPERATOR
508 C & K PETROLEUM BLDG. 684-4011
MIDLAND, TEXAS 79701

6004

88-388
1163

April 1, 1980

PAY THE SUM 7840 DOLS 00 CTS DOLLARS $7840.00

TO THE ORDER OF
Estate of Dorothy Gutman, Deceased
Charles Gutman, Betti G. Guttag and
Jack Guttag, Individually and as
Co-Executors of the Estate of
Dorothy Gutman Deceased

DOYLE HARTMAN, OIL OPERATOR

James E. Burn

THE FIRST NATIONAL BANK OF MIDLAND
MIDLAND, TEXAS 79701

⑆116303882⑆ ⑈070⑈633⑈7⑈

DELUXE CHECK PRINTERS

DOYLE HARTMAN, OIL OPERATOR
MIDLAND, TEXAS 79701

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW.
IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.

DELUXE - FORM WVC-3 V-2

DATE	DESCRIPTION	AMOUNT
	Lease bonus only to the Estate of Dorothy Gutman for a one-year oil and gas lease in the NE/4 Sec. 13, T-21-S, R-36-E and computed as follows: $\frac{28}{120}$ X 160 = 37.333 + net acres X $210.00/acre	
	= $7840.00	$7840.00

V-2

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Mr. James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Dear Sir:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area.

Also enclosed is a bill for your share of the estimated cost of both wells, being $ 176,213.32 and computed as follows:

Your 31.1111% interest x 2 wells x $283,200.00 per well= $ 176,213.32.

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 1980

James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	31.1111	$176,213.32

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2,30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

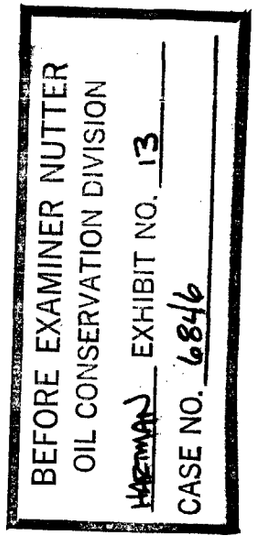
Originated by Doug Hart Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

SUMMARY OF OIL & GAS LEASES COMMITTED TO DOYLE HARTMAN

NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

LEASES	LEASE DATE	PRIMARY TERM	TERMINATION	REMARKS
Alfred E. Gutman, dealing in his sole and separate property	February 25, 1980	One Year	February 25, 1981	
Fluor Oil and Gas Corporation	March 10, 1980	Ninety Days	June 8, 1980 ✓	Pugh Clause
Daniel L. Gutman, dealing in his sole and separate property	March 4, 1980	One Year	March 4, 1981	
General Crude Oil Company	May 10, 1979	One Year	May 10, 1980 ✓	Pugh Clause Continuous Development Clause (Ninety Days between wells)
W. L. Pickens and wife, Ruth Gardner Pickens	May 21, 1979	Three Years	May 21, 1982 ✓	Pugh Clause
E. D. Berryman and wife, Ina Bell Berryman	May 18, 1979	Three Years	May 18, 1982	
Daniel L. Gutman, Successor Trustee under the Will of Max Gutman, Deceased	March 4, 1980	One Year	March 4, 1981	
Texaro Oil Company	March 19, 1980	One Year	March 19, 1981 ✓	Pugh Clause



Producer's 88—(Producer's Revised 1965) (New Mexico) Form 342 21068 Printed or for sale by Hall-Poorbaugh Press, Roswell, N. M. 014 BOOK 325 PAGE 363

OIL & GAS LEASE

THIS AGREEMENT made this 25 day of February 19 80, between

ALFRED E. GUTMAN, dealing in his sole and separate property

of Taunton, Massachusetts
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Bay Bank United Bank at 66 Main St. Taunton, Massachusetts 02080, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

25TH DAY OF FEBRUARY 1980

Joseph T. O'Neil
NOTARY PUBLIC

MY COMMISSION EXPIRES
JUNE 22, 1984

Alfred E. Gutman
Alfred E. Gutman

BOOK 325 PAGE 364

STATE OF ~~NEW MEXICO~~ Massachusetts,
County of Bristol

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 25 day of February, 19 80 by Alfred E. Gutman

MY COMMISSION EXPIRES JUNE 22, 1984

My Commission expires _____, 19____. Joyce I. Ohl
Notary Public

STATE OF NEW MEXICO,
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.
Notary Public

STATE OF NEW MEXICO,
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.
Notary Public

STATE OF _____
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.
Notary Public

No. 21068

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF Lea

I hereby certify that this instrument was filed for record on the 7th day of May, A. D., 19 80, at 11:30 o'clock A m., and was duly recorded in Book 325 at Page 363 of the Records of said County.

By Sue Kuehne County Clerk.
Deputy.

STATE OF NEW MEXICO
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____
Notary Public

Xerox copy

FLUOR OIL AND GAS CORPORATION

615 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701
TELEPHONE: (915) 683-2731

Doyle Hartman
508 C & K Petroleum Bldg.
Midland, Texas 79701

March 10, 1980
Lease Contribution - 3591

Dear Doyle,

If accepted by you as hereinafter provided, this letter will evidence our agreement to execute and deliver to you oil and gas lease(s) covering our mineral interest in the following described land:

Being all rights from the surface of the ground down to, but not below a depth of 50 feet below the initial total depth attained in and under the proration unit established by NMOCC for paragraph No. 2 well in the NE/4 Section 13, T-21-S , R-36-E, Lea County, New Mexico.

Conditioned as below stated; provided you fully perform such obligation required of you, as stated herein:

1. Kind of Lease:
Such lease will bear a date of March 10, 1980, and will be on the terms and conditions set forth in the form of lease(s) attached hereto. Delivery of lease(s) shall not be made unless the well referred to in the following paragraph numbered 2: Commencement of Drilling, Testing, etc. is completed as a producer of oil and/or gas in paying quantities and until you have fully complied with all of the terms hereof.

2. Commencement of Drilling, Testing, etc:
In the event you, for any reason, fail to commence or cause to be commenced, the drilling of a well for oil and/or gas at a legal location of your choice in the NE/4 of said Section 13 T-21-SR-36-E, Lea County, New Mexico within 75 days from this date, and thereafter drill such well with reasonable diligence, consistent with good oil field practice, to 4000 feet total depth, or to a depth sufficient to test the Grayburg formation, whichever is the lesser, this agreement shall ipso facto terminate, and we shall thereafter be under no obligation to you whatsoever.

3. Liability of Parties:
Such well is to be drilled and completed at your risk and expense and without cost or liability of any kind to us, other than our agreement to execute and deliver to you the aforesaid oil and gas lease(s), upon the terms and conditions hereof.

4. Coring and Testing:
You shall take cores and sidewall samples at such intervals as are indicated by good oil field practice. All zones or formations encountered which justify testing for oil or gas shall be adequately tested, including setting and perforating casing, if such is necessary to obtain adequate test.

5. Plugging and Abandoning:
You are to use your best efforts to complete the well as a commercial producer, but if such well is dry, same shall be plugged and abandoned in accordance with all applicable laws, rules and regulations, at your risk and expense.

6. Access to Well and Information:
The representatives of this Corporation shall have full and free access to said well and to the derrick floor, and full and complete information concerning said well, including, but not limited to, the right to examine and sample cores, cuttings, sidewall samples, production samples, and the right to observe all tests and producing operations of said well.

7. Notification:
In the event that you encounter any formation containing oil or gas in reasonably substantial quantity or pressure, you shall immediately notify either of the below named representatives of such fact orally, if either of said representatives is at the well site, or by telephone or telegraph at the following location and/or number, at your expense:

Fred Yates - Office (915) 683-2731 Residence (915) 694-3265

Fluor Oil and Gas Corporation, 615 Midland Tower, Midland, Texas 79701
Telephone: (915) 683-2731

8. Surveys:
If not waived by this Corporation, you shall, at your expense, run an electrical survey from the surface casing to the total depth of said well. You shall furnish this Corporation without charge, a copy of any velocity and/or dip meter survey run in said well by you or any third party and, in the absence thereof, this Corporation shall be permitted to run a velocity and/or dip meter survey in said well at its sole risk and expense.

9. Reports, etc., to be Furnished this Corporation:
You covenant and agree to supply this Corporation at your expense with the following data and information at the address set forth in Paragraph 7 hereof:

a. Progress reports on said well with full information each day telephoned to (915) 683-2731, followed by a written report.

b. Two Copies of each survey as and when made, and two copies of the complete electrical survey when made;

c. One copy of all other logs and surveys made of said well, and a written report of the results of all tests made on said well, including a copy of all drillstem test charts;

d. One copy of the complete drilling time log kept in intervals not greater than 10 feet on the entire well, upon the completion thereof;

e. One copy of any paleontological report concerning said well;

f. One copy of any and all notices and reports made by you and furnished to any governmental body or agency requiring or requesting such notice.including category determination findings.

10. Assignments:
No assignment or transfer, in whole or in part, by you of your rights hereunder shall be effective without the prior written consent of this Corporation.

11. Miscellaneous:
It is agreed that time is of the essence of this agreement, and that if for any reason you fail to commence the drilling of the above described well within the time hereinabove set forth, and for any reason fail to drill such well with reasonable diligence to the objective aforementioned, this agreement shall ipso facto terminate, and we shall thereafter be under no obligation to you whatsoever in connection with such well, and no provision hereof shall be modified or waived except in writing.

If the above correctly sets forth the terms of the agreement made with you, then please sign the original of this letter in the space provided below and return it to us at our office at 615 Midland Tower Building, Midland, Texas 79701, on or before ten (10) days from the date hereof.

If you fail to return such signed copy to us within such period of time, this agreement shall terminate.

Yours very truly,

FLUOR OIL AND GAS CORPORATION

By:_____
Vice President

LE:ju

ACCEPTED AND AGREED TO:

(Date) March, 1980.

Doyle Hartman

OIL AND GAS LEASE

THIS AGREEMENT entered into the 10th day of March, 19 80, between FLUOR OIL AND GAS CORPORATION, a California corporation, with an office at 615 Midland Tower Building, Midland, Texas, 79701, acting herein by and through its duly authorized officers, hereinafter called "Lessor," and Doyle Hartman, 508 C & K Petroleum Building, Midland, Texas 79701 hereinafter called "Lessee":

ARTICLE I.

WITNESSETH:

Lessor, in consideration of ----------Ten and no/100---------- Dollars, ($ 10.00-------), Cash to it in hand paid by Lessee, and of the covenants and agreements of Lessee contained herein, does hereby demise, lease, and let unto Lessee for exploring, drilling, mining, and operating for oil, gas and other liquid or gaseous hydrocarbon minerals of like nature, and engaging in any activity reasonably necessary to produce, save and take care of said products, that tract or those tracts of land, sometimes hereinafter referred to as "Leased Premises," situated in Lea County, New Mexico, described as follows, to-wit:

*** Description of Proration Unit with depth limitation to be inserted when determined and before final execution of lease together with amount of acreage to be included in such unit.

For the purposes hereof the land described above is estimated to be *** acres.

ARTICLE II.

Subject to the provisions herein, this lease shall remain in force for a period of ninety days from date (hereinafter called "Primary Term"), and as long thereafter as this lease is maintained by the provisions hereof.

ARTICLE III.

NONE

ARTICLE IV.

1. After commencement of actual drilling of the leased premises, and prior to the discovery thereon and production therefrom of oil, gas, or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities, Lessee may maintain the rights granted herein by continuing such operations without the lapse of more than sixty (60) days between abandonment of one well and beginning the actual drilling of another.

2. After discovery and production of oil, gas or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities from the leased premises, the rights granted herein may be maintained in effect so long as such products are being produced in paying quantities. If the production thereof should cease from any cause, this lease shall terminate unless Lessee within sixty (60) days thereafter resumes or restores such production or commences additional actual drilling or actual reworking operations and continues such operations without the lapse of more than sixty (60) days between the abandonment of one well and commencement of actual reworking operations, resumption of production or commencement of actual drilling of another well.

3. Should Lessee, during the primary term hereof, complete a well on the leased premises capable of producing gas in paying quantities, but which Lessee is unable to produce because of lack of market or governmental restrictions then Lessee's rights hereunder may be maintained, in the absence of production of gas, if within thirty (30) days after the completion or shutting in of said well Lessee has paid to Lessor the sum of $1.00 per acre for each acre of land then covered by this lease, which payment shall maintain the lease in full force and effect for a period of one year from date such

well is completed or shut in for lack of market. Upon a similar payment within twelve (12) months from date such payment is due, Lessee's rights hereunder may be maintained for twelve (12) additional months; provided, however, that in no event shall Lessee's rights be so extended by shut-in payments for more than two (2) years.

ARTICLE V.

1. Lessee shall drill such wells as a prudent operator would drill in order to prevent drainage of oil, gas or other liquid or gaseous hydrocarbon minerals of like nature from the leased premises by a well on property not covered by this lease.

2. In addition to the obligation to protect the leased premises from drainage, Lessee agrees that if a well producing oil, gas or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities is brought in on property not covered by this lease, and is within six hundred sixty (660) feet of the leased premises in the case of an oil well, or within thirteen hundred twenty (1320) feet in the case of a gas or condensate well, or within any unit or units which adjoin the leased premises, then Lessee shall commence actual drilling, within sixty (60) days after commencement of actual production from each well, of an offset well thereto on the leased premises, and shall diligently prosecute the drilling thereof. Any such offset well drilled by Lessee shall be completed in the same producing zone or zones, where practicable, as the well to be offset, and thereafter shall be operated in such manner as to provide proper protection from drainage of the leased premises.

3. Lessee may be relieved of the obligation of this article by filing in the office of the County Clerk of the County where the leased premises are located, within such sixty (60) day period, a release of all land covered by this lease except for forty (40) acres around each well producing, drilling or being reworked, or when a governmental spacing order exists, Lessor's acreage allotted to such a producing unit or unit in which a well is being drilled.

ARTICLE VI.

Anything in this lease to the contrary notwithstanding, actual drilling on or production from any unit or units formed by any State or Federal governmental authority embracing both land herein leased and other land not included in this lease, shall maintain this lease in force only as to that portion of Lessor's land included in such unit or units, whether or not said drilling or production is on or from the leased premises. This lease may be maintained in force as to the remainder of the leased premises in any manner specified in this lease.

ARTICLE VII.

If the estate or interest of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed, the covenants and agreements hereof shall extend to their heris, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a certified copy thereof.

ARTICLE VIII.

Lessee shall pay to Lessor, as royalty,

1. Thirty Percent (30%) of all oil, including distillate or condensate and other liquid hydrocarbons, produced and saved from the leased premises, which shall be delivered to Lessor's credit into any pipe line which the well or wells, or any of Lessee's tanks, may be connected, all free of cost of production and delivery. All oil and condensate shall be measured in tanks situated on the leased premises and such tanks shall not adjoin other tanks measuring oil or condensate in which Lessor has no interest or has a different interest. No liquid meters shall be used without Lessor's consent. Until further notice from Lessor, Lessee may purchase any royalty oil in Lessee's possession, paying the market price prevailing in the field where produced on the date same is run or sold; or, if there is no posted price in the field, the posted average price for oil of like grade and gravity prevailing in the general area in which the leased premises are located.

2. Thirty Percent (30%) of the value of all gas produced and saved or sold from the leased premises, delivered free of cost of production and delivery. Delivery is defined as made when the gas has been received by the first purchaser thereof. Value shall not be less than the market price then current for gas of like character and quality delivered to any other purchaser in that field.

Lessor hereby reserves unto itself, its successo and assigns, at its option, risk and expense, the right at any time and from time to time as long as this lease is in effect to take or have delivered to its designated purchaser, its share of gas in kind by giving the Lessee sixty (60) days prior written notice. In the event Lessor exercises this right, such gas shall be delivered at some reasonable point near the wellhead or the connecting pipeline at which point such gas shall be metered through a standard approved meter furnished by Lessor. Lessor also agrees to secure any authority or permit required from any governmental agency having jurisdiction, make all necessary reports to any such agency. The term "gas" as used in this article shall mean royalty gas, overriding royalty gas and working interest gas reserved to Lessor under a reversio option in this lease and shall include but not be limited to gas well gas, casinghead gas, and all gaseous substances produced from the leased premises.

3. Thirty Percent (30%) of the value of all plant products, including residue gas, free of extraction and plant or other process costs, where gas from the leased premises is processed by Lessee or through an affiliated company, or by any other party in a plant or process in or adjacent to the field in which the leased premises are located, or through arrangement on a royalty basis by Lessee with any other party in a plant or process not in or adjacent to the field wherein the leased premises are located. In this last event, Lessor shall be paid only its proportionate share of said royalty paid to Lessee.

4. In the situations covered by the preceding Paragraph 3, Lessor shall receive not less than Thirty Percent (30%) of the value of all residue gas at a price not less than the then current market price for residue gas of like character and quality delivered to any other purchaser in or adjacent to the field where produced.

5. Prior to entering into any contract for the sale of gas hereunder, Lessee shall give Lessor sixty (60) days' written notice of the terms which Lessee proposes to accept. Should Lessor object to such terms, Lessee agrees to meet with Lessor, at which meeting the parties shall endeavor in good faith to arrive at a mutually satisfactory solution. However, Lessor's consent thereto shall not be a condition of Lessee's right to enter into such a sales contract. Promptly after the execution of any contract for the sale of gas hereunder, Lessee shall furnish Lessor with a full and complete copy of such executed contract.

6. In the measurement of oil or other liquid hydrocarbons, 100% tank tables shall be used. Field tests, measurements, and corrections of crude oil shall be in keeping with the currently approved A.P.I. Code of Measuring, Sampling and Testing Crude Oil.

7. On or before the 25th day of each month, Lessee shall mail or deliver to Lessor an itemized statement (duly signed by an authorized representative of Lessee) showing the production during the preceding calendar month.

ARTICLE IX.

In the event Lessor considers that Lessee has failed to comply with any obligation, express or implied, Lessor shall give written notice to Lessee, and Lessee shall have sixty (60) days to comply with the obligations of this lease. This requirement of notice and granting of delay for performance does not apply to Lessee's failure to pay shut-in rental in accordance with Article IV-3, or comply with obligations relative to drilling and/or reworking operations, or protect the leased premises from drainage, or comply with the provisions of Article XII-4, as required by the terms of this lease.

ARTICLE X.

Except in the situations covered by Article V-3, which that article shall control, Lessee may deliver to Lessor a recordable instrument surrendering all or any portion of the leased premises at any time this lease is in effect, and thereby be relieved of all obligations thereafter accruing under this lease as to the portion surrendered.

ARTICLE XI.

1. Within ninety (90) days after the termination of this lease for any cause, as to all or any portion of the leased premises, Lessee shall remove from that portion of the leased premises upon which this lease has terminated any and all surface equipment which Lessee may have placed thereon and shall restore the leased premises as near as possible to the condition existing on the date of this lease.

2. All wells shall be plugged and abandoned in accordance with the rules and regulations of the governmental regulatory body having jurisdiction thereof.

ARTICLE XII.

1. Lessor warrants and agrees to defend the title to the leased premises against claims by, through or under it, and not otherwise.

2. Lessee may discharge any tax, mortgage or lien upon this land, and thereby shall become subrogated to such claim with the right to satisfy same out of royalties due under this lease.

3. If Lessor is shown to own less than the entire fee simple estate in the leased premises, either by admission or by judgment of competent court, then the royalties, and any amounts due Lessor under this lease shall be reduced proportionately. Lessee, however, shall not be entitled to claim or recover any monies already paid Lessor as bonus, rent, royalty or for any other reason.

4. It is a material consideration to the continued existence of this lease that Lessee has not, previous to the execution hereof, acquired, nor subsequent to the execution hereof, will acquire, an oil, gas or mineral lease covering the property herein leased from any person or persons or firm claiming an interest therein adverse to Lessor.

ARTICLE XIII.

1. Lessor may, at Lessor's own expense, have a representative on the leased premises during operations at all times, who shall be entitled to examine all cores, electrical logs, and other well data, and who may witness the checking or measuring of all hydrocarbons or minerals produced from the leased premises.

2. Lessee, at Lessor's request, shall furnish Lessor with complete information concerning any and all wells drilled on the leased premises or on premises with which the leased premises may be unitized, including but not limited to copies of all logs of wells, bottom-hole location surveys, core data, completion data, bottom-hole pressure data, and all other geologic or reservoir data which were obtained by Lessee from such wells.

3. In the event Lessee or its assigns applies to any State or Federal regulatory body for the formation of production and proration unit or units, or well spacing affecting the interest herein leased, it is essential to the continued existence of this lease that notice of same shall be given to Lessor at least fifteen (15) days before such application is made, and that there shall be given to Lessor at that same time a copy of such proposed application with all accompanying plats and supporting data.

ARTICLE XIV.

Lessor reserves the right to develop the leased premises for uses or purposes other than those for which it is herein leased, provided such does not unreasonably interfere with the rights herein granted to Lessee.

ARTICLE XV.

Lessee assumes all responsibility for any damage resulting from its operations under this lease, and shall pay any and all increase in taxes that may be brought about by buildings or other improvements constructed by Lessee or its assigns on the leased premises during the life of this lease.

ARTICLE XVI.

Lessee shall have the right to use, free of cost, gas, oil and water produced by Lessee on leased premises for all operations hereunder. When requested by Lessor, Lessee shall bury pipe line below plow depth. No well shall be drilled nearer than 200 feet to any residence or barn now on said premises without written consent of Lessor. Lessee shall pay for damages caused by all operations to growing crops on the leased premises. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

ARTICLE XVII.

1. In case of default by Lessee in the performance of any obligation hereunder, the mention herein of any right or remedy of Lessor with respect thereto shall not preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be entitled with respect to that or any other obligation of Lessee.

2. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, or as a result of some order, requisition or necessity of the government, the time of

such delay or inter tion shall not be counted agai. .t Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

3. Any and all notice, information or data required to be given by Lessee to Lessor shall be given by mailing same postpaid registered mail, addressed to Fluor Oil and Gas Corporation, 615 Midland Tower Building, Midland, Texas, 79701, unless and until notice of change of address is given Lessee in writing. Any notice required to be given by Lessor to Lessee shall be given by mailing same postpaid registered mail, addressed to Doyle Hartman 508 C & K Petroleum Building Midland, Texas 79701 unless and until notice of change of address is given Lessor in writing.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

ATTEST:

By: _____ Assistant Secretary

FLUOR OIL AND GAS CORPORATION, Lessor

By: _____ Leroy Esterak Vice President

WITNESS:

_____

_____ Doyle Hartman Lessee

STATE OF Texas)(
COUNTY OF Midland)(

The foregoing instrument was acknowledged before me this 10th day of March, 19 80, by Leroy Esterak, Vice President, of Fluor Oil and Gas Corporation, a corporation, on behalf of said corporation.

My Commission Expires: 5-15-80

_____
C. L. Ware
Notary Public in and for Midland County, Texas

STATE OF Texas)(
COUNTY OF Midland)(

The foregoing instrument was acknowledged before me this _____ day of March, 19 80, by Doyle Hartman.

My Commission Expires: _____

_____
Notary Public in and for Midland County, Texas

Producer's 8—(Producer's Revised 1965) (New :ico) Form 342 **21067** Printed c or sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

O&G BOOK 325 PAGE 361

THIS AGREEMENT made this 4th day of March 19 80, between DANIEL L. GUTMAN, dealing in his sole and separate property of New York, New York (Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. *Subject to the other provisions herein contained, this lease shall remain in force for a term of* one (1) *years from this date (called "primary term")*, and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Morgan Guaranty Trust Co. Bank at New York City, N.Y., which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail *from* lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designation in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days *after the abandonment of said operations lessee may commence another well and drill the same* with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of *title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or* tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; *and the time while lessee is so prevented shall not be counted against lessee,* anything in this lease to the contrary notwithstanding.

10. ~~Lessor hereby warrants and agrees to defend the title to said land,~~ and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

(witness)

Daniel L. Gutman

(dealing in his sole and separate property)

BOOK 325 PAGE 362

New York

STATE OF ~~XXXXXXXXXX~~,

County of NEW YORK

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 4TH day of March, 19 80 by Daniel L. Gutman

My Commission expires MARCH 30, 1981.

Walwell B. Klivinsky
Notary Public

New York County

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__, by _____

My Commission expires _____, 19__.

Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__, by _____

My Commission expires _____, 19__.

Notary Public

STATE OF _____

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__, by _____

My Commission expires _____, 19__.

Notary Public

No. 21067

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19__

Section _____, Township _____, Range _____

No. of Acres _____

Term _____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF Lea

I hereby certify that this instrument was filed for record on the 7th day of April, A. D., 19 80, at 1:30 o'clock P. m., and was duly recorded in Book 325 at Page 361 of the Records of said County

County Clerk.

By Deputy.

STATE OF NEW MEXICO

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

8906 BOOK 318 PAGE 107

OIL AND GAS LEASE

THIS AGREEMENT dated this 10th day of May, 1979, by and between GENERAL CRUDE OIL COMPANY, P. O. Box 2252, Houston, Texas 77001 (hereinafter referred to as "Lessor") and JAMES A. DAVIDSON, P. O. Box 494, Midland, Texas 79702 (hereinafter referred to as "Lessee"),

W I T N E S S E T H :

That Lessor, for and in consideration of the sum of TEN AND NO/100 DOLLARS, ($10.00) cash in hand paid, and other valuable consideration, receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants and agreements herein contained, and subject to the terms and provisions hereinafter set forth, hereby demises, grants, leases and lets exclusively unto Lessee, for the sole purposes of (a) investigating, exploring, prospecting and drilling for and producing and owning oil, gas, casinghead gas and casinghead gasoline, condensate and any other liquid and gaseous hydrocarbon minerals, and sulphur (the words "Minerals" and "Mineral" being used herein to refer to such substances and no others; provided, however, that sulphur shall be covered by this lease and included within the terms "Minerals" and "Mineral", only if produced incidental to or in conjunction with the production of or processing for sale of any liquid or gaseous hydrocarbons produced from the leased premises), and (b) (but not exclusive of similar use by Lessor, its successors, assigns, grantees or licensees) of laying pipe lines, building tanks, power stations, telephone lines, roads and structures (other than refineries and gasoline plants), for the purposes of producing, saving and taking care of and owning said Minerals, and treating and processing and transporting the same, and conducting the aforesaid operations. The land hereby leased is situated in the County/Parish of Lea, State of New Mexico, and is described as follows:

T-21-S, R-36-E
Section 13: NE/4

This lease is subject to all encumbrances of record and to any and all public and private easements in, on, under, over and across said lands. For the purposes of this lease said land shall be considered as containing 160.00 acres, whether there actually be more or less.

Wherever herein the term "leased premises" is used, it shall be taken and understood to mean such of the above described lands as is at the time subject to this lease.

1. TERM OF LEASE: Subject to the other provisions herein contained, this lease shall be for a term of one (1) year(s) from and after this date (herein called "primary term"), and so long thereafter as a mineral is produced in paying quantities from the leased premises, or this lease is being maintained in any other manner provided for herein.

~~2. CONTINUATION DURING PRIMARY TERM: This lease shall terminate on _____, 19___, unless on or before said date Lessee either (1) commences the actual drilling of a well on the leased premises in search of a Mineral and thereafter prosecutes such drilling to completion or abandonment, or (2) pays or tenders to Lessor a rental of _____ DOLLARS ($) per acre (herein called "rental") for the leased premises, which payment shall extend for twelve (12) months, the time within which drilling may be commenced. Thereafter, annually, in like manner and upon like payment or tenders, the commencement of drilling may be deferred for periods of twelve (12) months each during the primary term. If on any anniversary date during the primary term there be neither drilling nor reworking in progress on the leased premises, nor production of a Mineral therefrom, this lease shall terminate unless on or before said anniversary date Lessee makes or resumes the payment of rental as herein set forth; provided that, if drilling or reworking be abandoned at any time within ninety (90) days prior to any such anniversary date, or if production ceases within such ninety (90) day period, Lessee shall have ninety (90) days after such abandonment of drilling or reworking or such cessation of production in which to commence drilling or reworking on the leased premises or to make such rental payment, and the commencement of such drilling or reworking or the payment of such rental within such ninety (90) day period shall have the same effect as though the drilling or reworking had been commenced or the payment made on or before said anniversary date. If abandonment of drilling or reworking or cessation of production occurs during a twelve (12) month period for which rental has not been paid, but more than ninety (90) days prior to the next anniversary date (or the end of the primary term, if it be during the last year of the primary term), this lease shall terminate unless Lessee, within ninety (90) days following such abandonment or cessation of production, commences further drilling or reworking or pays that proportionate part of the rental for such twelve (12) month period which the number of days between the end of the last mentioned ninety (90) day period and the next anniversary date hereof (or the end of the primary term, if it be during the last year of the primary term) bears to the full twelve (12) month period.~~

2. If ~~such~~ abandonment of drilling or reworking or cessation of production occurs less than ninety (90) days before the end of the primary term, this lease will remain in force for ninety (90) days from such abandonment or cessation of production. If at the expiration of the primary term or the ninety (90) day period provided for in the preceding sentence Lessee is engaged in drilling or reworking on the leased premises, this lease shall continue so long as such drilling or reworking operations are prosecuted continuously.

Operations shall be deemed to be prosecuted continuously for all purposes of this lease if not more than ninety (90) days elapse between the cessation of operations on one well and the commencement of the actual drilling or reworking of another well.

3. PROSECUTION OF DRILLING OPERATIONS: Upon the commencement of the drilling of each well under this lease, Lessee shall be obligated to conduct the drilling with reasonable diligence and in accordance with good operating practices in the oil and gas industry in a bona fide and serious effort to produce one or more Minerals in paying quantities, until such well is completed as a producer of a Mineral in paying quantities, or until such well is abandoned as non-productive at the conclusion of a serious and bona fide effort.

4. ROYALTY: For purposes of this lease, the term "royalty share", wherever used herein, shall mean the fraction one-fourth (1/4). Lessee covenants and agrees to pay and deliver royalties to Lessor as follows:

(a) On oil, including condensate and other liquid hydrocarbons, the royalty share of that produced and saved from the leased premises; provided, however, that until Lessor gives Lessee sixty (60) days written notice that Lessor elects to take its royalty oil in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall purchase Lessor's royalty oil, paying therefor the market value of such oil. In the event sulphur is produced in conjunction with oil, or is extracted from oil, Lessee shall make available to Lessor its royalty share of such sulphur, if Lessor elects to take in kind, or pay Lessor the market value thereof. In any case, Lessor shall bear a proportionate share of the costs of extracting the sulphur from oil.

(b) On gas, including casinghead gas or other gaseous hydrocarbons produced from the leased premises, the royalty share of that produced and saved from the leased premises; provided, however, that until Lessor gives Lessee sixty (60) days written notice that Lessor elects to take its royalty gas in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall pay Lessor the market value of the royalty share of such gas. In the event sulphur is produced in conjunction with gas, or is extracted from gas, Lessee shall make available to Lessor its royalty share of such sulphur if Lessor elects to take in kind, or pay Lessor the market value thereof. In either case, Lessor shall bear a proportionate share of the costs of extracting the sulphur from the gas.

(c) If Lessee itself or through an affiliate uses gas produced under this lease in the manufacture or extraction of gasoline or other products in a plant in which the Lessee or an affiliate owns an interest, Lessor shall be entitled to receive the royalty share of such products extracted; provided, however, that until Lessor gives Lessee sixty (60) days prior written notice that Lessor elects to take its royalty share of such products in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall purchase Lessor's royalty share of such products, paying the market value of such products. In either event Lessor shall be obligated to bear its proportionate share of the direct costs and expenses (exclusive of overhead) incurred in such extraction or manufacture or the royalty share of such products. Royalty on residue gas after processing shall be paid pursuant to the provisions of Paragraph 4(b) above.

(d) It is expressly stipulated that Lessor, at its option and from time to time, upon giving sixty (60) days prior written notice to Lessee, may elect to take in kind its royalty share of any Mineral produced hereunder. In the event Lessor so elects to take in kind its royalty share of any Mineral, Lessor shall install the necessary facilities to take its proportionate share of such production at its cost and expense. Any contract entered into by Lessee for the sale of any Mineral produced under this lease shall be made expressly subject to Lessor's right to take in kind. Lessee represents and warrants that it has not heretofore entered into any contract for the sale of any Mineral produced under this lease which would commit or otherwise affect any Mineral produced hereunder. Lessee expressly is prohibited from selling gas produced from the leased premises to an interstate market, and from commingling such gas with other gas which is in interstate commerce. Lessee shall furnish Lessor true copies of all contracts entered into by Lessee for the sale or disposition of any Mineral produced under this lease.

(e) If at any time there is located on the leased premises a well or wells proven capable by actual tests (or other data which Lessor finds satisfactory) of producing gas in paying quantities and such well is shut-in because of lack of market or marketing facilities or governmental restrictions, then Lessee may maintain this lease in force and effect as to the well tract for such well (as defined in Paragraph 7 hereof) by paying Lessor annually the sum of Five and no/100------- DOLLARS ($ 5.00) per acre for the number of acres contained in such well tract; the first such payment to be made within thirty (30) days after the date on which such well was shut-in, and subsequent payments to be made on or before the respective anniversary dates of the shutting in of the well. So long as such annual payments are being made such well will be considered as producing gas in paying quantities, and such payment will serve to continue this lease in effect as to the well tract on which such well is located; provided, however, that Lessee shall not be entitled to maintain this lease as to a well tract by such annual payments for any period in excess of two (2) consecutive years.

5. TAXES: Lessor and Lessee shall bear in proportion to their respective participations in the production hereunder, all taxes levied on the severance or production of the Minerals produced under this lease. Lessee shall pay such taxes and deduct the part thereof due by Lessor from amounts payable to Lessor hereunder, and shall furnish a statement of all taxes so paid and deducted at the time of payment to Lessor. Any and all taxes, license fees and other governmental charges assessed against the works, machinery, structures, and other facilities constructed or used by Lessee in connection with its operations hereunder shall be borne and paid by Lessee alone.

6. PAYMENTS BY LESSEE: Lessee shall make all payments due Lessor by check of Lessee mailed or delivered to General Crude Oil Company, P. O. Box 2252, Houston, Texas 77001 Attention: Land Department.

7. DEVELOPMENT OF PREMISES: In the event that a Mineral or Minerals in paying quantities are discovered on the leased premises or on lands pooled or unitized therewith, Lessee agrees that it will commence the actual drilling of a development well on the leased premises on or before ninety (90) days following the date on which the discovery well is completed (or on or before ninety (90) days following the inclusion of the leased premises or a portion thereof in a unit on which there is situated a well capable of producing a Mineral in paying quantities), and thereafter not allow more than ninety (90) days to elapse between the cessation of operations on one well and the commencement of the actual drilling of the next. Lessee shall be given credit for so much of the time in each such ninety (90) day period as is not utilized because of drilling by Lessee sooner than required, and such credit may be used to extend subsequent drilling intervals in such manner as Lessee may determine; provided, however, that at no time may Lessee accumulate more than three hundred sixty-five (365) days credit. It is provided, however, that during the primary term of this lease, the Lessee may avoid the continuous drilling obligation imposed under this paragraph by paying rentals pursuant to the provisions of Paragraph 2 hereof, calculated on the number of acres then comprising the leased premises and not contained within well tracts as defined in this Paragraph 7.

For all purposes of this lease, a "well tract" shall be deemed to be a tract of land surrounding such well producing a Mineral in paying quantities, which shall consist of forty (40) acres if the well is producing oil or one hundred sixty (160) acres if the well is producing gas or gas and condensate, to be selected by Lessee in as nearly a square form as is practicable, or, in the event a unit has been established for the well, that portion of the leased premises contained in each such unit.

If Lessee fails to commence timely a required development well, or, if during the primary term, fails to pay rental on that portion of the leased premises not contained within any well tract, then notwithstanding anything herein contained to the contrary, this lease will terminate as to all of the leased premises except as to any portions contained in well tracts. If thereafter the production of Minerals on any well tract ceases from any cause, this lease shall terminate as to such well tract unless Lessee within ninety (90) days after cessation of production commences reworking operations or the actual drilling of a new well thereon (or, if during the primary term, pays rental as to such well tract pursuant to the provisions of Paragraph 2 hereof, calculated on the number of acres contained within such well tract), and in such event, this lease will continue in effect as to such well tract so long as such drilling or reworking is prosecuted continuously until production in paying quantities is restored.

In addition to the above development obligation, Lessee shall conduct such drilling and producing operations as a prudent operator would do under the same or similar circumstances, and the development and production of any one Mineral will not relieve the lessee of its obligation to develop and produce any other Minerals which can be produced from the leased premises in paying quantities.

Lessee further covenants and agrees that Lessee will conduct all operations on the leased premises in a good and workmanlike manner, and in accordance with the standard of the best industry practices in like operations, and that Lessee will comply with all legal requirements relating to production to oil or gas, and to operations relating thereto, and particularly all laws relating to fire hazard, to fire prevention and to the plugging of abandoned holes and to pollution of surface and underground water supplies. If any well hereafter is completed on adjacent land (whether or not owned by Lessor) which is capable of producing a Mineral in paying quantities, Lessee shall be obligated to drill on the leased premises such well or wells as a prudent operator under the same or similar circumstances would drill to protect the leased premises from drainage.

8. TERMINATION AS TO DEEPER HORIZONS: At the end of the primary term of this lease or upon cessation of continuous drilling or reworking operation after the end of the primary term as provided in Paragraph 2, this lease will terminate automatically as to all horizons situated below the base of the deepest zone then producing in paying quantities from a well located on the leased premises or on other lands unitized with the leased premises. Upon such termination as to deeper horizons Lessor, its successors, lessees or assigns, thereafter shall have the right to reasonable use of the leased premises, but without unreasonable interference with Lessee's rights, for the purposes of investigating, exploring, prospecting and drilling for, producing and owning Minerals from the horizons as to which this lease has terminated.

9. VOLUNTARY RELEASE: Lessee may at any time execute and deliver to Lessor and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage surrendered except those arising from prior acts or ommissions of Lessee; and, if during the primary term, rentals may be reduced proportionately according to acreage.

10. LIABILITY OF LESSEE: Lessee assumes all risk and liability of any kind and nature incident to, occasioned by, or resulting in any manner, directly or indirectly, from Lessee's operations hereunder; agrees to keep the lands duly and fully protected against liens of every character arising in connection with, or resulting from, said operations; and agrees to indemnify and hold harmless Lessor against any and all liens and claims of any kind for damages occasioned by, or on account of, said operations and against any and all claims for property damage, personal injury or death sustained by any person or persons whomsoever, natural or corporate, in connection with, or resulting from Lessee's operations hereunder, and whether or not involving active or passive negligence on the part of Lessor or its agents, contractors or employees.

11. REDUCTION IN PAYMENTS: If Lessee owns less than the entire mineral estate or less than the entire undivided interest in the mineral rights relating to any portion of the leased premises, rentals, shut-in payments and royalties hereinabove provided for may be reduced proportionately to the interest of the Lessor therein.

12. USE OF LEASED PREMISES:

(a) The provisions of Section (b) of this Paragraph shall apply only where Lessor owns all or a part of the surface interest in the lands covered by this lease and shall not be in derogation of the rights of any other partial owners.

(b) Lessee will so conduct its operations hereunder so as not to interfere unreasonably with Lessor or with its tenant(s) in the use of the surface of the lands covered by this lease, and Lessee will build and use only such roads as are reasonably necessary to conduct operations under this lease, such roads to be built and used in such manner as to avoid, insofar as possible, interference

with Lessor's or with its tenant's operations on the surface of the lands covered by this lease; provided further, that Lessee agrees that by no later than thirty (30) days prior to the construction of any road or to the commencement of operations in or about any drilling site, it will furnish to Lessor map or plat showing the proposed location thereof. Lessor and its employees, agents, servants and assigns shall have the right in common with Lessee to use such roads in such manner as not to interfere unreasonably with Lessee's operations. Lessee will provide at Lessee's expense all necessary protective measures to prevent any loss or damage to the property of Lessee on account of any operations by Lessor or its tenant(s) including protection for pipe lines and telephone lines. Unless first consented to in writing by Lessor, no well shall be drilled nearer than two hundred (200) feet to any structure now or hereafter placed on the leased premises. When requested by Lessor, Lessee will bury pipe lines to below ordinary plow depth or to such greater depth as Lessor deems necessary for its operations. Lessee will pay for all damages to the surface of the leased lands or suffered by any tenant of Lessor caused by or arising out of operations under this lease. Pits and excavations made during drilling operations will be filled by Lessee and the surface restored, as nearly as reasonably possible, to its original condition; and if Lessee shall fail to do so, the cost to Lessor of such filling and restoration shall be paid by Lessee. Lessee's obligations under this Paragraph shall be in addition to, and shall not in any way modify or diminish its obligations under Paragraph 10 hereof.

13. USE OF OIL, GAS AND WATER BY LESSEE: Lessee shall have free use of oil and gas, and water from Lessee's own water wells located on the leased premises, for drilling and reworking operations on the leased premises, (but not in connection with unit operations without Lessor's prior written consent) and the royalty on oil and gas shall be computed after deducting any so used; but Lessee shall pay royalty on oil and gas used for any other purpose, and on oil and gas used off the leased premises for any purpose whatsoever.

14. REMOVAL OF LESSEE'S PROPERTY: Lessee shall have the right at any time during or within ninety (90) days after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing; provided that, Lessor shall have the right to acquire any fresh water wells drilled by Lessee on the leased premises by paying Lessee the salvage value of the equipment in and on such well less the cost of salvage. All property and fixtures not removed within such ninety (90) day period will become the property of the Lessor, except that if Lessor requires that any of such property be removed, Lessee shall remove the same promptly, or, in the event Lessee fails so to do, Lessor may remove same at the cost, risk and expense of Lessee.

15. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto but no assignment of this lease shall be made by Lessee, in whole or in part, unless the written consent of Lessor shall have been first obtained. Any attempt to make such an assignment without first obtaining Lessor's written consent thereto shall be void. No sale or assignment by either party shall be binding on the other unless the latter shall have first been furnished with a recordable instrument evidencing the same.

16. EXCLUSION OF WARRANTY: This lease is granted without any covenant of title or warranty of title of any kind whatsoever, expressed or implied, and without any recourse against the Lessor in the event of any failure of title, not even for the return of the consideration paid herefor, or any delay rentals or shut-in payments made hereunder. Lessee shall have the right to purchase, pay or redeem any mortgage, tax or other lien on the leased premises and be subrogated to the rights of the holder thereof. If Lessee obtains a title opinion or title insurance policy on any portion of the leased premises, Lessor will be provided a copy of such title material. Lessee shall not undertake any title curative work with respect to the leased premises without the prior approval of Lessor, nor shall Lessee acquire any lease or other interest from any adverse claimant without Lessor's prior written consent, and violation of the provisions of this sentence shall constitute a denial of Lessor's title resulting in automatic termination of the lease.

17. FORCE MAJUERE: In the event Lessee is prevented from conducting drilling or reworking operations hereunder, or from producing Minerals from the leased premises by reason of force majeure, Lessee shall give Lessor prompt written notice of the force majeure with reasonably full particulars concerning it, and if such drilling or reworking operations or production of Minerals are necessary to continue this lease in force and effect as to any of the leased premises, this lease shall not terminate if Lessee pays Lessor at the rate of Five and no/100---------- DOLLARS ($ 5.00) per day during the time Lessee is so prevented from performing. Payments shall be made within ten (10) days following the end of each thirty (30) day period, or portion thereof, during which such condition of force majeure persists. This lease may not be maintained pursuant to the provisions of this Paragraph 17 during any period in excess of one (1) year for each occurrence of force majeure. The term "force majeure" as used herein shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment and any other cause (other than inability to make money payments) whether of the kind specifically enumerated herein or otherwise, which is not reasonably within the control of Lessee.

18. CLEARANCE OF TITLE: Upon the expiration or termination of this lease as to any of the leased premises (including termination as to deeper horizons pursuant to provisions of Paragraph 8 hereof), Lessee agrees to execute a quitclaim deed or release, properly acknowledged and entitled to be recorded, discharging and releasing all right, title and interest of Lessee from any and all further claim under this lease and removing any cloud cast by this lease on the title to such lands or horizons. Such deed or release shall be executed and delivered to Lessor within ninety (90) days after the expiration or termination hereof as to all or any part of the leased premises, failing which, Lessor shall have the right to file suit to cancel this lease as a cloud on the title to said lands and Lessee covenants and agrees to pay all costs of suit incident to such cancellation and all damages and expenses sustained by Lessor, including attorneys' fees, as a result of said failure. The obligations of Lessee under this Paragraph 18 shall be in addition to, and not in substitution for, any imposed by the statutes of the state in which the leased premises are located.

19. INSPECTION, RECORDS AND INFORMATION: Lessee will furnish Lessor a copy of any survey on the leased premises made by or for Lessee. Lessee agrees that Lessor, acting by or through any agent or representative authorized by Lessor, at Lessor's risk, will have the right at all times to inspect any machinery, equipment, well or operation of Lessee upon the leased premises, or on land unitized therewith, Lessee promptly will furnish Lessor complete copies of all logs and electrical surveys run in any wells located on the leased premises or on land unitized therewith, showing formations encountered and the identification of such formation as determined by Lessee or its geologists or paleontologists. Lessee agrees to furnish Lessor promptly with copies of daily drilling reports and daily mud log reports on all wells drilled on the leased premises or on lands unitized therewith, and to notify Lessor at least twenty-four (24) hours prior to conducting any testing, coring, logging or completion operations on any such well. The results of all tests, including drill stem tests, formation tests, and core analyses, conducted on any well on the leased premises or on lands unitized therewith shall be sent to Lessor promptly upon receipt by Lessee. Lessor also shall be provided all dipmeter and velocity surveys, including Lessee's interpretations thereof, as well as cuts and samples taken from the mud or from coring. All information required to be furnished Lessor shall be mailed to 502 Vaughn Building, Midland, Texas 79701, Attn.: Land Dept., (915) 684-5736, until such time as we have notified Lessee in writing of change of address for Lessor.

20. WAIVER: The failure of Lessor to insist in one or more instances upon strict compliance by Lessee with any of the provisions of this lease, or to take advantage of any right hereunder, shall not be construed as a waiver of any such provision, nor the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

21. WHOLE AGREEMENT, AMENDMENTS: This lease represents the whole agreement between the parties with respect to the land herein described, and no representations or agreements made by either party, or by any representative of either party, in the negotiations leading to this lease or otherwise, which are not set forth in this lease, shall be binding on such party. No change in, addition to, modification or amendment of, this lease, or any provision hereof, shall hereinafter be made except by an agreement in writing signed by each of the parties hereto.

22. ATTORNEY'S FEES: If Lessor brings suit to compel performance of, or to recover for breach of any covenant or condition herein contained, or for declaratory relief, and prevails therein, Lessee agrees to pay to Lessor reasonable attorney fees in addition to the amount of judgment and costs.

23. TIME OF THE ESSENCE: In this lease, time is of the essence.

IN WITNESS WHEREOF, this instrument has been executed by the parties on the dates of their acknowledgments set forth below, but effective as of the date first above set forth.

LESSOR:

GENERAL CRUDE OIL COMPANY

Attest:

F. A. Eudy

F. A. EUDY
ASSISTANT SECRETARY

By: G. E. Gotschall

G. E. Gotschall, Vice President

LESSEE:

James A. Davidson

James A. Davidson

STATE OF TEXAS §
§
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared G. E. GOTSCHALL, known to me to be the person whose name is subscribed to the foregoing instrument as Vice President of GENERAL CRUDE OIL COMPANY, a corporation, and acknowledged to me that he executed the same as the act and deed of said corporation, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 22 day of May, 1979.

Mary Wallace
Notary Public in and for Harris County, Texas

My Commission Expires: May 31, 1981

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared JAMES A. DAVIDSON, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 3RD day of JULY, 1979.

NOTARY PUBLIC COUNTY OF MIDLAND, TEXAS

Leigh M Cerboskas
Notary Public in and for Midland County, Texas

LEIGH M. CERBOSKAS
MY COMMISSION EXPIRES
JULY 31, 1980

My Commission Expires:

8306

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUL 20 1979

at 1:20 o'clock P M
and recorded in Book 318
Page 107
Jane Rice Smith County Clerk
By A Burgess Deputy

04P BOOK 317 PAGE 302

Producers 88 Rev. [illegible] (2-56)
With 640 Acres Pooling Provision

OIL AND GAS LEASE

5829

Form 340
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this 21st day of May, 1979, between W. L. PICKENS and wife RUTH GARDNER PICKENS

Lessor (whether one or more), whose address is: Dallas, Texas
and JAMES A. DAVIDSON (P. O. Box 494--Midland, Texas 79702) Lessee, WITNESSETH:

1. Lessor in consideration of --Ten-- Dollars ($10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor ~~adjacent and contiguous thereto~~, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in LEA County, NEW MEXICO, to-wit:

T-21-S, R-36-E, N.M.P.M.

Section 13: NE/4

It is agreed that the fraction "one-quarter" (1/4) shall be substituted for the fraction "one-eighth" (1/8) in all cases where the later appears in Paragraph 3 hereof.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ~~ten~~ three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of The New Mexico Oil Conservation Commission, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis-- that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

ILLEGIBLE

11. Notwithstanding anything stated herein to the contrary, it is understood and agreed that this lease shall terminate at the end of the primary term (as said primary term may be extended under Paragraph 5) as to any part of the above described land which is not at such time included in a proration unit prescribed by the Oil Conservation Commission of New Mexico for a well capable of producing in paying quantities.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

W. L. Pickens
(W. L. Pickens)

Ruth Gardner Pickens
(Ruth Gardner Pickens)

INDIVIDUAL ACKNOWLEDGMENT

STATE OF TEXAS §
County of Dallas §

The foregoing instrument was ackonwledged before me this 22nd day of May, 1979 by W. L. Pickens and wife Ruth Gardner Pickens

Sue Pickford
Notary Public

My Commission expires May 11, 1980.

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUN 1 1979

at 1:40 o'clock P. M
and recorded in Book 317
Page 302
Jane Rice Smith County Clerk
By Sue Newlan Deputy

5829

Produc..rs 88 Rev. (XXXXXXXXXX(2-56)
With 640 Acres Pooling Provision

6439

(XXXXXXXXXXXXXXXXXX)

ED BOOK 317 PAGE 109

Form 340
Hall-Poorbaugh Press
Roswell, New Mexico

OIL AND GAS LEASE

THIS AGREEMENT made this 18th day of May, 19 79, between E. D. BERRYMAN and wife, INA BELL BERRYMAN

Lessor (whether one or more), whose address is: Eunice, New Mexico
and JAMES A. DAVIDSON (P. O. Box 494-Midland, Texas 79702) Lessee, WITNESSETH:

1. Lessor in consideration of --Ten-- Dollars ($10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in LEA County, NEW MEXICO, to-wit:

T-21-S, R-36-E, N.M.P.M.

Section 13: NE/4

It is agreed that the fraction "one-quarter" (1/4) shall be substituted for the fraction "one-eighth" (1/8) in all cases where the later appears in Paragraph 3 hereof.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ~~ten~~ three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of The New Mexico Oil Conservation Commission, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

E. D. Berryman
(E. D. Berryman)

Ina Bell Berryman
(Ina Bell Berryman)

Lessor

Lessor

RECEIVED JUN 0 6 1979

BOOK 317 PAGE 110

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO,
County of Lea } ss.

The foregoing instrument was acknowledged before me this 18th day of May,

19 79 by E. D. Berryman and wife, Ina Bell Berryman

My Commission expires August 2, 1981. Notary Public

NOTARY PUBLIC STATE OF NEW MEXICO

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,

19_____ by _____

My Commission expires _____, 19_____. Notary Public

5439

Producers 88 Rev. (10 Year Lease) (2-56)
With 640 Acres Pooling Provision

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 19____

No. _____ County, N. M.

Term

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 25 1979

at 1:00 o'clock P. M.
and recorded in Book 317
Page 109
Jane Rice Smith County Clerk
By _____ Deputy

This instrument was filed for record on the _____ day of _____, 19____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

Producer's 88—(Producer's Revised 1965) (New Mexico) Form 342 **21066** Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

O&G BOOK 325 PAGE 359

THIS AGREEMENT made this 4th day of March 1980, between DANIEL L. GUTMAN, Successor Trustee under the Will of Max Gutman, deceased

of New York, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Republic National Bank Bank at Dallas, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

DLG 10. ~~Lessor hereby warrants and agrees to defend the title to said land,~~ and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11 Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Theodore F. Bullen (witness) Daniel L. Gutman, Trustee

Barbara Belsan

Daniel L. Gutman, Successor Trustee under the Will of Max Gutman, deceased

BOOK 325 PAGE 360

New York

STATE OF NEW MEXICO,

County of MEW YORK

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 4TH day of March, 1980 by Daniel L. Gutman, in the capacity therein stated

My Commission expires MARCH 30, 1981. Maxwell B. Mlvinsky Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

STATE OF _____

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

No. 21066

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

Term _____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the 7th day of May, A. D., 19 80, at 11:30 o'clock A. m., and was duly recorded in Book 325 at Page 359 of the Records of said County.

(County Clerk.)

By _____ Deputy.

STATE OF NEW MEXICO

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

Producer's 88—(Producer's Revised 1965) (New co) Form 342 Printed or sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this 19th day of March 1980, between Texaro Oil Company

801 Preston State Bank Building of Dallas, Texas 75225
(Post Office Address)

herein called lessor (whether one or more) and Doyle Hartman (P. O. Box 10426, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to ~~the amount of delay rentals provided for in this lease~~ $1.00 per acre for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, ~~unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $~~ 160.00 ~~which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term.~~ Payment IF SHUT-IN GAS ROYALTY SHALL BE MADE TO LESSOR AT ABOVE ADDRESS. or tender ~~may be made to the lessor or to the credit of the lessor in the ________ Bank at ________, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.~~

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, ~~or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production.~~ If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder. ~~and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.~~

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby ~~warrants and agrees to defend the title to said land, and~~ agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply ~~rentals and~~ royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, ~~rental~~ and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the ~~rentals and~~ shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. See Attached Paragraph 12.

Executed the day and year first above written.

[signature]

TEXARO OIL COMPANY

by: [signature] V.P.

Title: [signature] V.P.

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____,

19____ by _____

_____

My Commission expires _____, 19____. _____ Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____,

19____ by _____

_____

My Commission expires _____, 19____. _____ Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____,

19____ by _____

_____

My Commission expires _____, 19____. _____ Notary Public

STATE OF _____

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____,

19____ by _____

_____

My Commission expires _____, 19____. _____ Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM _____

TO _____

_____

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

Term _____ County, New Mexico

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock ____m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

_____ County Clerk.

By _____ Deputy.

STATE OF ~~XXXXXXXXXX~~ Texas

County of [illegible]

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 1st day of March, 19 80

by [illegible] and William S. Odell, President

of Texaro Oil Company a Texas corporation

on behalf of said corporation.

My Commission Expires: May 6, 1981 Margaret J. Brookhead Notary Public

STATE OF _____

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, _____ President

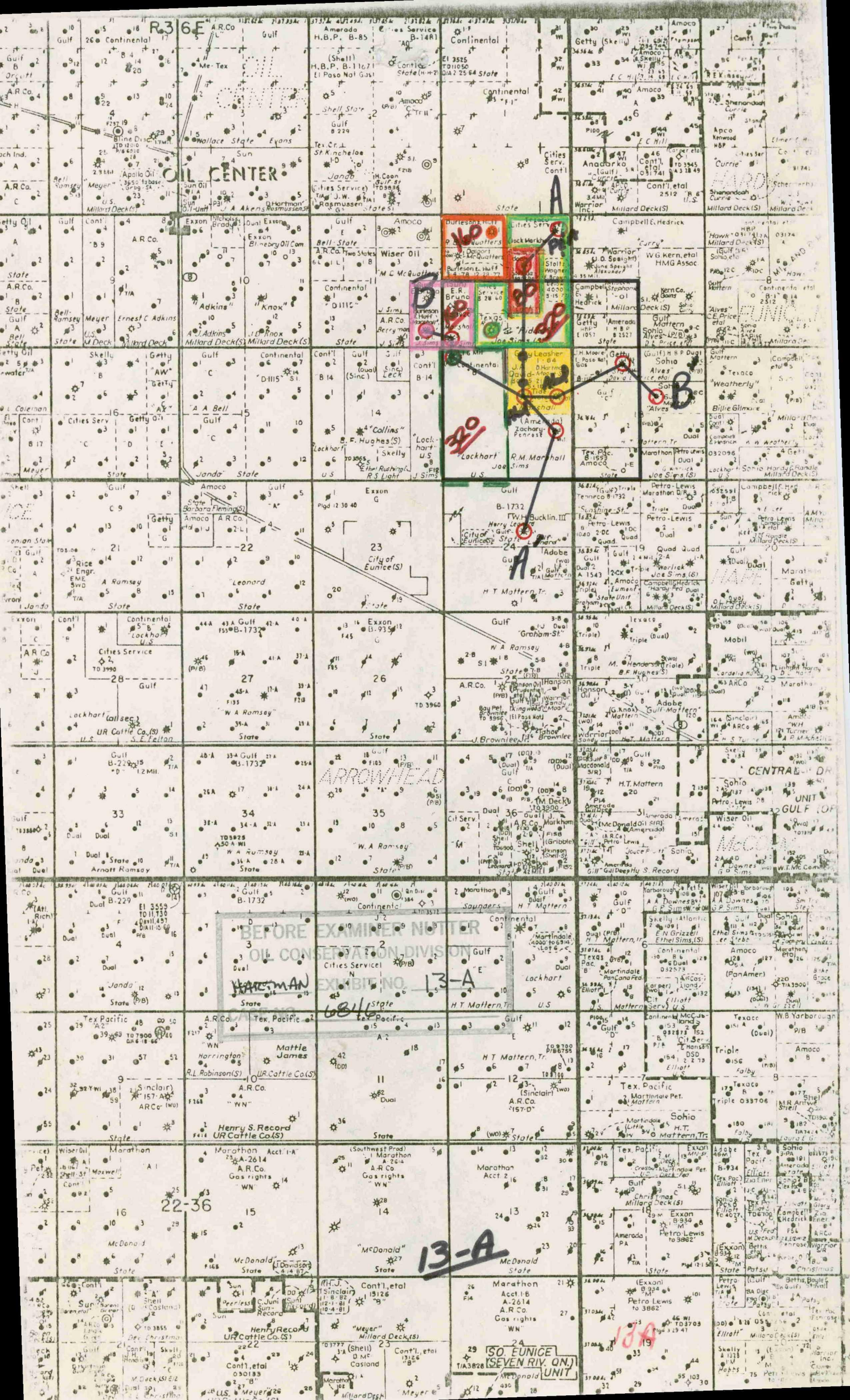
of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

This paragraph to be attached to
and made a part of that Oil and Gas Lease
dated March 19th, 1980
Texaro Oil Company and Doyle Hartman

12. Notwithstanding anything to the contrary herein contained, production from a pooled unit or units embracing land covered hereby and other land shall maintain this lease in force only as to land included in such unit or units. ~~The lease may be maintained in force as to the remainder of the land in any manner herein provided for, provided that if it be by rental payment, rentals shall be payable only on the number of acres not included in such unit or units.~~


OIL CENTER
EUNICE
BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 13-A
CASE NO. 6814
13-A
22-36
SO. EUNICE (SEVEN RIV. QN.) UNIT
Lockhart
Jonda State
Millard Deck(S)
Cities Service
Continental
Gulf
Amoco
Getty
Skelly
Sohio
Marathon
Texaco
Exxon
Shell
Mobil
Tex. Pacific
Sinclair
Hanson
Wiser Oil
Petro-Lewis
Campbell & Hedrick
Warrior
Adobe
Quad
Dual
Triple
Cont'l
Millard Deck(S)
Jonda State
Lockhart U.S.
Eunice(S)
Arnott Ramsay
Rice Engr.
Ethel Rushing
R.S. Light
J. Sims
Joe Sims (S)
Ramsey
Leonard
Collins
Adkins
Knox
Meyer
Wallace State
Evans
Rasmussen State
Bell-State
Bell-Ramsey
Lockhart-U.S.
Cities Service B-14
Amerada H.B.P. B-85
(Shell) H.B.P. B-1167
El Paso Nat Gas
Amoco State (H-2)
Shell State
Gulf B 229
Tex. Cr. St. Kincheloe
Jonda
(Cities Service)
Rasmussen State
Continental "F"
El 3525 TD 11050
D/A 2-25-64 State
Cities Serv. Cont'l
Warrior Inc.
Millard Deck(S)
Getty (Skelly)
Amoco
Anadarko (Gulf)
Cont'l etal
Apco
Kenwood
Shenandoah Currie
Hawk
Millard Deck(S)
Burlington Hutt
Burleson & Huff
Cities Service
Stott, Wagner & Brandt
Campbell & Hedrick
Millard Deck(S)
W.G. Kern, etal
HMG Assoc
Curry
Gulf Mattern
Sohio Alves (LP-B)
D.K. Price, etal
Continental etal
Alves
C.E. Price etal
Texaco
"Weatherly"
Billie Gilmore
Sohio Hardy & Randle
Millard Deck(S)
Gulf Mattern
Sohio Alves
Petro-Lewis
Marathon
Joe Sims (S)
Tex. Pac. B-1559
Amoco
Gulf B-1732
T.W.H. Bucklin, III
Harry Leonard
City of Eunice(S) State
H.T. Mattern Tr.
Adobe
Gulf Mattern
Petro-Lewis Marathon D/R
Triple
Dual
Quad
Warlick
Joe Sims (S)
Campbell & Hedrick
Millard Deck(S)
Mobil
ARCo
Marathon
Sinclair
Amoco
Turner
A.P. Mikkelsen
Exxon B-935
Gulf B-1732
W.A. Ramsey
State
Graham-St.
A.R.Co.
Hanson Oil
Bay Pet. Brownlee
J. Brownlee, Jr.
Texaco
Triple
Dual
M. Henderson
B.F. Hughes (S)
Hanson Oil
Warrior Sandy
Adobe
Gulf-Mattern
H.T. Mattern
Mobil
ARCo
Sinclair
Amoco
Turner
A.P. Mikkelsen
Gulf B-229
Gulf B-1732
Arnott Ramsay
Exxon B-935
W.A. Ramsey
State
ARROWHEAD
Gulf
H.T. Mattern
Tex M. Deck
Dual
A.R.Co.
Markham
Shell
Gribble
Sohio
Petro-Lewis
Joyce Pet.
Gulf Deep Hy
S. Record
CENTRAL
Sohio
Petro-Lewis
UNIT
GULF
Wiser Oil
Downes
G.P. Sims
W.F. McCombs
Gulf B-229
Gulf B-1732
Jonda State
Continental
Cities Service
Harrington State
Marathon
Saunders
H. Mattern
Martindale
Lockhart
H.T. Mattern, Tr.
U.S.
Gulf
Skelly (Atlantic)
E.N. Grizzell
Ethel Sims, (S)
Continental
Martindale Pan Cana Fed.
Elliott
U.S.
Mattern
Cit. Service
Yarborough
A.A. Downes
G.P. Sims
Sohio
Amoco
(PanAmer)
Grace
Tex. Pacific
A.R.Co.
Mattie James
Harrington
R.L. Robinson(S)
UR Cattle Co.(S)
Henry S. Record
UR Cattle Co.(S)
Tex. Pacific
A-2
Gulf
H.T. Mattern, Tr.
A.R.Co.
Sinclair
Tex. Pacific
Martindale Pet.
Mattern
Sohio
H.T. Mattern, Tr.
Texaco
W.B. Yarborough
Triple
Amoco
Falby
Marathon
Acct. 1-A
A-2614
A.R.Co.
Gas rights
WN
McDonald
State
Davidson
Marathon
Acct 2
Marathon
Acct 1-B
A-2614
A.R.Co.
Gas rights
WN
McDonald State
Tex. Pacific
Exxon
Gulf
Christmas
Millard Deck(S)
Amerada
Petro-Lewis
to 3862
Sohio
Petro-Lewis
Cont'l
Sun
Shell
Peerless
C. Juni
Sun Record
Henry Record
UR Cattle Co.(S)
Cont'l, etal
050133
"B"
Cont'l, etal
15126
"B"
Meyer
Millard Deck(S)
Cont'l, etal
13126
"B"
Meyer
Marathon
Millard Deck
(Exxon)
Petro Lewis
to 3862
Petro-Lewis
Gulf
Bettis, Boyle & Stovall
Patsy
Christmas
Elliott
Millard Deck(S)
Skelly
Harrison
Abbott
Meyer
Millard Deck(S)
Cont'l, etal
050133
"B"
Cont'l, etal
13126
"B"
Meyer
Millard Deck
Marathon
Acct. 1-B
A-2614
A.R.Co.
Gas rights
WN
24
SO. EUNICE (SEVEN RIV. QN.) UNIT
T/A 3828
McDonald
Petro Lewis
to 3862
Gulf
Christmas
Millard Deck(S)
Amerada
Petro-Lewis
to 3862
Exxon
Petro-Lewis
Gulf
Bettis, Boyle & Stovall
Patsy
Christmas
Elliott
Millard Deck(S)

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 15
CASE NO. 6846

April 3, 1980

Arco Oil and Gas Company
Post Office Box 1610
Midland, Texas 79702

Attention: Mr. Kurt Krehbiel

Re: New Mexico Oil Conservation Division
Case No. 6846

Dear Mr. Krehbiel:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670339

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO Arco Oil & Gas Co.
STREET AND NO.
P.O., STATE AND ZIP CODE

POSTAGE	$	
CONSULT POSTMASTER FOR FEES		
CERTIFIED FEE	¢	
SPECIAL DELIVERY	¢	
OPTIONAL SERVICES		
RESTRICTED DELIVERY	¢	
RETURN RECEIPT SERVICE		
SHOW TO WHOM AND DATE DELIVERED	¢	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢	
TOTAL POSTAGE AND FEES	$	
POSTMARK OR DATE		4/3/80

PS Form 3800, Apr. 1976

March 31, 1980

Fluor Oil and Gas Corporation
Fluor Minerals, Ltd.
615 Midland Tower Building
Midland, Texas 79701

Re: New Mexico Oil Conservation Division
Case 6846

Gentlemen:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Hartman - Case 6846

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....¢
☐ Show to whom, date and address of delivery.....¢
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Fluor Oil & Gas Corp.
615 Midland Tower Building
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6670337 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY

POSTMARK

5. APR 03 1980

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1979 RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

☆GPO: 1979-288-848

March 31, 1980

Mr. James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Isbell:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670336

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO James H. Isbell
STREET AND NO.
P.O., STATE AND ZIP CODE

POSTAGE	$
CERTIFIED FEE	¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$
POSTMARK OR DATE	3/31/80

PS Form 3800, Apr. 1976

March 31, 1980

Mr. Gary E. Leascher
Post Office Box 8046
Midland, Texas 79703

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Leascher:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

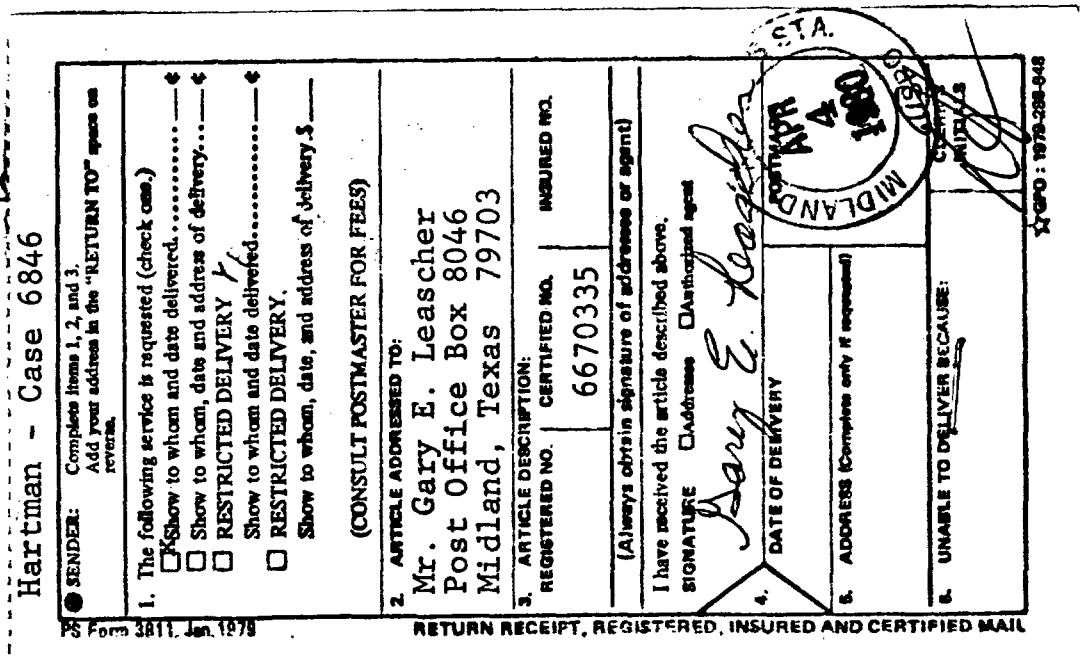
William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Hartman - Case 6846



AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

DOYLE HARTMAN
oil c
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 19 80

Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

INVOICE NO. 800390002

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	6.25000	$ 35,400.00

DOYLE HARTMAN
Oil O[illegible]
SUIT[illegible] 08
C A K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 19 80

Gary Leascher
P. O. Box 3734
Midland, Texas 79701

INVOICE NO. 800390003

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	3.12500	$17,700.00

DOYLE HARTMAN
OIL
SUI . 508
OAK PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

INVOICE

DATE March 31 1980

Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

INVOICE NO. 800390001

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.			
Estimated Drilling Cost			TOTAL DUE
$566,400	X	3.12500	$17,700.00

DOYLE HARTMAN
OIL
SUITE 500
OAK PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 1980

James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	31.1111	$176,213.32

DOYLE
OI
SU
C & K PETR
MIDLAND

No. 112808

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Arco Oil & Gas Co
STREET AND NO.
PO Box 1610
P.O., STATE AND ZIP CODE
Midland, Tx 79702

POSTAGE		$ .22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.80 ¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
OPTIONAL SERVICES — RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	.55 ¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 1.63

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112808
MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... .55¢
- ☐ Show to whom, date and address of delivery.... ¢
- ☐ RESTRICTED DELIVERY
  - Show to whom and date delivered..... ¢
- ☐ RESTRICTED DELIVERY.
  - Show to whom, date, and address of delivery $ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112808 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 288-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

Attention: Mr. Curt Krehbiel

No. 112804

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO: Gary Leascher	
STREET AND NO.: PO Box 3734	
P.O., STATE AND ZIP CODE: Midland, Tx 79701	
POSTAGE	$ .28
CERTIFIED FEE	.80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$ 1.63
POSTMARK OR DATE	5-01-80

CONSULT POSTMASTER FOR FEES

OPTIONAL SERVICES

PS Form 3800, Apr. 1976

CERTIFIED MAIL
No. 112804

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered..... 55¢
   - ☐ Show to whom, date and address of delivery..... ¢
   - ☐ RESTRICTED DELIVERY
     - Show to whom and date delivered..... ¢
   - ☐ RESTRICTED DELIVERY.
     - Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Gary Leascher
P. O. Box 3734
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112804 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO : 1979 288 848

DOYL

C & K PE
MIDLAN

Gary Leascher and wife, Cynthia D. Leascher
P. O. Box 3734
Midland, Texas 79701

DOYLE
OI
SL
C & K PETR
MIDLAND

No. 112805

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO
Michael Sullivan
STREET AND NO.
2505 Stephens Rd
P.O. STATE AND ZIP CODE
Boulder, Co 80303

POSTAGE	$ .28
CERTIFIED FEE	.80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$ 1.63

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112805
MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... 55¢
- ☐ Show to whom, date and address of delivery..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112805 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 288-848

PS Form 3811, Jan. 1979 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

Michael Sullivan and wife, Gail Sullivan
2505 Stephens Road
Boulder, Colorado 80303

DOYLE
O
S
C & K PETE
MIDLAND

No. 112807

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
James H. Isbell
STREET AND NO.
727 Midland Twr.
P.O., STATE AND ZIP CODE
Midland, Tx 7970l

POSTAGE		$ .35
CERTIFIED FEE		.80 ¢
SPECIAL DELIVERY		¢
RESTRICTED DELIVERY		¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED		.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		¢
TOTAL POSTAGE AND FEES		$ 1.63

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
RETURN RECEIPT SERVICE

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112807
MAIL

PS Form 3811, Jan. 1979 — RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered.....55 ¢
   - ☐ Show to whom, date and address of delivery.....¢
   - ☐ RESTRICTED DELIVERY
   - Show to whom and date delivered.....¢
   - ☐ RESTRICTED DELIVERY.
   - Show to whom, date, and address of delivery.$____

2. ARTICLE ADDRESSED TO:
   James H. Isbell
   727 Midland Tower
   Midland, Texas 79701

   (CONSULT POSTMASTER FOR FEES)

3. ARTICLE DESCRIPTION:
   REGISTERED NO. | CERTIFIED NO. 112807 | INSURED NO.
   (Always obtain signature of addressee or agent)

I have received the article described above
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY — POSTMARK
5. ADDRESS (Complete only if requested)
6. UNABLE TO DELIVER BECAUSE: — CLERK'S INITIALS

☆GPO : 1978 288-848

Mr. James H. Isbell
727 Midland Tower
Midland, Texas 79701

DOYLE
O
SI
C & K PETR
MIDLAND

No. 112802

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	B + J. Guttag	
STREET AND NO.	16 Sutton Place	
P.O., STATE AND ZIP CODE	New York, NY 10022	
POSTAGE		$ 15
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	80 ¢
OPTIONAL SERVICES	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	55 ¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 150
POSTMARK OR DATE	5-01-80	

PS Form 3800, Apr. 1976

CERTIFIED
No. 112802
MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - [X] Show to whom and date delivered..... 55 ¢
   - [ ] Show to whom, date and address of delivery..... ¢
   - [ ] RESTRICTED DELIVERY
   - Show to whom and date delivered..... ¢
   - [ ] RESTRICTED DELIVERY.
   - Show to whom, date, and address of delivery.$ ____
   - (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
   Betty G. and Jack Guttag
   16 Sutton Place
   NY, NY 10022

3. ARTICLE DESCRIPTION:
   REGISTERED NO. | CERTIFIED NO. 112802 | INSURED NO.

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

(Always obtain signature of addressee or agent)

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK

☆GPO : 1979 288-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

Betty G. and Jack Guttag, Co-Executors
of the Estate of Dorothy Gutman
16 Sutton Place
New York, New York 10022

DOYLE
a
SI
C & K PETE
MIDLANE

No. 112806

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO: Edith + Walter Socolow			
STREET AND NO. 45 E. 82nd St			
P.O., STATE AND ZIP CODE NY NY 10028			
POSTAGE			$ 15
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE		80 ¢
	OPTIONAL SERVICES	SPECIAL DELIVERY	¢
		RESTRICTED DELIVERY	¢
		RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	55 ¢
		RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
		RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
		RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES			$ 1 50
POSTMARK OR DATE 5-01-80			

PS Form 3800, Apr. 1976

CERTIFIED
No. 112806
MAIL

PS Form 3811, Jan. 1979 — RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered.....55 ¢
   - ☐ Show to whom, date and address of delivery.....¢
   - ☐ RESTRICTED DELIVERY
   - Show to whom and date delivered.....¢
   - ☐ RESTRICTED DELIVERY.
   - Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Edith G. and A. Walter Socolow
45 E. 82nd St.
New York, New York 10028

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112806 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979-288-848

Edith G. and A. Walter Socolow
45 E. 82nd Street
New York, New York 10028

No. 112803

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Charles Gutman
STREET AND NO.
51 E 42nd St.
P.O., STATE AND ZIP CODE
NY. NY 10017

POSTAGE		$ 15
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	80 ¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
OPTIONAL SERVICES — RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	55 ¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		$ 1.50

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112803
MAIL

PS Form 3811, Jan. 1979 — RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... 55¢
- ☐ Show to whom, date and address of delivery.... ¢
- ☐ RESTRICTED DELIVERY
- Show to whom and date delivered..... ¢
- ☐ RESTRICTED DELIVERY.
- Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Charles Gutman
51 E. 42nd Street
New York, New York 10017

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112803 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: — CLERK'S INITIALS

☆GPO : 1979 289-648

DOYL

C & K PE
MIDLAN

Mr. Charles Gutman, Co-Executor
of the Estate of Dorothy Gutman, Deceased
51 E. 42nd St.
New York, New York 10017

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Devolopment Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doug Hartwell Title _____ Date 3-11-80

Approved Parker H. Hull Title _____ Date 4/10/80

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT—1956

Non-Federal Lands

OPERATING AGREEMENT

DATED

March 27, 1980,

FOR UNIT AREA IN Northeast Quarter (NE/4) Section 13, T-21-S, R-36-E,

Lea COUNTY, STATE OF New Mexico

Gutman No. 1 and 2
NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM A.A.P.L. NO. 610
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

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A.A.P.L. FORM 610

OPERATING AGREEMENT

THIS AGREEMENT, entered into this 27th day of March, 1980, between DOYLE HARTMAN, hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

(1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.

(2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.

(5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

(6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.

(7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.

(8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Title Examination: Title is presently being examined and a copy of the opinion will be furnished on request. Cost of title examination will be charged to the Joint Account.

~~There shall be no examination of title to leases, or to oil and gas interests, except that title to the lease covering the land upon which the exploratory well is to be drilled in accordance with Section 7, shall be examined on a complete abstract record by Operator's attorney, and the title to both the oil and gas lease and to the fee title of the lessors must be approved by the examining attorney, and accepted by all parties. A copy of the examining attorney's opinion shall be sent to each party immediately after the opinion is written, and also, each party shall be given, as they are written, a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy the examining attorney's requirements shall be made by the party owning the lease covering the drillsite.~~

~~If title to the proposed drillsite is not approved by the examining attorney or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall select a new drillsite for the first exploratory well; provided, if the parties are unable to agree upon another drillsite, this agreement shall in that case, come to an end and all parties shall then forfeit their rights and be relieved of obligations hereunder. If a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be approved or accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not approved or accepted, other drillsites shall be successively selected and title examined, until a drillsite is chosen~~

"Individual Loss"
Revised 1967

~~which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.~~

~~No well other than the first test shall be drilled in the Unit Area until after (1) the title to the lease covering the lands upon which such well is to be located has been examined by Operator's attorney, and (2) the title has been approved by the examining attorney and the title has been accepted by all of the parties who are to participate in the drilling of the well.~~

B. Failure of Title:

Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and

(1) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and

(3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production.

C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

~~3. UNLEASED OIL AND GAS INTERESTS~~

~~If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as "Exhibit "B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.~~

4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eigthh (⅛) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

DOYLE HARTMAN shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

7. TEST WELL(s) *

On or before the 30th day of May, 1980, Operator shall commence the drilling of a well for oil and gas in the following location: N/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico; with the second of the two test wells to be commenced no later than 120 days after the first of the two test wells (subject to the provision of paragraph 10 hereinbelow) at a location in the S/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

and shall thereafter continue the drilling of the well with due diligence to a depth of 4200 feet or to a depth that is sufficient to test the productive interval of the Penrose and/or Grayburg Formation(s).

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall thoroughly log, but not core or DST ~~make reasonable tests~~ of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to evaluate ~~test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.~~

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first make a reasonable effort to secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ~~six percent (6%)~~ twenty percent(20%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

* Test wells for this purpose is defined as two 4200' wells, one being located on the N/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico, and the second being located on the S/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

9. OPERATOR'S LIEN

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

10. TERM OF AGREEMENT

This agreement shall remain in full force and effect until the first test well hereinabove provided for in Section 7 is completed as a commercial producer and only as long thereafter as there is (a) production from the area and depths allocated to the proration unit surrounding the first test well or (b) there is a well capable of production from such area and depths or (c) drilling or workover operations are being conducted on the first test well provided for in Section 7 with no cessation of operations; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from such area and depths, then at the end of ninety (90) days after the abandonment of the first test well, this agreement shall terminate or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue until such well or wells shall have been drilled and completed. If commercial production in paying quantities does not result from the first test well, this agreement shall terminate at the end of ninety (90) days after abandonment of such well. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand and No/100---------- Dollars ($ 10,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $ 10,000.00

12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(A) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(B) 300% ~~200%~~ of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and 300% ~~200%~~ of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production which it takes or sells and shall hold the other parties free from liability therefor. Any extra expenditures incurred in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(1) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

~~18. PREFERENTIAL RIGHT TO PURCHASE~~

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

20. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

(1) the entire interest of the party in all leases and equipment and production; or

(2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

27. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand ($1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

29. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

(A) If any party hereto hereafter shall create any overriding royalty, production payment, or other burden against its working interest production, and if any party or parties shall conduct nonconsent operations pursuant to any provision of this agreement and, as a result, become entitled to receive the working interest production otherwise belonging to the nonparticipating party, the party or parties entitled to receive the working interest production of the nonparticipating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.

(B) All related costs incurred in initially complying with both processing and other requirements of the Federal Energy Regulatory Commission and/or provisions of The Natural Gas Policy Act of 1978 shall be charged to the Joint Account. This charge shall be in addition to the regular overhead charge, only insofar as to costs incurred in initially complying with such rules and regulations.

(C) Notwithstanding the provision of Paragraphs 11 and 12 hereof to the contrary, consent by a party to the drilling or deepening of a well shall not be deemed consent to the attempt to complete the well or to the setting of production string casing therein. When any well drilled or deepended pursuant to the terms of this agreement has reached its authorized depth, Operator shall promptly give notice to nonoperators as to whether such well should be plugged and abandoned as a dry hole or casing be set in an attempt to complete the well as a producer. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday and Sunday) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to comply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If one or more but less than all the parties elect to set pipe and attempt a completion, the provisions of Section 12 hereof shall apply to the operations thereafter conducted by less than all parties and to costs incurred in such operations. If all the parties elect to plug and abandon said well, Operator shall plug and abandon same at the expense of all parties.

(D) Change of Operator

If, at anytime commencing one year or more after oil and gas are found in commercial quantities on said Unit Area, any Nonoperator regularly engaged in the operation of similar oil and gas properties considers the cost of operating the Unit Area to be excessive and is willing to operate the same for a period of one year at a cost less than the cost of operating under the direct control of Operator, such Nonoperator shall deliver to Operator a written statement detailing the items of expense contributing to the alleged excessive costs proposing that such Nonoperator assume such operations and specifying the proposed economies. Within thirty (30) days of such statement, Operator shall elect in writing delivered to such Nonoperator to either (a) surrender operations to the proposing Nonoperator for a period of one year upon the terms contained in Nonoperator's proposal or (b) to agree to operate the Unit Area for such period of one year at a cost consistent with the economies proposed by Nonoperator. If Operator elects to surrender operations, then such proposing Nonoperator forthwith shall become Operator for a minimum period of one year as fully as though such Nonoperator had been herein designated Operator under the terms hereof as modified by its proposed economies.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

OPERATOR

DOYLE HARTMAN

NON-OPERATORS

DOYLE HARTMAN, TURSTEE

JAMES E. BURR

LARRY NERMYR

JACK FLETCHER

RICHARD W. STUMP

ATTEST:

ARCO OIL AND GAS COMPANY

GARY LEASCHER AND WIFE, CYNTHIA D. LEASCHER

MICHAEL SULLIVAN AND WIFE, GAIL SULLIVAN

JAMES H. ISBELL AND WIFE, LINDA

EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico between DOYLE HARTMAN as Operator and Doyle Hartman, Trustee, James E. Burr et al as Non-Operators.

I. a) Land Subject to Agreement

NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

b) Depth Limitations

From the surface to 4200 feet.

c) Drilling (Proration) Unit for Initial Tests

N/2 NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico (80 acres)

S/2 NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico (80 acres)

II. Percentages of Interests and Addresses of Parties

Operator:

Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701
(915-684-4011)

38.76737 %

Non-Operators:

See Page 14-A.

EXHIBIT "B"

There is no Exhibit "B".

Non-Operators

Doyle Hartman, Trustee P. O. Box 10426 Midland, Texas 79702	14.09723 %
James E. Burr 2505 Emerson Dr. Midland, Texas 79701	0.88107
Larry Nermyr 2438 Whitmire Blvd. Apartment 9-E Midland, Texas 79701	0.88107
Jack Fletcher Route 1, Box 133-C Midland, Texas 79701	0.88107
Richard W. Stump 2309 Gulf Midland, Texas 79701	0.88108
ARCo Oil and Gas Company P. O. Box 1610 Midland, Texas 79702	6.25000
Gary Leascher and wife, Cynthia D. Leascher P. O. Box 3734 Midland, Texas 79701	3.12500
Michael Sullivan and wife, Gail Sullivan 2505 Stephens Road Boulder, Colorado 80303	3.12500
James H. Isbell and wife, Linda C. Isbell 727 Midland Tower Building Midland, Texas 79701	31.11111

EXHIBIT " C "

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico between Doyle Hartman, as Operator, and Doyle Hartman, Trustee, James E. Burr et as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings *

Operator shall bill Non-Operators on or before the last day of each month for their ~~proportionate~~ share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, ~~summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits~~ shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

*All statements provided for herein (including those set forth in Paragraph II, DIRECT CHARGES, sub-paragraphs 1 through 12) —1— shall be accompanied by photostatic copies of all subcontractor invoices for services rendered or equipment purchased in the drilling, completion, or producing of the wells provided for herein.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense ~~is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.~~ including the cost of force pooling proceedings conducted before the New Mexico Oil Conservation Division is considered to be covered by overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section 1, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or

( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2,500.00

Producing Well Rate $ 250.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April beginning April 1, 1981 each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (___ %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (___ %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

~~2. Overhead - Major Construction~~ If applicable, will be negotiated.

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ _____:~~

~~A. _____% of total costs if such costs are more than $_____ but less than $_____; plus~~

~~B. _____% of total costs in excess of $_____ but less than $1,000,000; plus~~

~~C. _____% of total costs in excess of $1,000,000.~~

~~Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering NE/4 Section 13, T-21-S, R-36-E Lea County, New Mexico between DOYLE HARTMAN as Operator and Doyle Hartman, Trustee, James E. Burr et al as Non-Operators.

Operator, at all times while operations are conducted hereunder, shall carry, and require its contractors to carry insurance to indemnify, protect and hold the parties hereto harmless as follows;

1. Insurance which shall comply with the Workmen's Compensation, Employers Liability and Occupational Disease laws of the State in which operations hereunder are conducted;

2. Comprehensive general liability insurance with limits of not less than:

   A. Bodily Injury:

      $100,000 per person and $300,000 for each occurrence and,

   B. Property Damage:

      $100,000 for each occurrence and $300,000 in the aggregate.

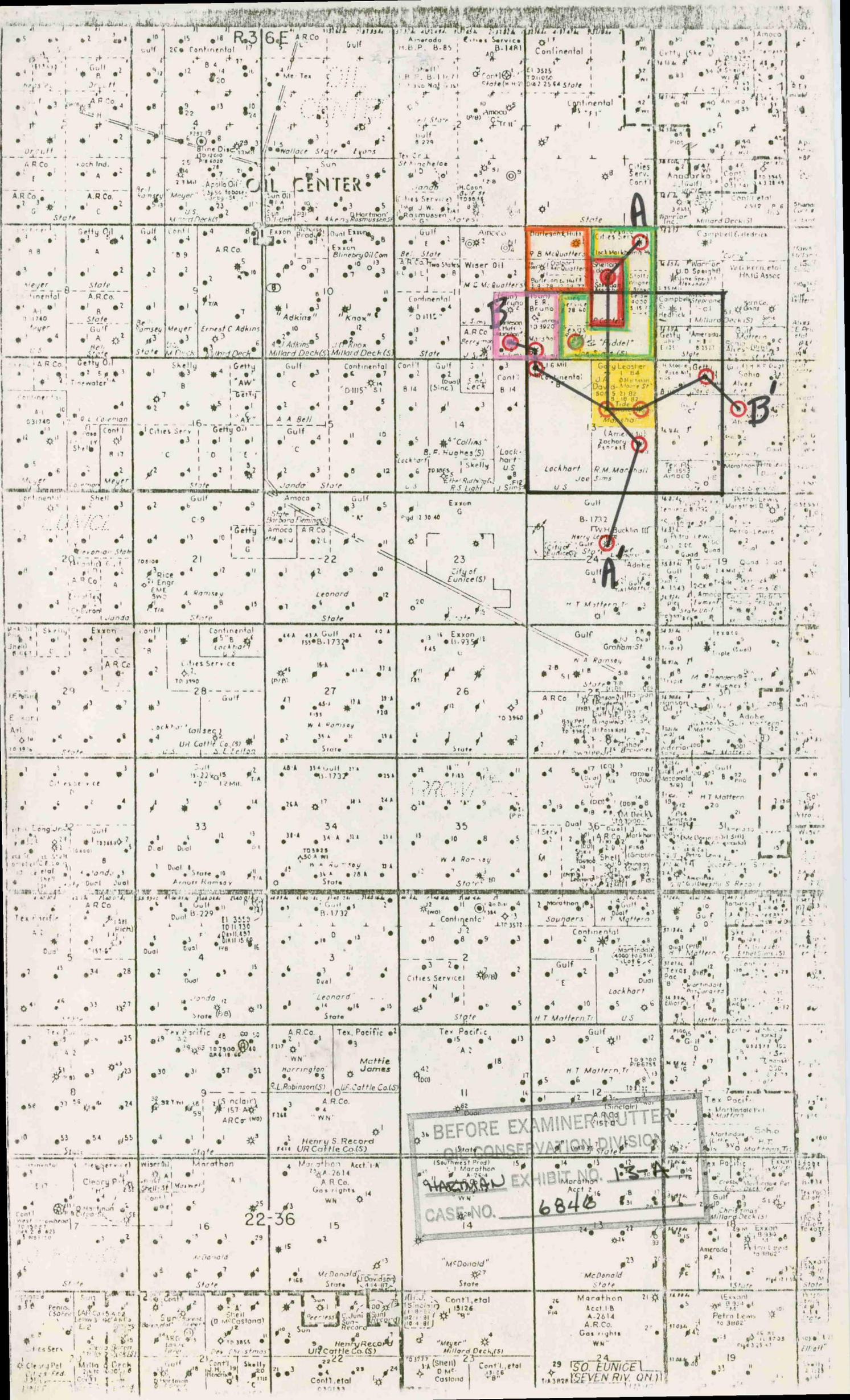
3. Automobile liability insurance with limits of not less than:

   A. $100,000 per person and $300,000 per accident pertaining to bodily injury to, or death of persons; and,

   B. $100,000 per accident pertaining to loss of, or damage to, property.

Upon successful completion of first well, all premiums paid on such insurance shall be charged to the joint account. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance shall be charged to the joint account.

Operator shall not be liable to Non-Operator (s) for loss suffered on account of the insufficiency of insurance carried, or of the insuror with whom carried, nor shall Operator be liable to Non-Operator (s) for any loss accruing by reason of Operator's inability to provide or maintain the insurance above mentioned; provided, however, that if at any time during the life of this agreement Operator is unable to obtain or maintain such insurance, Operator shall promptly notify Non-Operator (s) in writing of such fact.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OIL CENTER
A
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BEFORE EXAMINER SUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 13-A
CASE NO. 6846
22-36
SO. EUNICE
(SEVEN RIV. QN.)