

CASE No.
4968

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, May 9, 1973

IN THE MATTER OF:

Application of Benjamin K. Horton
for the amendment of Order No.
R-1814, San Juan County, New
Mexico.

Case No. 4968

BEFORE: DANIEL S. NUTTER
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Call next Case Number 4968.

2 MR. CARR: Case 4968, Application of Benjamin K.
3 Horton for the amendment of Order Number R-1814, San
4 Juan County, New Mexico.

5 MR. NUTTER: Call for appearances in this case.

6 MR. HORTON: My name is Benjamin K. Horton,
7 Albuquerque, New Mexico.

8 MR. NUTTER: And you are appearing as Applicant
9 for yourself?

10 MR. HORTON: Yes, sir.

11 MR. COOTER: Paul Cooter with Atwood and Malone,
12 Roswell, appearing on behalf of Amoco Production Company.

13 MR. NUTTER: Would you proceed, Mr. Horton?

14 MR. HORTON: Yes. I seek amendment of New Mexico
15 Oil and Gas Commission Number R-1814 to provide for the
16 dissolution of the 344.28-acre non-standard unit approved
17 by Paragraph 4 of said order, which unit comprises all of
18 partial Section 11 plus Lot 4 and the Southwest Quarter
19 of the Southwest Quarter of partial Section 12, Township
20 28 North, Range 13 West, Basin-Dakota Pool, San Juan
21 County, New Mexico.

22 I propose the creation of a 275.36-acre non-standard
23 unit comprising all of the aforesaid partial Section 11,
24 only to be dedicated to Federal Well Number 2 located
25 1190 feet from the South line and 2210 feet from the East

1 line of Section 11.

2 Now, I would like to give as the basis of my request,
3 I have a map given to me by the USGS, and I have a Form
4 C-104 and C-102, plus the Federal Form 41175. I have
5 submitted and had approved the assignment and quitclaim
6 from Gas Producers to myself, the original lessees of
7 record, and a plugging bond in accordance with the law
8 at the Bureau of Land Management. Now, the reasons for
9 this Application are, Number One, the authority for my
10 request is Rule 104, Section D, 2-S, of the Rules and
11 Regulations of the New Mexico Oil and Gas Commission;
12 and there are other rules and regulations in there that
13 allow an amendment of this unit where undue hardship will
14 be placed upon the owner and where, of course, there has
15 been unorthodox units such as we have here, which was
16 necessitated by the various ranges and legal subdivision
17 of U. S. Public Land Surveys. My Section 11 is a complete
18 section, it's 275 acres, and the area that was
19 communitized with this Section 12, Lot 4, consisted of
20 69.92 acres, and the original communitization agreement
21 was dated September 20, 1961, and was signed by D. W.
22 Falls, Incorporated, Gas Producers, National Drilling
23 Company, and PanAmerican Petroleum.

24 Now, this communitization agreement dissolved of its
25 own terms, I believe it was January 1, 1970, and there

1 was a contract designated as Exhibit A attached to the
2 communitization agreement signed by PanAm and D. W. Falls,
3 calling for this communitization agreement, which made up the
4 part of Section 12 and all of Section 11.

5 Now, I feel that that particular unitization
6 agreement and contract have expired. The communitization
7 agreement, by terms of the contract itself, I feel, has become
8 null and void for the reason that D. W. Falls was in default
9 and went into default in 1968 with Gas Producers, who is the
10 original lessee of record of Section 12, and that as a result
11 of my desire to go in and rework this well rather than to
12 plug it as recommended by Amoco and Falls at that time, I
13 wish to go in and to do numerous remedial work recommended to
14 me by just a number of authorities, petroleum engineers,
15 geologists, and so forth, as to what it will take to go in and
16 eliminate the water that shut this well down back in 1967 and
17 early '68, when the water was so excessive that the well was
18 no longer economically or commercially profitable to produce.
19 So, at this time, I want to go in and -- as I say, I have
20 acquired a new lease from the original lessee that, in my
21 opinion, was not a part of the original contract with PanAm;
22 and, I wish to go in and expend the necessary amount of money
23 that it takes to rework this well, to squeeze off the
24 perforations where water is flowing into the hole from either
25 the Dakota or from the Gallup, which is above the gas level,

1 and that cost will be at least \$35,000 or even more if we have
2 the problem of delivering the water, if we cannot completely
3 shut the water off. But, we feel we can maybe shut the water
4 off and maybe the Federal 2 will be a very productive well of
5 both gas and distillate; and, this particular well does
6 produce a lot of distillate.

7 Now, I have written, called, and visited, what have
8 you, the 22 co-owners of Amoco, requesting, in effect, that
9 they allow me to amend the unit order of the New Mexico Oil
10 and Gas Commission so that I can produce from my 2-11 without
11 having to recomunitize and obtain the permission of all of
12 these partners that have the 69 acres that adjoin me. Their
13 usual explanation for why they do not want to sell to me their
14 69 acres is because they are involved in the Gallegos Canyon
15 Unit. I can understand that.

16 Now, I received a letter from Amoco on April 16
17 stating that, no, they don't want to participate with me in the
18 \$35,000; they want to set back, allow me to receive double my
19 costs, and then participate with me on any profits that we
20 would receive as a result of a very questionable and difficult
21 and expensive gamble; and I naturally can understand why they
22 would like to sit back and do nothing and let me pay this
23 expense; but I have tried to offer them any reasonable price
24 and have been refused. I have tried to effect and work an
25 overriding agreement to which they are not agreeable to doing;

1 so, what Amoco wants to do is to do nothing and let me go on
2 with this rather large expense.

3 This well cost approximately \$130,000 to drill and
4 now it will cost just a considerable amount of money to go on
5 and to rework the well, to shut off the water, and to make it
6 into a good producing well. We have briefly tested the well
7 to see if it could be kicked off. Now, my question is to be
8 able to produce from the 275-acre Section 11 by myself, that
9 we would amend this order, on a prorated basis, not on an
10 unfair basis, but on a prorated basis, which I believe would
11 amount to approximately 86 percent; and if Amoco sees fit,
12 perhaps that 69 acres could be allotted to another well in
13 one of these wells in the area.

14 Now, in the letter from Amoco to me of April 16,
15 they said, "We do not wish to participate. We request that
16 you submit for us to approve a new communitization agreement
17 to replace the one that dissolved by its own terms in 1970."
18 And, they refuse to let me buy or purchase or work some kind
19 of an agreement out with them to make the gamble worthwhile to
20 produce the well.

21 Now, following that letter of April 16, I did
22 receive a telephone call from Denver from Mr. Mac Gillis, one
23 of the agents of PanAmerican, stating that perhaps a compromise
24 agreement could be entered into whereby this 69-acre Lot 4 in
25 Section 12, which makes up the original 344-acre spacing unit,

1 could be allotted to another one of their wells; so, I would
2 go on and produce on a prorated basis from Section 11. And,
3 to that, I feel is the solution to the problem.

4 The Oil and Gas Commission has the authority to
5 amend and modify this unit. The hardship for me is considerable.
6 I have done every conceivable thing in the world to go to these
7 various partners that make up this Gallegos Unit. Their
8 infinitesimal interest, very small interest, the majority of
9 them, in this little 69-acre lot, it works an undue hardship
10 to me as an individual, Number 1, to get this cooperation and
11 to get an agreement, and, Number 2, to gamble the kind of
12 money that it has to take to shut off our water problem to make
13 this an effective producer. Because of that, I ask for the
14 amendment of R-1814.

15 MR. NUTTER: Are there questions of the witness?

16 MR. COOTER: I have no questions of Mr. Horton.

17 CROSS-EXAMINATION

18 BY MR. NUTTER:

19 Q Mr. Horton, the land that you propose to dedicate to
20 your unit is not within the Gallegos Canyon Unit, is
21 this correct?

22 A No longer, never was.

23 Q But the 69 acres in Section 12 is a portion of the unit?

24 A Yes, sir.

25 Q So you have to deal not only with the unit operator, but

1 with all of the owners of the unit, is that correct?

2 A That is correct.

3 Q Or who are in participation in the unit?

4 A That is the nightmare of the problem.

5 Q Now, are the lands in the remainder of Section 12
6 dedicated to any Dakota well?

THE WITNESS: May I ask the Amoco representatives?

8 MR. GILES: I'm Bart Giles with Amoco in Denver.

9 The Commission, some 15 years ago, I am told, by this order
10 that you have cited, designated this 344-acre unit, also
11 designated units along the correction line of the township some
12 10 to 15 miles along these correction lines; and, so, through
13 the Gallegos Canyon Unit to the east of this drilling unit in
14 question, these units were set up by that order.

15 MR. NUTTER: Well, I note here on this order in
16 Paragraph 5, it designates a 364.58-acre unit being Lots 1 and
17 3, the southeast, southwest, and the south half of the southeast
18 of Partial Section 12 of 28, 13; plus Lots 2, 3, 4, and 5 in
19 the southeast southwest of the Partial Section 11 of 28, 12,
20 comprising 364.58 acres. Now, that would be a unit crossing
21 the section line to the east and I just wonder if that acreage
22 is dedicated to a Dakota well.

23 MR. GILES: Yes.

24 MR. NUTTER: And would that be the well that is
25 shown on Mr. Horton's plat that was just handed me? There is a

1 well shown in the west half of Section 17 with the symbol of
2 being a Dakota gas completion. Is that an Amoco-operated gas
3 well?

4 MR. GILES: Gallegos Canyon Unit gas well, yes.

5 MR. NUTTER: Mr. Giles, do you happen to know the
6 status of that well?

7 MR. GILES: It is producing.

8 MR. NUTTER: What is its production status, is it
9 a non-marginal or marginal well?

10 MR. GILES: I am informed it makes about 150 Mcfd.

11 Q (By Mr. Nutter) Mr. Horton, you stated that you had
12 taken some preliminary tests on the well. The preliminary
13 tests did indicate that the well will produce, it just
14 has this liquid problem, is that correct?

15 A L & M Ventures in Farmington took a preliminary test and
16 ran it for three days, and they produced -- the first
17 day was approximately 60 barrels of water per hour and
18 20 barrels of distillate, which would estimate, I would
19 estimate, pretty close to 3,000,000 feet a day. Then,
20 the second day, the water increased to 80 barrels and
21 the distillate dropped to 10 barrels, and they estimated
22 still between 2,000,000 and 3,000,000 feet a day that it
23 was blowing; and the third day, it began to load up with
24 water, but it was still producing, and they estimated
25 300-some pounds of gas on the surface.

1 Q Were these swab tests?

2 A Swab tests, yes, sir, and they had to kick it off each
3 day with the swabbing equipment. Then, finally, by the
4 third day, the swabbing brought in so much water that it
5 wouldn't produce. That is the problem with the water,
6 and we don't -- there is three zones. This well was
7 perforated at three zones in the Dakota and Schlumberger's
8 log showed possible water at the middle zone, but we
9 feel, and this is the expense, that the water is probably
10 coming from the Gallup, which produced oil at 5,700
11 feet, approximately; then, when that was shut off, after
12 the waterflood -- this was used as an injection well.

13 After the Gallup was cemented and sealed off, then,
14 that was in about 1967, the water increased drastically
15 in the Dakota; so what this requires is first the testing
16 of the three Dakota zones for their water, from that
17 source, but the more probable culprit is the Gallup
18 water and that would require perforations above the
19 Dakota Formation with your gel or cement to try to cut
20 off the water from the Gallup zone.

21 Q So you feel there is a good likelihood that this water
22 is feedback from the old injection well?

23 A Yes, and it appears to be a very good well if we can
24 just shut off this well water. It has a tremendous
25 amount of gas formations that were perforated. The

1 distillate is very high, like 100 barrels per million
2 feet of gas of distillate; and we separately need gas
3 and, of course, this goes without saying, this is trite,
4 that the situation has changed since in the middle of
5 1960 to now because the price of gas has doubled or
6 tripled and the cost of the distillate has increased by
7 50 percent; and, more important, the pressure on the line
8 is lower now to where even with water we can probably
9 get our gas into the El Paso line, where before we
10 couldn't. We just spent a tremendous amount of money
11 on this well and the situation has changed and this is
12 why we are trying so hard to take this gamble.

13 MR. NUTTER: Are there any other questions of Mr.
14 Horton?

15 (No response.)

16 MR. NUTTER: Do you have anything further you wish
17 to add, Mr. Horton?

18 MR. HORTON: No, sir.

19 MR. NUTTER: Does anyone have anything they wish to
20 offer in Case Number 4968?

21 MR. COOTER: I have one witness, Mr. Giles.

22 BART GILES,

23 a witness, having been first duly sworn according to law, upon
24 his oath, testified as follows:

25 *****

DIRECT EXAMINATION

BY MR. COOTER:

Q Mr. Giles, by whom are you employed and in what capacity?

A Amoco Production Company in Denver in a senior staff engineering capacity.

Q For this hearing, do you have Amoco's files in reference to this property?

A I do.

Q Subsequent to the entry of the order creating the unit of 344-plus acres back on November 4, 1960, did Amoco, then known as PanAmerican Petroleum Corporation, enter into an operating agreement with D. W. Falls?

A Yes, we did, and that was dated the 20th day of September 1961, and is our Exhibit Number 1.

Q Has that operating agreement ever been terminated by agreement of the parties thereto or by judicial determination?

A It has not.

Q The well that is referred to in that operating agreement, that had been drilled by D. W. Falls, Inc., is the same well that is the subject matter of Mr. Horton's testimony?

A It is.

Q Has that well ever been plugged?

A It has not.

Q Under one of the paragraphs, and I no longer have a copy

1 of it before me, but PanAmerican signed the operating
2 agreement in its capacity as the operator; Paragraph 9
3 appears on Page 8 of the operating agreement, is that
4 correct?

5 A This is correct. We are the operator of the Gallegos
6 Canyon Unit to the east of the uncommitted Section 12
7 acreage now owned by Mr. Horton.

8 Q Although the acreage in the unit is split up in some
9 place, I think there is in the Unit Agreement a list of
10 the ownership?

11 A Yes.

12 Q All right. Then, you were approached by Mr. Horton to
13 sell your interest in this acreage and that request to
14 sell was refused, no agreement was ever reached?

15 A That is correct. I refer to Amoco's Exhibit Number 2,
16 that we will now hand out, that was a letter of reply to
17 Mr. Horton dated the 16th of April, 1972. At the end
18 of that first paragraph of that letter, we indicate that
19 Amoco does not wish to sell or otherwise assign our
20 interest under this lease, this particular tract of land,
21 and we are talking about the 68.92-acre lease that is a
22 part of the Gallegos Canyon Unit, and it would just not
23 only be impractical but practically impossible to carve
24 out this tract from the unit.

25 Q Was your letter, which is marked as Exhibit 2, was that

1 speaking in your capacity as the operator of the unit
2 for all of the owners of interest in this 69-acre tract?

3 A Yes, we were talking on behalf of the Gallegos Unit
4 working interest owners.

5 Q So there has never been any necessity for Mr. Horton to
6 speak to anyone other than Amoco on behalf of the
7 ownership of this unit?

8 A Well, he can talk to them, but we are the operator.

9 Q You speak for them?

10 A Yes.

11 Q A little bit ago, you heard testimony of Mr. Horton's
12 statement about a conversation with Mr. Mac Gillis with
13 Amoco in Denver. What is your position in reference to
14 this 69-acre tract?

15 A Our position is that we feel compelled to abide by the
16 operating agreement that we feel is still in effect,
17 which is handed out as Exhibit Number 1. We do not --
18 we have two options under that agreement; we could join
19 with Mr. Horton in the cost of reworking of the Dakota to
20 make it a commercial Gas Producer at this well, or we
21 could elect to join by means of a non-consent and take
22 the 200 percent penalty under the provisions of this
23 operating contract, and this is what we have elected to
24 do, not participate in the cost of the reworking the
25 well, but elect to go non-consent and incur the 200

1 percent penalty before we then come back in for our
2 Gallegos Canyon Unit share of the 344.28-acre drilling
3 unit of 20.2 percent, of which Amoco is only one-half
4 of that.

5 Q To your knowledge, has there been negotiations with Mr.
6 Horton on acquiring an overriding royalty or some other
7 interest in lieu of participating in the unit?

8 A No, I have heard in Amoco a receipt of nothing in writing
9 in regard to this, and, I am sorry, but we have to
10 countermand what Mr. Horton or Mr. Mac Gillis in Denver
11 said. Mr. Gillis has no authority to make statements.
12 He can discuss any ideas he may have, but Mr. Gillis was
13 out of bounds there, making any statement, any such
14 comment.

15 MR. COOTER: I have no further questions.

16 MR. HORTON: If the Examiner please.

17 MR. NUTTER: Just a minute, Mr. Horton. Were you
18 through with your questions?

19 MR. COOTER: Yes.

20 MR. NUTTER: Did you have any questions of the
21 witness, Mr. Horton?

22 MR. HORTON: Negative. I just would like to make
23 a comment, statement. Number 1, the reason there is no use
24 asking questions of Mr. Giles is because I have never seen him
25 before and I have not had any conversation with him or his

1 lawyer from Roswell; but I will tell you this: They are
2 completely wrong on two of their four contentions. Number 1,
3 I went to Denver not once but twice. I have numerous letters
4 of correspondence with Amoco trying to get them to do something.
5 I went up to Denver and I met with two of their engineers that
6 were referred by Mr. Hunter, the production manager, assistant
7 manager, to discuss the problems with me. They said, "Mr.
8 Horton, we are sorry, we only are one of 23 companies and
9 corporations and individuals that own the 69-acre plot. Here
10 is the list." They handed me the 23 names and the 23 addresses
11 and said, "You will have to go to them and contact each one of
12 them and get their authority before we can do anything." This,
13 of course, is absolutely contrary to the sworn testimony of Mr.
14 Giles that said that we are the operator, we can handle it.

15 Of course, if they were the operator, I would have
16 liked nothing better than to have dealt with one operator; but
17 that is not what they said, that is not what they gave me, that
18 is not what I have done for three months. I have gone to 23 of
19 these people at their request, under their instructions, to try
20 to get this cooperation to give me that 69 acres on any kind of
21 deal. Now, Mr. Giles tells me that they did not have the
22 authority to operate or sign for their 69-acre interest in the
23 Gallegos Unit.

24 Now, Number 2, Mr. Giles stated that there was
25 nothing in writing concerning an offer, there was no

dearnley, meier & mc cormick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87108
1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

PAGE

18

1 negotiations to try to work something out on an overriding
2 royalty or some kind of an agreement where we can participate
3 together. I spent -- as a matter of fact, I have called and
4 called and called I would estimate about six times. I have
5 been up to Denver twice, I have written letters, I have asked
6 them to work something out on either a purchase agreement or
7 an override, and Mr. Giles can't come in today and say, "Our
8 agents that I talked with personally on the phone and in
9 letters do not have the authority," because as an agent, I've
10 been an attorney for 20 years and I believe that an agent is
11 an agent, and one agent can't come in with his attorney and
12 say the other agent doesn't have authority.

13 And, let me continue. When I was in Denver and
14 went talking with the engineers, they said, "We have to get
15 authority from management, but I feel that we can cooperate
16 with you and either sell it to you -- tell us how much you
17 want to buy it for." I said, "Whatever you feel is fair."
18 They said, "Give me the costs to abandon it." I did, I gave
19 them those costs and they said that they felt that they could
20 either assign me to their interest, if I could get the
21 permission from these 22 people, or work out something on an
22 overriding interest, either buy it for cash or working interest
23 on an overriding interest.

24 Now, on April 16, Amoco now states that they don't
25 have records of any previous discussions, they have the

1 authority to deal for the 23 oil companies that I have been
2 writing and calling and trying to get their cooperation, and
3 they say, "No, we want to sit back and let you do it under an
4 operating agreement with D. W. Falls," and, as I say, my
5 authority stems from my lease, my quitclaim deed from Gas
6 Producers, and not from D. W. Falls.

7 MR. NUTTER: Mr. Horton, do you have copies of
8 any correspondence that you directed towards Amoco?

9 MR. HORTON: Yes, I have one inch of files. I will
10 put all of these out and leave them as exhibits with you; but,
11 it's substantially what I've tried to say today and tried to
12 be as accurate as I can.

13 MR. COOTER: I would like to clarify one point,
14 that maybe caused some confusion, and ask Mr. Giles something.
15 I don't want there to be a confusion in the record or in the
16 mind of the Examiner as to the power of Amoco to deal on
17 behalf of the owners in the interest. My question on whether
18 or not you had the authority in writing your letter of April
19 16, speaking for all of these co-owners, that is acting as the
20 operator under the Gallegos Canyon Unit?

21 MR. GILES: Yes, but a point of clarification should
22 be made. Mr. Horton's comments, which I listened to very
23 carefully, are accurate. We were speaking in the April 16
24 letter as to selling or otherwise assigning our interest that
25 we did not wish to do this, we were speaking for Amoco, not the

1 Gallegos Canyon Unit. We cannot assign or sell any other
2 partner's or co-working interest owner's interest in the
3 Gallegos Canyon Unit for them. We can only act for Amoco,
4 specifically, in doing that. Is that point cleared up?

5 MR. HORTON: Yes, sir. This issue, I think,
6 certainly --

7 MR. COOTER: Just a moment, please, Mr. Horton.
8 Under the letter in which you elected not to participate in
9 the reworking operations but to take the 200 percent penalty
10 or incur the 200 percent penalty, you were speaking on behalf
11 of all of the various owners and in your capacity as operator?

12 MR. GILES: Yes, it's only in selling the interest
13 in the lease which Amoco is not authorized, of course, to do
14 for the others.

15 MR. HORTON: I might say this, Mr. Examiner, when
16 I was in Dallas and talked with Mr. Spence, who is the
17 President of Gas Producers, and he represents some 52 owners,
18 he had the authority to assign to me and to quitclaim to me
19 the 275 acres, which he did, carrying with it a 10 percent
20 override to which he did. Honestly, fellows, I am not trying
21 to argue and give Amoco a hard time. I don't want to deal
22 with 23 companies, I am going to attach as my exhibits an
23 inch and a half here of correspondence that I have had with
24 them. I would like nothing better than to come up to Amoco and
25 say, "Will you please assign me or do something with that 69

1 acres?" That's why I am asking that this unit be amended on
2 a proration basis, so I can go on and produce from the 275;
3 but, as you say, you don't have the authority to negotiate
4 without the permission of all of these people, and you gave
5 me the list and it's substantial. It's just a heck of a mess,
6 it's a real hardship on me as to what to do.

7 MR. COOTER: The point that we were trying to make,
8 Mr. Horton, is that we don't have the authority to sell their
9 interest in this 69 acres to you, but we do have the authority,
10 under the operating agreement, to say that the owners of the
11 69 acres will not participate with you in the reworking
12 expense but they will incur the 200 percent provision which
13 is called for in the operating agreement.

14 MR. HORTON: Do you have the power, the authority,
15 as operator in the Gallegos Canyon Unit, to assign to me the
16 69 acres with an override? I don't mean sell.

17 MR. COOTER: No, that would be a sale taking an
18 assignment.

19 MR. GILES: That's just like an outright sale.

20 MR. COOTER: We cannot dispose of their interest.

21 MR. HORTON: Mr. Giles said that perhaps this 69
22 acres could be -- even though he doesn't have authority, we
23 were trying to discuss a solution. Could you, if this order
24 today is granted by the New Mexico Oil and Gas Commission,
25 could that 69 acres be applied to your well, to another well

1 that you have in that area? Perhaps, concerning the contract,
2 we can enter into a contract or void the old one, is that
3 possible?

4 MR. GILES: If we were to abrogate the existing
5 contract, it could be done; but we do not wish to do that. We
6 wish to honor the existing designated drilling unit of 344
7 plus acres, honor the existing operating contract, and exercise
8 one of the options available to us, which is the non-consent
9 provision.

10 MR. COOTER: I might add, Mr. Examiner, I think it
11 goes without saying that if that course were followed, it would
12 of course, be subject to another hearing, subject to the order
13 of this Commission, whether or not they granted it or denied
14 it.

15 MR. NUTTER: This is only for consideration of
16 amendment of one paragraph of the order.

17 MR. HORTON: That is all I have.

18 MR. NUTTER: Does anyone have any questions of
19 anyone?

20 (No response.)

21 MR. NUTTER: Do you have a statement you wish to
22 make, Mr. Cooter?

23 MR. COOTER: No, sir, I think our position has been
24 made clear.

25 MR. NUTTER: Now, Mr. Horton, do you wish to offer

1 some exhibits in this case?

2 MR. HORTON: Yes, I will offer as exhibits the
3 correspondence that I have had with the 23 co-owners of this
4 69-acre lease. I would like to have the opportunity, within
5 24 hours, to attach an affidavit as to the testimony as to
6 what has been done and what was done, and that needs to be in
7 the form of a sworn affidavit of what they said they would do,
8 what Amoco said it would do, what they said that they would do
9 and what they testified to today; and I will have an affidavit,
10 in addition to these approximate 30-some letters where I have
11 tried to get some participation from the 23 owners.

12 MR. NUTTER: Is there any objection to the
13 submission of an affidavit as to this hearing?

14 MR. COOTER: Yes, sir.

15 MR. NUTTER: Well, we'd better put it in the form of
16 a written statement. You can provide a written statement and
17 we'll allow him a period of time in which to respond to that.

18 MR. COOTER: I don't think I offered our two exhibits,
19 but I would like to do so.

20 MR. NUTTER: What were the exhibits?

21 MR. COOTER: The one was the operating agreement
22 and the other was the letter.

23 MR. NUTTER: Amoco's Exhibits 1 and 2 will be
24 admitted into evidence. We haven't received any exhibits at
25 all from you, Mr. Horton.

1 MR. HORTON: You will have these. I am going to
2 attach them with my statement; and, if I could, even though
3 there is a delay in time, I will try to have this in the
4 morning, to attach to my records.

5 MR. NUTTER: There won't be that much rush. We
6 will give you 10 days to file your statement and we will give
7 Mr. Cooter an additional 15 days to reply to that.

8 MR. HORTON: I will say this in conclusion. I
9 would like to make one short statement. I believe in weighing
10 for the Oil and Gas Commission and for your consideration,
11 sir, I believe in weighing the hardship, the difficulty, and
12 the gamble, as opposed to the relative lack of difficulty on
13 the part of Amoco to take this 69 acres and make application
14 before the Commission to utilize the lines in the spacing unit
15 with another one of their wells would be much easier and much
16 fairer than it would to require me to recommunitize a
17 communitization agreement that's voided three years ago, two
18 years ago. I think that the fairness, the weight of everything
19 concerned, it is not a difficult problem for Amoco to apply
20 to remove that 69 acres to another one of their wells. It is
21 a service problem for me because of the cost involved in what
22 I am trying to do; and, except for that, it's completely your
23 decision. But, I think the merits, it would be easier to go,
24 and fairer under the circumstances, to allow my application
25 than to recommunitize and go the other way, and I will submit

1 this shortly.

2 MR. NUTTER: Thank you. You will have 10 days
3 from today. Does anyone else have anything they wish to offer
4 in Case Number 4968?

5 (No response.)

6 MR. NUTTER: We will take the case under advisement.

7
8 R E P O R T E R ' S C E R T I F I C A T E

9 I, JOHN DE LA ROSA, a Court Reporter, do hereby certify
10 that the foregoing and attached Transcript of Hearing before
11 the New Mexico Oil Conservation Commission was reported by me;
12 and that the same is a true and correct record of the said
13 proceedings to the best of my knowledge, skill and ability.

14 
15 COURT REPORTER

16 WITNESS

17 BENJAMIN K. HORTON

18 Direct Testimony by Mr. Horton

19 Cross-Examination by Mr. Nutter

20 BART GILES

21 Direct Examination by Mr. Cooter

22 E X H I B I T S

23 Amoco's Exhibits 1 and 2

24 OFFERED

25 23

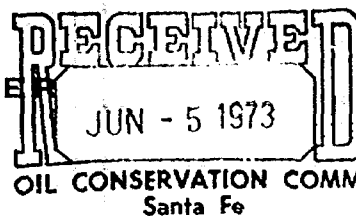
ADMITTED

23

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 4968
heard by me on 3/9 1973
3
Examiner
New Mexico Oil Conservation Commission

ATWOOD, MALONE, MANN & COOTE
LAWYERS

JEFF D. ATWOOD [1963-1960]



CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
RUFUS E. THOMPSON

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

June 4, 1973

Mr. Dan Nutter
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: Case No. 4968

Dear Mr. Nutter:

On behalf of Amoco Production Company, I enclose
its Statement in the captioned case. I would appreciate
your filing the same.

With best wishes, I am,

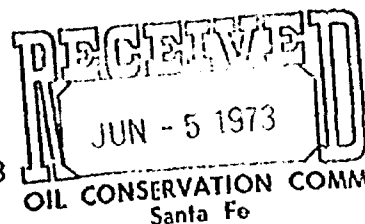
Very truly yours,


Paul Cooter

PC:sas
Encl.
cc: Mr. Benjamin K. Horton

IN THE MATTER OF THE PETITION
OF BENJAMIN K. HORTON BEFORE
THE NEW MEXICO OIL & GAS
COMMISSION

No. 4968



S T A T E M E N T

COMES NOW AMOCO PRODUCTION COMPANY, who, upon the request of Dan Nutter, Chief Engineer, New Mexico Oil & Gas Commission, makes the following statement in opposition to the above-styled cause:

1. The non-standard unit consisting of 344.28 acres created by that certain Communitization Agreement dated September 20, 1961, has been dissolved under the terms of said agreement.

2. All of the acreage originally communitized to form the non-standard unit is subject to a certain Operating Agreement dated September 20, 1961, between Pan American Petroleum Corporation, now Amoco Production Company, and D. W. Falls, Inc., predecessor to Benjamin K. Horton. Article 4 of Exhibit "A" attached to said operating agreement reads as follows:

"4. DURATION OF AGREEMENT:

This agreement shall remain in full force and effect, unless sooner terminated by the mutual agreement of the parties hereto, so long as any lease covered hereby, or any extension or renewal thereof, remains in full force and effect, whether by production or otherwise; provided, that, if a party hereto should transfer all or part of its interest in leases covered hereby or if a party's title should fail in whole or in part, this agreement shall not thereby terminate, except as to a party which thereafter retains no interest covered hereby."

3. Although Mr. Horton seeks relief from this Commission, he actually desires to be relieved from the provisions of said operating agreement, and this Commission has no authority to grant such relief.

4. Amoco is under no obligation to sell or assign its leasehold interest and this Commission has no authority in this cause to require it to do so.

5. Any drilling or reworking operation on the acreage originally communitized and made subject to the operating agreement, must be in accordance with Article 9 of Exhibit "A" attached to said operating agreement. Since Amoco has elected not to participate in the reworking of the

well, it is bound by the non-consent 200% back-in penalty provisions of said Article 9.

WHEREFORE, Amoco respectfully requests that the application of Benjamin K. Horton in this cause be denied.

ATWOOD, MALONE, MANN AND COOTER

By 

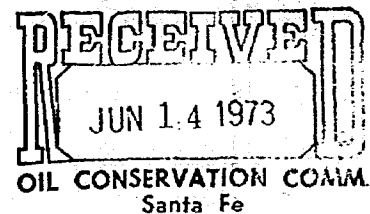
Paul A. Cooter
Attorneys for AMOCO PRODUCTION COMPANY
P. O. Drawer No. 700
Roswell, New Mexico 88201

ADAMS AND FOLEY
ATTORNEYS AT LAW
1118 SIMMS BUILDING
ALBUQUERQUE, NEW MEXICO 87101

QUINCY D. ADAMS
JAMES H. FOLEY

June 13, 1973

AREA CODE 505
TELEPHONE 247-0261
ASSOCIATE IN SANTA FE, NEW MEXICO
HARRY L. BIGBEE



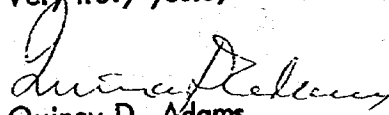
Mr. Dan Nutter
Chief Engineer
New Mexico Oil & Gas Commission
State Land Office Building
Santa Fe, New Mexico

Re: In The Matter of the Petition of
Benjamin K. Horton Before the New
Mexico Oil & Gas Commission
No. 4968

Dear Mr. Nutter:

At the request of Mr. Benjamin K. Horton, I am entering my appearance in the above matter and am enclosing herewith a Statement Rebutting the Statement of Amoco.

Very truly yours,


Quincy D. Adams

QDA:kn

cc: Paul A. Cooter
Attorney at Law
P.O. Drawer 700
Roswell, New Mexico 88201

IN THE MATTER OF THE PETITION OF BENJAMIN K. HORTON
BEFORE THE NEW MEXICO OIL & GAS COMMISSION

No. 4968

STATEMENT OF BENJAMIN K. HORTON
REBUTTING STATEMENT OF AMOCO

The Petitioner, Benjamin K. Horton, agrees with the first paragraph of Amoco's statement to the effect that the non-standard unit consisting of 344.28 acres has been dissolved under the terms of the Communitization Agreement of September 21, 1961. It is for that reason that petitioner has applied for the creation of a non-standard unit 275.36 acres comprising all of Section II, Township 28, North 13, West N.M.P.M. The well now located on Section II cannot be operated because of the spacing provisions set forth in the Rules and Regulations of the New Mexico Oil Conservation Commission. If it is ever to be operated, there are only two courses that will render it possible:

1. Create a 275.36 acre unit as requested, or
2. Combine Section II with adjoining acreage by means of another Communitization Agreement.

The second course is impractical if not impossible, even assuming that the petitioner is under an obligation to enter into a new Communitization Agreement, which he is not.

Insofar as the operating agreement between Amoco and D.W. Falls, Inc. is concerned, petitioner disagrees with the interpretation of this agreement by Amoco, but this is a matter between the petitioner and Amoco, to be resolved either through settlement negotiations or in Court, if this be necessary. It should have no bearing upon the petitioners application. The granting of the petitioners application would in no way prejudice whatever rights, if any, Amoco has under this agreement. If Amoco's contention is correct, namely, that the operating agreement remains in effect, Amoco would benefit by petitioner reworking the well and producing gas therefrom. If Amoco is not correct then the only basis for its opposition to petitioner's application fails.

Petitioner does not seek to have the Commission relieve him from the

obligations, if any, of the operating agreement. Neither does petitioner claim that Amoco is under any obligation to sell or assign its leasehold interests. Likewise petitioner is under no obligation to enter into a new Communitization Agreement. The old one has expired and there is nothing in the operating agreement which requires any of the parties to enter into a new communitization agreement.

In petitioners opinion, the operating agreement between Amoco and D.W. Falls, Inc. is no longer in effect since it has become impossible of performance. This operating agreement provides in paragraphs 1 and 2 for the operation of a 344.28 acre unit for the Dakota formation and a unit of 275.36 acres for the Gallup formation. The 344.28 unit is no longer in existence and the Gallup formation unit is not capable of production. This renders the operating agreement impossible to perform according to its terms and it is therefore no longer binding upon the parties.

It is stated at 17 Am. Jur. 2d 863, Contracts, Section 412 that:

" The rule that nonperformance is excused where without the fault of the promisor performance becomes impossible because of the cessation of the existence of a necessary thing or person has been extended to cases where the event, which renders the contract incapable of performance, is the cessation or nonexistence of an express condition or state of things going to the root of the contract, although not the direct object of the contract. Thus, the rule is stated that the parties are excused in case, before breach and without the fault of either party, performance becomes impossible by reason of a thing or condition ceasing to exist, in the absence of a warranty of continued existence, if from the nature of the contract and the surrounding circumstances the parties must have known that it could not be fulfilled unless, when the time for performance arrived, some particular thing or condition continued to exist."

A similar rule is stated at 17 Am. Jur. 2d 847, Contracts, Section 401, as follows:

" Changed conditions, supervening during the term of the contract sometimes operate as a defense excusing further performance on the ground that there was an implied condition in the contract that such a subsequent development should excuse performance or be a defense, and this kind of defense has prevailed in some instances even though the subsequent condition that developed was not one rendering performance impossible, some of the cases not referring in any way to impossibility. In such instances, where performance had not become impossible, but achievement of the object or purpose of the contract was frustrated, the defensive doctrine applied has been variously designated as that of 'frustration' of the purpose or object of the contract or 'commercial frustration'. Accordingly it

has been held that an event which substantially frustrates the objects contemplated by the parties when they made the contract excuses nonperformance of the contract. In such a case it is sometimes said that the foundation of the contract is gone."

Amoco refers to Article 4 of Exhibit A attached to the operating agreement but it is provided in paragraph 8 that in the event of a conflict between the provisions of the Exhibits attached to the agreement and the body of the agreement, the provisions in the body of the agreement shall control. This would likewise apply to Article 9 of Exhibit A.

It is not petitioner's desire to enter into an extended discussion of the legal issues that may exist between him and Amoco, since, as previously stated, he does not believe the Commission is concerned with these issues. If the petitioner's application is granted and petitioner operates the well at a profit, Amoco may assert any claims it may have and take whatever steps it deems appropriate to enforce whatever rights it thinks it may have, arising out of the operating agreement or otherwise. If the petitioner fails to operate the well or operates it at a loss, Amoco has not been injured since it wants to abandon the well anyway. On the other hand, if the application is denied, petitioner will be deprived of the opportunity to make a profit out of a producing well, the United States will be deprived of the opportunity to receive royalties from such production and the public may be deprived of gas which is presently in short supply.

ADAMS & FOLEY

By


Attorneys for petitioner, Benjamin K. Horton



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 25, 1973

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Benjamin K. Horton
Attorney at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87108

Re: Case No. 4268
Order No. R-4556
Applicant:
Benjamin K. Horton

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

Other Mr. Paul Cooter

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4968
Order No. R-4556

APPLICATION OF BENJAMIN K.
HORTON FOR THE AMENDMENT OF
ORDER NO. R-1814, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 9, 1973,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of June, 1973, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Benjamin K. Horton, is the
owner of a Federal Oil and Gas Lease, New Mexico Lease
0338690, comprising all of fractional Section 11, Township 28
North, Range 13 West, NMPM, San Juan County, New Mexico, and
being 275.36 acres.

(3) That said lands were, in September 20, 1961,
communitized with the SW/4 SW/4 and Lot 4 of Section 12,
Township 28 North, Range 13 West, NMPM, San Juan County, New
Mexico, being 68.92 acres, to form a communitized area com-
prising 344.28 acres, more or less.

(4) That by Commission Order No. R-1814, dated November 4,
1960, a 344.28-acre non-standard gas proration unit comprising
all of partial Section 11 plus Lot 4 and the SW/4 SW/4 of
Section 12, Township 28 North, Range 13 West, NMPM, San Juan
County, New Mexico, was approved for the Basin-Dakota Gas
Pool; that this unit was subsequently dedicated to the D. W.
Falls Inc. Federal Well No. 2-11 located 1190 feet from the
South line and 2210 feet from the East line of said Section 11.

-2-

Case No. 4968
Order No. R-4556

(5) That by letter dated February 2, 1972, the Regional Oil and Gas Supervisor of the United States Geological Survey notified D. W. Falls Inc. that Geological Survey records show no sales from the Dakota well on the above-described communitized area since January 1970; that accordingly, communitization agreement No. Com Agr.-SW-95 is considered to have expired by its own terms on January 31, 1970, the last day of the month in which production ceased from the communitized area.

(6) That the applicant, Benjamin K. Horton, as present owner of the lease covering all of partial Section 11, Township 28 North, Range 13 West, NMPM, San Juan County, New Mexico, seeks the amendment of Commission Order No. R-1814 to provide for the dissolution of the 344.28-acre non-standard gas proration unit approved by Paragraph (4) of said order, and to provide for the approval of a 275.36-acre non-standard unit comprising only the aforesaid partial Section 11.

(7) That upon approval of the aforesaid 275.36-acre non-standard gas proration unit for the Basin-Dakota Gas Pool, the applicant proposes to re-enter the above-described Federal Well No. 2-11, and to attempt to restore said well to production from the Basin-Dakota Gas Pool.

(8) That after hearing the testimony adduced at the subject hearing, applicant was given a period of ten days in which to file statements and exhibits, and protestants were given an additional fifteen days in which to respond; that all statements, exhibits, and responses were timely received.

(9) That approval of the application may result in the production of gas from the Basin-Dakota Gas Pool that would otherwise not be recovered, thereby preventing waste, and will not impair correlative rights provided an acreage factor for allowable purposes of $275.36/320.00$ or 0.86 is assigned to the subject well.

IT IS THEREFORE ORDERED:

(1) That Paragraph (4) of Commission Order No. R-1814 is hereby amended to read in its entirety as follows:

"(4) All of partial Section 11, Township 28 North, Range 13 West, comprising 275.36 acres, to be dedicated to the Benjamin K. Horton Federal Well No. 2-11, located 1190 feet from the South line and 2210 feet from the East line of said Section 11."

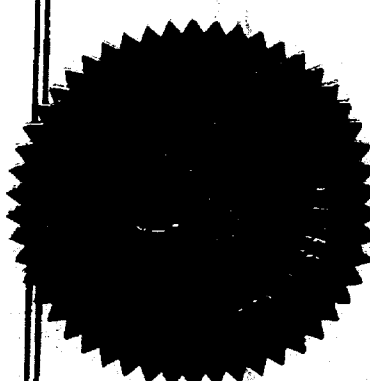
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-

Case No. 4968
Order No. R-4556

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. Porter, Jr.

A. L. PORTER, Jr., Member & Secretary

S E A L

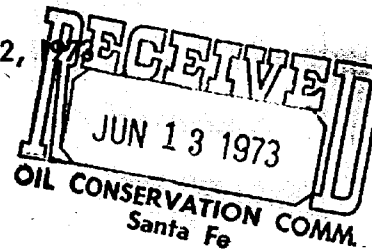
dr/

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87106
—
TELEPHONES 266-1811 OR 266-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

June 12, 1973



Mr. Dan Nutter
Chief Engineer
New Mexico Oil & Gas Commission
State Land Office Building
Santa Fe, New Mexico

Re: Federal 2-II Well

Dear Mr. Nutter:

In reply to Amoco's Statement filed with your office, a copy of which I just received Friday, I request that my attorney, Quincy D. Adams, of Albuquerque, be allowed to file an Entry of Appearance and Rebuttal Statement within three days, before rendering your decision. We dread the delay, as we have been waiting months to place our well into production.

It is our opinion that Amoco is arguing a question of contract law that is irrelevant and immaterial to the question of the power and authority of the New Mexico Oil & Gas Commission to amend a spacing unit when a communitization agreement approximately 13 years old has dissolved years ago.

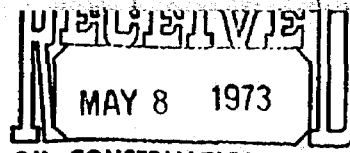
Copies of this rebuttal will, of course, be sent to Mr. Cooter in Roswell. Therefore, we respectfully request that you withhold your decision until we have had the opportunity to reply.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb



LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
408 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0828

BENJAMIN K. HORTON
KARL T. WERNER

May 4, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. Dan Nutter
Chief Engineer
New Mexico Oil & Gas Commission
Santa Fe, New Mexico

Re: Federal 2-II Gas Well
Unit 4, Sect. II
T. 28 N., R. 13 W.
San Juan County, New Mexico

Dear Mr. Nutter:

Enclosed please find a copy of our Plugging Bond issued by the Safeco Insurance Company of America.

Your cooperation and assistance in this matter is appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Enc.

MAY 8 1973

OIL CONSERVATION COMM
Santa Fe

- Benjamin K. Horton
- 405 Ortiz, NE
- Albuquerque, New Mexico 87108

LIFE • AUTOMOBILE INSURANCE • FIDELITY AND SURETY BONDS
 Phone 843-0000 • 8310 Alameda Blvd. N.E.
 Albuquerque, New Mexico 87103
 COMM

Handwritten notes and signatures:
 1. [Signature]
 2. [Signature]
 3. [Signature]
 4. [Signature]
 5. [Signature]
 6. [Signature]
 7. [Signature]
 8. [Signature]
 9. [Signature]
 10. [Signature]
 11. [Signature]
 12. [Signature]
 13. [Signature]
 14. [Signature]
 15. [Signature]
 16. [Signature]
 17. [Signature]
 18. [Signature]
 19. [Signature]
 20. [Signature]
 21. [Signature]
 22. [Signature]
 23. [Signature]
 24. [Signature]
 25. [Signature]
 26. [Signature]
 27. [Signature]
 28. [Signature]
 29. [Signature]
 30. [Signature]
 31. [Signature]
 32. [Signature]
 33. [Signature]
 34. [Signature]
 35. [Signature]
 36. [Signature]
 37. [Signature]
 38. [Signature]
 39. [Signature]
 40. [Signature]
 41. [Signature]
 42. [Signature]
 43. [Signature]
 44. [Signature]
 45. [Signature]
 46. [Signature]
 47. [Signature]
 48. [Signature]
 49. [Signature]
 50. [Signature]
 51. [Signature]
 52. [Signature]
 53. [Signature]
 54. [Signature]
 55. [Signature]
 56. [Signature]
 57. [Signature]
 58. [Signature]
 59. [Signature]
 60. [Signature]
 61. [Signature]
 62. [Signature]
 63. [Signature]
 64. [Signature]
 65. [Signature]
 66. [Signature]
 67. [Signature]
 68. [Signature]
 69. [Signature]
 70. [Signature]
 71. [Signature]
 72. [Signature]
 73. [Signature]
 74. [Signature]
 75. [Signature]
 76. [Signature]
 77. [Signature]
 78. [Signature]
 79. [Signature]
 80. [Signature]
 81. [Signature]
 82. [Signature]
 83. [Signature]
 84. [Signature]
 85. [Signature]
 86. [Signature]
 87. [Signature]
 88. [Signature]
 89. [Signature]
 90. [Signature]
 91. [Signature]
 92. [Signature]
 93. [Signature]
 94. [Signature]
 95. [Signature]
 96. [Signature]
 97. [Signature]
 98. [Signature]
 99. [Signature]
 100. [Signature]

DATE OF POLICY	POLICY NUMBER	COMPANY	EXPIRATION	COVERAGE	PREMIUM
5/1/73	2065791	Safeco	5/1/74	\$5,000.00	\$50.00

Covering: Gas Plugging Bond - Fed. # 2-11 NM# 0338690
SW $\frac{1}{4}$, Sec. II, T.28 N., R. 13W., San Juan County, New Mexico



RECEIVED
MAY 8 1973

Form 3106-1
(January 1965)
(formerly 4-1986)

UNITED STATES OIL CONSERVATION COMM
DEPARTMENT OF THE INTERIOR Santa Fe
BUREAU OF LAND MANAGEMENT

Bond Number

2065791

Land Office and Serial Number

Federal 2-11 NM 0338690

BOND OF OIL AND GAS LESSEE
Act of February 25, 1929 (41 Stat. 437), as amended

KNOW ALL MEN BY THESE PRESENTS, That we, BENJAMIN K. HORTON

of Albuquerque, New Mexico

as principal,

and SAFECO INSURANCE COMPANY OF AMERICA

of (give surety's home address) 4347 Brooklyn Avenue, NE, Seattle, Washington 98105

as surety, are held and firmly bound unto the United States of America in the sum of ----- FIVE
THOUSAND AND 00/100----- dollars (\$5,000.00), lawful money

of the United States, for the use and benefit of (1) the United States; and (2) any entryman or patentee or surface owner of any portion of the lands covered by the lease bearing the above serial number who is entitled by law to compensation in connection with a reservation of the oil and gas deposits to the United States, for which payment, well and truly to be made, we, by these present bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, upon the following conditions, viz:

The conditions of this obligation are such that, whereas the said principal has been granted the above lease upon the lands described therein and upon conditions therein expressed; and

WHEREAS, the surety waives any right to notice of, and agrees that this bond shall remain in full force and effect, notwithstanding:

1. Any assignment or assignments of an undivided interest in any part or all of the lands in the lease, in which event the assignee or assignees shall be considered to be coprincipal or copincipals on this bond as fully and to the same extent as though his or their duly authenticated signatures appeared thereon.

2. Any assignment of some of the lands described in the lease, the bond to remain in full force and effect only as to the lands retained in the lease.

3. Any extension of the lease term, or any modification of the lease, or obligations thereunder, whether made or

effected by commitment of the lease to any unit, cooperative, communitization or storage agreement, or development contract, suspension of operations or production, waiver, suspension or change in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, successors, or assigns shall fully comply with all of the terms and conditions of said lease or any extension thereof authorized by law, use all reasonable precautions to prevent damage to the land, leave the premises in a safe condition upon the termination of said lease, and compensate the entryman or patentee or surface owner, if any, for damages to the land as by law required, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed with our hands and sealed with our seals this 1st day of May, 19 73

Signed, sealed, and delivered in presence of

NAMES AND ADDRESSES OF WITNESSES

WITNESS:

WITNESS:

Benjamin K. Horton [L.S.]
(Principal)

SAFECO INSURANCE COMPANY OF AMERICA [L.S.]
(Surety)

By Robert S. Hoog
Robert S. Hoog, Agent & Attorney-in-Fact

215 Fifth Street, SW, Albuquerque, NM 87103

P.O. Drawer A, Albuquerque, NM 87103

(Address of Surety's Agent)

RECEIVED
APR 19 1973
OIL CONSERVATION COMM.
Santa Fe

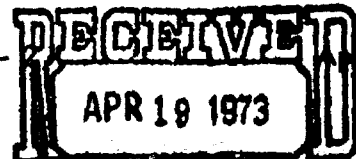
XXXXXXXXXXXXXXXXXXXX

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Case 4968

Date 4/26/75

Mr. Dan Nutter



April 16, 1973

the contiguous 68.9 acre Santa Fe Lease that made up the 1974, and that it is virtually impossible, due to death, prior assignments and commitments to other units in the Gallegos Canyon, Central Totah, and Cha Cha areas or the refusal to cooperate in the recomunitization of these two leases. I will produce evidence that I have written and called these 23 co-owners.

3. That my variance request is very small, requiring a deviation of only 44.68 acres or approximately 13%.

I would appreciate any advice or assistance you could render me in presenting my case to the Commission.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

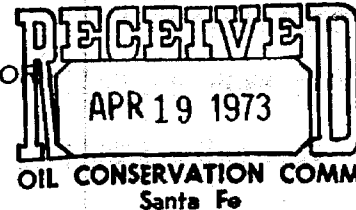
BKH/bb
Encs.



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

IN REPLY REFER TO:



March 28, 1973

Case 4968

Mr. Benjamin K. Horton
Attorney and Counselor at Law
405 Ortiz, N.E.
Albuquerque, New Mexico 87108

Dear Mr. Horton:

Your letter of March 23, 1973, states that you plan to produce Basin Dakota gas well No. 2-11, located on lease New Mexico 0338690 in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of fractional sec. 11, T. 28 N., R. 13 W., San Juan County, New Mexico. Your letter also requests information in connection with expired Dakota communitization agreement No. Com. Agr.-SW-95.

Communitization agreement No. Com. Agr.-SW-95 expired on January 31, 1970, and you have no responsibility under such agreement. If you produce the above well, however, you will be required to submit a new Dakota communitization agreement covering the same spacing unit as the above expired agreement. Such spacing unit, consisting of 344.28 acres in leases New Mexico 0338690 and Santa Fe 078807-A, covers the Dakota formation in all of fractional sec. 11, lot 4, and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 12, T. 28 N., R. 13 W., San Juan County, New Mexico. The effective date of the new agreement must be prior to the date of sales from the well.

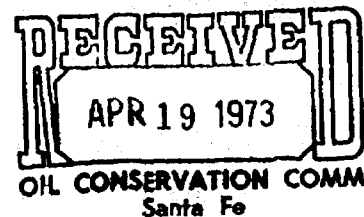
If you need any information or assistance in the preparation of the communitization agreement, please contact this office.

Sincerely yours,

Carl C. Traywick

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 266-1811 OR 266-0825



BENJAMIN K. HORTON
~~XXXXXXXXXXXX~~
Karl T. Werner

April 16, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Case 4968

Mr. Dan Nutter
Chief Engineer
New Mexico Oil & Gas Commission
Santa Fe, New Mexico

Re: Federal 2-11 Gas Well
NM Lease Number 0338690

Dear Mr. Nutter:

As per your instructions, I am filing the attached C-104 and C-102 with a copy of U.S.G.S. form 9331. I am new at this and I hope I have completed the forms correctly. In form C-104, I am applying both for a change of ownership from D. W. Falls, Inc. (Roy Cook) to myself as I have acquired their interests and that of Gas Producers, Inc. and a permit to rework the well (see U.S.G.S. form 9331) for work planned. I attach a copy of Gas Producer's Quitclaim Deed to me and I have the many deeds from the working interest holders. I have most of Roy Cook's file. Mr. Doyle Baxter of Farmington will produce the well and Mr. Malcolm Kitchens of Farmington will do the rework. I am also attaching a copy of the U.S.G.S. Well Record and attached area well map.

As I explained on the telephone, I am also applying for a new spacing unit from 344 acres to my own 275.36 acres consisting of all of Fractional Section II, T. 28 N., R. 13 W., San Juan County (see map). This is necessary as I have found it impossible to obtain the Quitclaims or Assignments of the 24 oil companies that own the 68.9 acres adjoining lease that made up the original spacing unit of 344 acres.

Any further assistance or advice will be greatly appreciated.

With kindest regards,

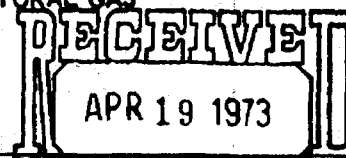

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65



I. Operator
Benjamin K. Horton

Address
405 Ortiz Drive N. E., Albuquerque, New Mexico 87108

Reason(s) for filing (Check proper box) Other (Please explain)
 New Well ☐ Change in Transporter of:
 Recompletion ☐ Oil ☐ Dry Gas ☐
 Change in Ownership ☒ Casinghead Gas ☐ Condensate ☐ *Rewrite*

If change of ownership give name and address of previous owner **Roy Cook (For D. W. Falls, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, Including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM0338690
Location Unit Letter 4 : 1190 Feet From The South Line and 2210 Feet From The east Fractional Line of Section 11 Township 28N Range 13 W. , NMPM, San Juan County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> Shell Oil (?)	Address (Give address to which approved copy of this form is to be sent)	
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/> El Paso Natural Gas	Address (Give address to which approved copy of this form is to be sent) El Paso	
If well produces oil or liquids, give location of tanks. Unit 2-II Sec. 11 Twp. 28N Rge. 13W	Is gas actually connected? No	When

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.
		X		X			X	
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61	Total Depth 6433 PB 6405		P.B.T.D. 290 MCFPD & 10 BOPD				
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota	Top Oil/Gas Pay 6266 - 6370		Tubing Depth 6370				
Perforations				Depth Casing Shoe				
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE		DEPTH SET		SACKS CEMENT			
approx. 9"	8 5/8" - 1 1/2"		6370'					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)


Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test-MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.


(Signature)
Owner and Operator
(Title)
April 16, 1973
(Date)

OIL CONSERVATION COMMISSION

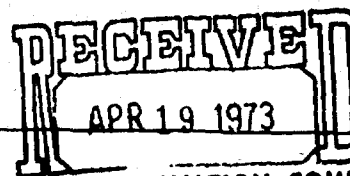
APPROVED _____, 19____
BY _____
TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.
Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65



I. Operator **Benjamin K. Horton**
Address **405 Ortiz Drive N. E., Albuquerque, New Mexico 87108**
Reason(s) for filing (Check proper box)
New Well ☐ Change in Transporter of:
Recompletion ☐ Oil ☐ Dry Gas ☐
Change in Ownership ☒ Casinghead Gas ☐ Condensate ☐ *Rework*

If change of ownership give name and address of previous owner **Roy Cook (For D. W. Falls, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM0338690
Location Unit Letter 4 1190 Feet From The South Line and 2210 Feet From The east Fractional 11 Township 28N Range 13 W. NMPM, San Juan County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> Shell Oil (?)	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/> El Paso Natural Gas	Address (Give address to which approved copy of this form is to be sent) El Paso
If well produces oil or liquids, give location of tanks.	Unit 2-II Sec. 11 Twp. 28N Rge. 13W Is gas actually connected? No When

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.
		X		X			X	
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61	Total Depth 6433 PB 6405		P.B.T.D. 290 MCFPD & 10 BOPD				
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota	Top Oil/Gas Pay 6266 - 6370		Tubing Depth 6370				
Perforations				Depth Casing Shoe				
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE		DEPTH SET		SACKS CEMENT			
approx. 9"	8 5/8" - 1 1/2"		6370'					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test-MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Benjamin K. Horton
(Signature)
Owner and Operator
(Title)
April 16, 1973
(Date)

OIL CONSERVATION COMMISSION

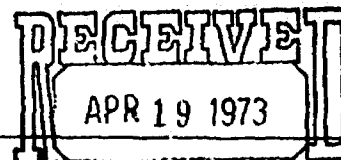
APPROVED _____, 19_____
BY _____
TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter or other such change of condition.
Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRODUCTION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65



I. OPERATOR
Operator **Benjamin K. Horton**
Address **405 Ortiz Drive N. E., Albuquerque, New Mexico 87108**
Reason(s) for filing (Check proper box)
New Well ☐ Change in Transporter of: Oil ☐ Dry Gas ☐
Recompletion ☐ Casinghead Gas ☐ Condensate ☐
Change in Ownership ☒ Other (Please explain) **Rework**

If change of ownership give name and address of previous owner **Roy Cook (For D. W. Falls, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM0338690
Location Unit Letter 4 Feet From The South Line and 2210 Feet From The east Line of Section II Township 28N Range 13 W. NMPM, San Juan County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> Shell Oil (?)	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/> El Paso Natural Gas	Address (Give address to which approved copy of this form is to be sent) El Paso
If well produces oil or liquids, give location of tanks. Unit 2-II Sec. II Twp. 28N Rge. 13W	Is gas actually connected? No When

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input type="checkbox"/>	Gas Well <input checked="" type="checkbox"/>	New Well <input type="checkbox"/>	Workover <input checked="" type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Res'v. <input checked="" type="checkbox"/>	Diff. Res'v. <input type="checkbox"/>
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61		Total Depth 6433 PB 6405		P.B.T.D. 290 MCFPD & 10 BOPD			
Elevations (DF, RKB, RT, GR, etc.) 5025 gl	Name of Producing Formation Dakota		Top Oil/Gas Pay 6266 - 6370		Tubing Depth 6370			
Perforations					Depth Casing Shoe			
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE approx. 9"	CASING & TUBING SIZE 8 5/8" - 1 1/2"		DEPTH SET 6370'		SACKS CEMENT			

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test-MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)
Owner and Operator
(Title)
April 16, 1973
(Date)

OIL CONSERVATION COMMISSION

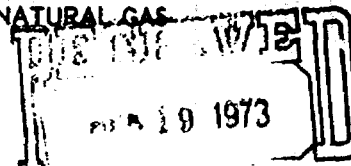
APPROVED _____, 19____
BY _____
TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.
Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

**NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS**

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65



I. OPERATOR
 Operator Benjamin K. Horton
 Address 405 Ortiz Drive N. E., Albuquerque, New Mexico 87108
 Reason(s) for filing (Check proper box)
 New Well ☐ Change in Transporter of:
 Recompletion ☐ Oil ☐ Dry Gas ☐
 Change in Ownership ☒ Casinghead Gas ☐ Condensate ☐ Other (Please explain) Rework

If change of ownership give name and address of previous owner Roy Cook (For D. W. Falls, Inc.) Bank of New Mexico Building, Albuquerque, N.M.

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM0338690
Location Unit Letter <u>4</u> ; <u>1190</u> Feet From The <u>South</u> Line and <u>2210</u> Feet From The <u>east</u> Fractional Line of Section <u>11</u> Township <u>28N</u> Range <u>13 W.</u> , NMPM, <u>San Juan</u> County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> Shell Oil (?)	Address (Give address to which approved copy of this form is to be sent)	
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/> El Paso Natural Gas	Address (Give address to which approved copy of this form is to be sent) El Paso	
If well produces oil or liquids, give location of tanks. Unit <u>2-II</u> Sec. <u>11</u> Twp. <u>28N</u> Rge. <u>13W</u>	Is gas actually connected? No	When

If this production is commingled with that from any other lease or pool, give commingling order number: No

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input type="checkbox"/>	Gas Well <input checked="" type="checkbox"/>	New Well <input type="checkbox"/>	Workover <input checked="" type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Res'v. <input checked="" type="checkbox"/>	Diff. Res'v. <input type="checkbox"/>
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61		Total Depth 6433 PB 6405		P.B.T.D. 290 MCFPD & 10 BOPD			
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota		Top Oil/Gas Pay 6266 - 6370		Tubing Depth 6370			
Perforations					Depth Casing Shoe			
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE approx. 9"	CASING & TUBING SIZE 8 5/8" - 1 1/2"		DEPTH SET 6370'		SACKS CEMENT			

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test - MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)
 Owner and Operator
 (Title)
April 16, 1973 (Date)

OIL CONSERVATION COMMISSION

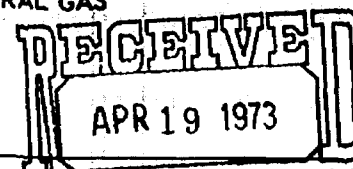
APPROVED _____, 19____
 BY _____
 TITLE _____

This form is to be filed in compliance with RULE 1104.
 If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
 All sections of this form must be filled out completely for allowable on new and recompleted wells.
 Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.
 Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65



I. Operator **Benjamin K. Horton**

Address **405 Ortiz Drive N. E., Albuquerque, New Mexico 87108**

Reason(s) for filing (Check proper box)

New Well	<input type="checkbox"/>	Change in Transporter of:		Other (Please explain)	
Recompletion	<input type="checkbox"/>	Oil	<input type="checkbox"/>	Dry Gas	<input type="checkbox"/>
Change in Ownership	<input checked="" type="checkbox"/>	Casinghead Gas	<input type="checkbox"/>	Condensate	<input type="checkbox"/>

Rework

If change of ownership give name and address of previous owner **Ray Cook (For D. W. Fells, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, Including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM038690
Location				
Unit Letter 4	1190	Feet From The South	Line and 2210	Feet From The east
Fractional	II	Township 20N	Range 13 W.	NMPM, San Juan County

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Shell Oil (?)	
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
El Paso Natural Gas	El Paso
If well produces oil or liquids, give location of tanks.	Is gas actually connected? When
Unit 2-II Sec. II Twp. 20N Rge. 13W	No

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.
		X		X			X	
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61	Total Depth 6433 PB 6405			P.B.T.D. 290 MCFPD & 10 BOPD			
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota	Top Oil/Gas Pay 6246 - 6370			Tubing Depth 6370			
Perforations					Depth Casing Shoe			
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE		DEPTH SET		SACKS CEMENT			
approx. 9"	8 5/8" - 11/2"		6370'					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test - MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pitot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

[Signature]
Owner and Operator

April 16, 1973

(Title)

(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

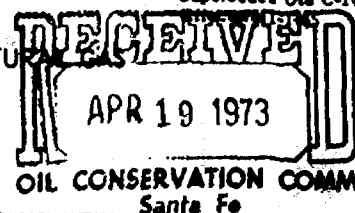
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110



I. OPERATOR

Operator **Benjamin K. Horton**

Address **405 Ortiz Drive N. E., Albuquerque, New Mexico 87108**

Reason(s) for filing (Check proper box)

New Well <input type="checkbox"/>	Change in Transporter of:	Other (Please explain)
Recompletion <input type="checkbox"/>	Oil <input type="checkbox"/>	Dry Gas <input type="checkbox"/>
Change in Ownership <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/>	Condensate <input type="checkbox"/>

If change of ownership give name and address of previous owner **Ray Cook (For D. V. Fells, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-11 (W.H. Sloan)	Well No. 2-11	Pool Name, Including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NA035090
Location				
Unit Letter 4	1190	Feet From The South	Line and 2210	Feet From The east
Fractional	11	Township 28N	Range 13 W.	County San Juan

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Shell Oil (?)	
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
El Paso Natural Gas	El Paso
If well produces oil or liquids, give location of tanks.	Is gas actually connected? When
2-11	No

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input type="checkbox"/>	Gas Well <input checked="" type="checkbox"/>	New Well <input type="checkbox"/>	Workover <input checked="" type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Res'v. <input checked="" type="checkbox"/>	Diff. Res'v. <input type="checkbox"/>
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61	Total Depth 6433 PB 6405	P.B.T.D. 290 MCFPD & 10 BOPD					
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota	Top Oil/Gas Pay 6266 - 6370	Tubing Depth 6370					
Perforations			Depth Casing Shoe					
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT					
Approx. 9"	5 7/8" - 1 1/2"	6370'						

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test-MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pitot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Owner and Operator (Signature)

April 16, 1973

(Title)

(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

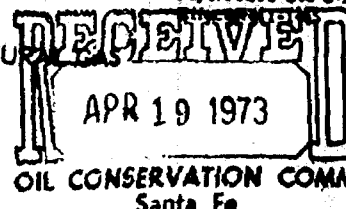
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110



I. Operator **Benjamin K. Horton**

Address **405 Ortiz Drive N. E., Albuquerque, New Mexico 87108**

Reason(s) for filing (Check proper box) Other (Please explain)

New Well ☐ Change in Transporter of: Oil ☐ Dry Gas ☐

Recompletion ☐ Casinghead Gas ☐ Condensate ☐

Change in Ownership ☐

If change of ownership give name and address of previous owner **Ray Cook (For D. W. Falls, Inc.) Bank of New Mexico Building, Albuquerque, N.M.**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 2-II (W.H. Sloan)	Well No. 2-II	Pool Name, Including Formation Basin Dakota (Dakota)	Kind of Lease State, Federal or Fee Fed.	Lease No. NMA0300090
Location				
Unit Letter 4	1190	Feet From The South Line and 2210 Feet From The east		
Fractional	11	Township 28N Range 13 W. NMPM, San Juan County		

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Shell Oil (?)	
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
El Paso Natural Gas	El Paso
If well produces oil or liquids, give location of tanks.	Is gas actually connected? When
2-II	No

If this production is commingled with that from any other lease or pool, give commingling order number: **No**

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input type="checkbox"/>	Gas Well <input checked="" type="checkbox"/>	New Well <input type="checkbox"/>	Workover <input checked="" type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Res'v. <input checked="" type="checkbox"/>	Diff. Res'v. <input type="checkbox"/>
Date Spudded 9-20-61	Date Compl. Ready to Prod. 11-9-61	Total Depth 6433 PS 6405	P.B.T.D. 290 MCFPD & 10 BOPD					
Elevations (DF, RKB, RT, GR, etc.) 5925 gl	Name of Producing Formation Dakota	Top Oil/Gas Pay 6266 - 6370	Tubing Depth 6370					
Perforations			Depth Casing Shoe					
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE 8 1/2"	CASING & TUBING SIZE 3 1/8" - 1 1/2"	DEPTH SET 6370'	SACKS CEMENT					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL See original Aspen Drilling Co. report and attached U.S.G.S. Individual Well Record

Actual Prod. Test - MCF/D 290 MCFPD & 10 B.O.P.D.	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Owner and Operator (Signature)

April 16, 1973

(Title)

(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)

KNOW ALL MEN BY THESE PRESENTS:

Case
4968

QUITCLAIM DEED WITH RESERVATION OF INTEREST

For and in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, GAS PRODUCERS CORPORATION, a Delaware corporation (the "Assignor" hereafter), subject to the reservation and exception hereinafter provided, does hereby grant, convey and quitclaim, expressly without representation or warranty of any kind or character, unto BENJAMIN K. HORTON of Albuquerque, New Mexico (the "Assignee" hereafter), and unto his heirs, legal representatives and assigns, all of the right, title and interest of the Assignor (both of record and beneficially) in, to and under that certain oil, gas and mineral lease, dated February 1, 1948, from the Department of the Interior of the United States of America, as lessor, to W. H. Sloan, as lessee (the "Lease" hereafter), insofar as, but only insofar as and not otherwise, the Lease covers, affects and pertains to Section 11, Township 28 North, Range 13 West, San Juan County, New Mexico, together with all right, title and interest of the Assignor in and to all machinery, tools, equipment, pipe, pipelines and all other personal property owned by the Assignor (or unto which it may have any interest or is entitled to) and located upon and used in connection with the operations on the Lease.

IT IS EXPRESSLY PROVIDED, HOWEVER, that the Assignor does hereby RESERVE, EXCEPT and RETAIN from this conveyance unto itself and its successors and assigns an overriding royalty interest equal

Case 4968

to ten percent (10%) of one hundred percent (100%) of all the oil, gas and/or other hydrocarbons produced, saved and sold from the Lease insofar as the Lease covers the above-described lands.

This conveyance is intended purely as a quitclaim from the Assignor unto the Assignee of all of the rights, titles and interests of the Assignor in and to the properties and property rights described herein, and, as aforesaid, the Assignor makes no representations or warranties in respect of any of same.

It is specifically and expressly understood and agreed that the effectiveness of this conveyance is subject to the approval by the Department of Interior of the United States of America.

EXECUTED AND DELIVERED as of the 3rd day of April, 1973.

ATTEST:

Henry Gilchrist
Henry Gilchrist, Secretary

GAS PRODUCERS CORPORATION

By L. R. Spence
L. R. Spence, President

THE STATE OF TEXAS)
COUNTY OF DALLAS)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this personally appeared L. R. SPENCE, President, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said GAS PRODUCERS CORPORATION, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 3rd day of April, 1973.

Jeane M. Schuth
Notary Public in and for Dallas
County, Texas

My Commission Expires:
June 1, 1973

Case 4968

QUITCLAIM DEED

D. W. Falls, Inc.

for consideration paid, quitclaim to

Benjamin K. Horton

the following described real estate in

San Juan

County, New Mexico:

All of my rights, title and interests to and all operating rights in the following described property:

That certain Dakota oil and gas well located approximately 5 miles south of Farmington, New Mexico and more specifically described as #2 Federal Well, SW 1/4 SE 1/4 sec. 11, T. 28 N., R. 13W., San Juan County, New Mexico.

Grantee hereunder agrees to assume any and all responsibility, obligations, conditions, and encumbrances past and future of the Grantor or his assignee and does hereby hold harmless the Grantor from any future responsibility or obligation under said well.

WITNESS hand and seal this 23rd day of March, 1973

(Seal)

(Seal)

(Seal)

(Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO

COUNTY OF

Bernardo

ss.

The foregoing instrument was acknowledged before me this 23rd day of March, 1973

by

(Name or Names of Person or Persons Acknowledging)

My commission expires:

(Seal)

3/3/76

Notary Public

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO

COUNTY OF

ss.

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

by

(Name of Officer)

(Title of Officer)

of

(Name of Corporation Acknowledging)

a

(State of Incorporation)

corporation, on behalf of said corporation.

My commission expires:

(Seal)

Notary Public

FOR RECORDER'S USE ONLY

Case 4968

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2096
Order No. R-1814

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO
CONSIDER ESTABLISHING NON-STANDARD
GAS PRORATION UNITS IN THE BASIN-
DAKOTA GAS POOL IN CERTAIN PARTIAL
SECTIONS, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
October 13, 1960, at Farmington, New Mexico, before the Oil
Conservation Commission of New Mexico, hereinafter referred
to as the "Commission."

NOW, on the 4th day of November, 1960, the Commission,
a quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That, in order to ensure systematic development and
thereby prevent waste and protect correlative rights, the Commis-
sion should establish individual proration units in the Basin-
Dakota Gas Pool in the tier of partial sections lying immediately
South of the Seventh Standard Parallel North in Township 28 North,
Ranges 8 through 13 West, NMPM, San Juan County, New Mexico..

(3) That by Order No. R-1628-A an administrative procedure
was established whereby the Commission could establish a non-
standard Dakota gas proration unit consisting of all of partial
Section 7 and the W/2 W/2 of partial Section 8, Township 28 North,
Range 10 West, NMPM, San Juan County, New Mexico, which area should
be excepted from the area divided into non-standard proration
units by this order.

Case 4 No 8

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2096
Order No. R-1814

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO
CONSIDER ESTABLISHING NON-STANDARD
GAS PRORATION UNITS IN THE BASIN-
DAKOTA GAS POOL IN CERTAIN PARTIAL
SECTIONS, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BEFORE THE COMMISSION:

on for hearing at 9 o'clock a.m. on
Farmington, New Mexico, before the Oil
Commission of New Mexico, hereinafter referred

344.28 +	th	day of November, 1960, the Commission,
28.92 -	t,	having considered the testimony presented
40.00 -	ived	at said hearing, and being fully advised
275.3600 *		

public notice having been given as required by
the jurisdiction of this cause and the subject

(2) That, in order to ensure systematic development and
thereby prevent waste and protect correlative rights, the Commis-
sion should establish individual proration units in the Basin-
Dakota Gas Pool in the tier of partial sections lying immediately
South of the Seventh Standard Parallel North in Township 28 North,
Ranges 8 through 13 West, NMPM, San Juan County, New Mexico..

(3) That by Order No. R-1628-A an administrative procedure
was established whereby the Commission could establish a non-
standard Dakota gas proration unit consisting of all of partial
Section 7 and the W/2 W/2 of partial Section 8, Township 28 North,
Range 10 West, NMPM, San Juan County, New Mexico, which area should
be excepted from the area divided into non-standard proration
units by this order.

IT IS THEREFORE ORDERED:

(I) That the following-described areas be and the same are hereby established as non-standard gas proration units in the Basin-Dakota Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

- (1) All of partial Section 7 plus Lot 4 and the S/2 SW/4 of partial Section 8, Township 28 North, Range 13 West, comprising 362.41 acres.
- (2) Lots 1, 2 and 3 and the S/2 SE/4 of partial Section 8 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 9, Township 28 North, Range 13 West, comprising 378.28 acres.
- (3) Lot 1 and the SE/4 SE/4 of partial Section 9 plus all of Section 10, Township 28 North, Range 13 West, comprising 344.42 acres.
- (4) All of partial Section 11 plus Lot 4 and the SW/4 SW/4 of partial Section 12, Township 28 North, Range 13 West, comprising 344.28 acres.
- (5) Lots 1, 2 and 3, the SE/4 SW/4, and the S/2 SE/4 of partial Section 12, Township 28 North, Range 13 West, plus Lots 2, 3, 4 and 5, and the SE/4 SW/4 of partial Section 7, Township 28 North, Range 12 West, comprising 364.58 acres.
- (6) Lot 1 and the S/2 SE/4 of partial Section 7 plus Lots 2, 3 and 4 and the S/2 S/2 of partial Section 8, Township 28 North, Range 12 West, comprising 354.12 acres.
- (7) Lot 1 of partial Section 8 plus all of partial Section 9 plus the SW/4 SW/4 of partial Section 10, Township 28 North, Range 12 West, comprising 340.91 acres.
- (8) Lots 1, 2, 3 and 4, the SE/4 SW/4 and the S/2 SE/4 of partial Section 10 plus Lots 3 and 4 and the S/2 SW/4 of partial Section 11, Township 28 North, Range 12 West, comprising 366.46 acres.
- (9) Lots 1 and 2 and the S/2 SE/4 of partial Section 11 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 12, Township 28 North, Range 12 West, comprising 337.98 acres.
- (10) Lot 1 and the SE/4 SE/4 of partial Section 12, Township 28 North, Range 12 West, plus all of

partial Section 7, Township 28 North, Range 11 West, comprising 335.02 acres.

- (11) All of partial Section 8 plus Lot 4 and the SW/4 SW/4 of partial Section 9, Township 28 North, Range 11 West, comprising 333.55 acres.
- (12) Lots 1, 2 and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 9 plus Lots 3 and 4 and the S/2 SW/4 of partial Section 10, Township 28 North, Range 11 West, comprising 328.45 acres.
- (13) Lots 1 and 2 and the S/2 SE/4 of partial Section 10 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 11, Township 28 North, Range 11 West, comprising 323.29 acres.
- (14) Lot 1 and the SE/4 SE/4 of partial Section 11 plus all of partial Section 12, Township 28 North, Range 11 West, comprising 318.14 acres.
- (15) Lots 1, 2 and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 8 plus Lots 3 and 4 and the S/2 SW/4 of partial Section 9, Township 28 North, Range 10 West, comprising 319.67 acres.
- (16) Lots 1 and 2 and the S/2 SE/4 of partial Section 9 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 10, Township 28 North, Range 10 West, comprising 322.88 acres.
- (17) Lot 1 and the SE/4 SE/4 of partial Section 10 plus all of partial Section 11, Township 28 North, Range 10 West, comprising 327.29 acres.
- (18) All of partial Section 12, Township 28 North, Range 10 West, plus Lots 4 and 5 of partial Section 7, Township 28 North, Range 9 West, comprising 322.94 acres.
- (19) Lots 1, 2 and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 7 plus Lots 3 and 4 and the S/2 SW/4 of partial Section 8, Township 28 North, Range 9 West, comprising 345.25 acres.
- (20) Lots 1 and 2 and the S/2 SE/4 of partial Section 8 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 9, Township 28 North, Range 9 West, comprising 340.52 acres.
- (21) Lot 1 and the SE/4 SE/4 of partial Section 9 and all of partial Section 10, Township 28 North, Range 9 West, comprising 338.40 acres.

-4-

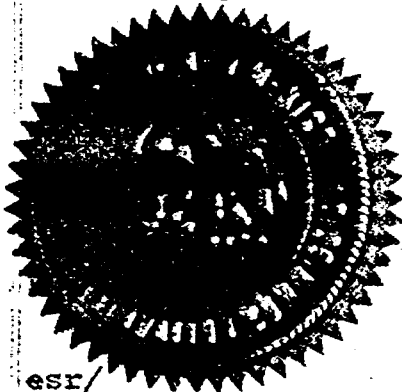
CASE No. 2096
Order No. R-1814

- (22) All of partial Section 11 plus Lot 4 and the SW/4 SW/4 of partial Section 12, Township 28 North, Range 9 West, comprising 334.46 acres.
- (23) Lots 1, 2 and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 12, Township 28 North, Range 9 West, plus Lots 4 and 5 and the SE/4 SW/4 of partial Section 7, Township 28 North, Range 8 West, comprising 312.28 acres.
- (24) Lots 1, 2 and 3 and the S/2 SE/4 of partial Section 7 plus Lots 3 and 4 and the S/2 SW/4 of partial Section 8, Township 28 North, Range 8 West, comprising 341.36 acres.
- (25) Lots 1 and 2 and the S/2 SE/4 of partial Section 8 plus Lots 2, 3 and 4 and the S/2 SW/4 of partial Section 9, Township 28 North, Range 8 West, comprising 333.84 acres.
- (26) Lot 1 and the S/2 SE/4 of partial Section 9 plus Lots 2, 3 and 4, the S/2 SW/4 and the SW/4 SE/4 of partial Section 10, Township 28 North, Range 8 West, comprising 335.11 acres.
- (27) Lot 1 and the SE/4 SE/4 of partial Section 10 plus Lots 2, 3 and 4 and the S/2 S/2 of partial Section 11, Township 28 North, Range 8 West, comprising 331.76 acres.
- (28) Lot 1 of partial Section 11 plus all of partial Section 12, Township 28 North, Range 8 West, comprising 327.87 acres.

all in San Juan County, New Mexico.

(II) That each of the above-described non-standard gas proration units shall be assigned an acreage factor for allowable purposes which shall be the ratio of the acreage in that unit to the acreage in a standard gas proration unit in the Basin-Dakota Gas Pool.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

esr/

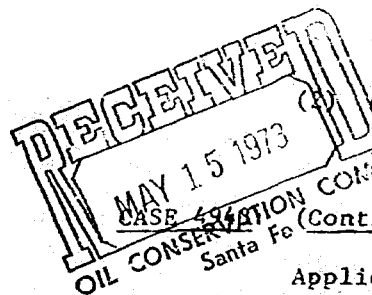
Docket No. 13-73

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 9, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;



(2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1973.

(Continued from the April 11, 1973 Examiner Hearing)

Application of M. W. Staples for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce oil from his Vanderverter Well No. 2 located 1310 feet from the North line and 1330 feet from the East line of Section 20, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico. Said well was drilled as an injection well at said location pursuant to authority granted by Order No. R-3341.

CASE 4928: (Continued from the April 11, 1973, Examiner Hearing)

Application of Union Oil Company of California for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 11, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to the Atlantic Richfield Oil Company Pure-Federal Well No. 11 located in Unit K of said Section 11. Applicant further seeks a provision for the payment of proper costs to be borne by applicant for such well and the related well equipment, a provision for allocation of actual operating costs, and the establishment of charges for supervision of such well and the designation of an operator thereof; and for such other relief as proper. Also to be considered will be the risk involved in drilling the subject well.

CASE 4932: (Continued from the April 11, 1973, Examiner Hearing)

Application of Atlantic Richfield Company for a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 340.94-acre non-standard gas proration unit comprising the W/2 of Section 11, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Pure Federal Well No. 1 located in Unit K of said Section 11.

- CASE 4959: Application of Tamarack Petroleum Company, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Bronco Wolfcamp Unit Area, comprising 762 acres, more or less, of fee lands in Section 35, Township 12 South, and Section 2, Township 13 South, both Range 38 East, Lea County, New Mexico.
- CASE 4960: Application of Tamarack Petroleum Company, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Wolfcamp formation through three wells in its Bronco Wolfcamp Unit Area, Bronco-Wolfcamp Pool, Lea County, New Mexico.
- CASE 4961: Application of Amoco Production Company for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry and Drinkard Oil Pools and the Tubb Gas Pool in the well-bore in its Southland Royalty "A" Well No. 4 located in Unit X of Section 4, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 4962: Application of Amoco Production Company for special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Peterson-Pennsylvanian Pool, Roosevelt County, New Mexico, including a provision for classification of oil wells and gas wells, 160-acre spacing for oil wells, 320-acre spacing for gas wells, and a limiting gas-oil ratio of 4,000 to one.
- CASE 4963: Application of Texaco Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Benson Queen Unit Area comprising 1800 acres, more or less, of Federal and State lands in Township 18 South, Range 30 East, Eddy County, New Mexico.
- CASE 4964: Application of Texaco Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its North Benson Queen Area, North Benson-Queen Pool, Eddy County, New Mexico, by the injection of water into the Queen formation through 20 wells in said unit area.
- CASE 4965: Application of Read & Stevens, Inc. for a dual completion, contraction of vertical limits, creation of a new pool and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Buffalo Valley-Pennsylvanian Pool, Chaves County, New Mexico, to exclude the producing interval from 8548 feet to 8578 feet as found in its Langley Com Well No. 1 located in Unit C of Section 13, Township 15 South, Range 27 East, and to redesignate said pool as the Buffalo Valley Lower-Pennsylvanian Gas Pool, and for the creation of a new pool for the

(Case 4965 continued from page 2)

above-described producing interval to be designated Buffalo Valley Upper-Pennsylvanian Gas Pool. Applicant also seeks the adoption of special rules for said proposed new pool similar to the pool rules for the presently existing pool; applicant further seeks approval for the dual completion of the above-described well to produce from both of the aforesaid two pools.

CASE 4966: Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

CASE 4967: Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit P of said Section 29.

CASE 4968: Application of Benjamin K. Horton for the amendment of Order No. R-1814, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1814 to provide for the dissolution of the 344.28-acre non-standard unit approved by paragraph 4 of said order which unit comprises all of partial Section 11 plus Lot 4 and the SW/4 SW/4 of partial Section 12, Township 28 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico. Applicant proposes the creation of a 275.36-acre non-standard unit comprising all of the aforesaid partial Section 11 only to be dedicated to his Federal Well No. 2 located 1190 feet from the South line and 2210 feet from the East line of said Section 11.

CASE 4946: (Continued and Readvertised)

Application of Union Texas Petroleum for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

Examiner Hearing - Wednesday - May 9, 1973
-4-

Docket No. 13-73

(Case 4946 continued from page 3)

the promulgation of special pool rules for the Crosby-Fusselman Pool, Lea County, New Mexico, including a provision for classification of oil wells and gas wells, 320-acre spacing for all wells, and a limiting gas-oil ratio of 5000 to one. (This case will be continued to the May 23rd Examiner Hearing.)

CASE 4885: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit John Lemley and Juanita Franks and Aetna Casualty and Surety Company and all other interested parties to appear and show cause why the Lemley and Franks Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

4. The Commission, in its own motion, to permit the Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, to be plugged and abandoned in accordance with a Commission-approved plugging program. I have written, called, or seen the 23 Commission, who do not want to plug.

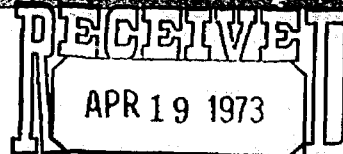
1. That I am, at present (Order 11814)

by the Commission of the Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, to be plugged and abandoned in accordance with a Commission-approved plugging program.

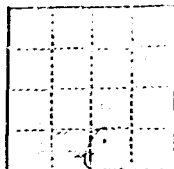
2. Although I am, at present, at the Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, to be plugged and abandoned in accordance with a Commission-approved plugging program.

3. Although I am, at present, at the Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, to be plugged and abandoned in accordance with a Commission-approved plugging program.

4. Although I am, at present, at the Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, to be plugged and abandoned in accordance with a Commission-approved plugging program.



REVISED

Form 9-593
(April 1952)

UNITED STATES CONSERVATION COMM
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
CONSERVATION DIVISION
INDIVIDUAL WELL RECORD

Santa Fe Sec. 11

T. 28 N

R. 13 W

N.M.P. Mer.

PUBLIC LAND:

Date July 7, 1966

Ref. No.

Land office New Mexico State New Mexico
Serial No. 0338690 County San Juan
Lessee Roy. Cook Field Basin-Dakota
Operator D. W. Feller, Inc. District Farmington
Well No. 2 Federal Subdivision SW 1/4 SE 1/4

Location 1190 feet from south and 2210 feet from east lines of section

Drilling approved Sept. 11, 19 61 Well elevation 5925 g1 feet

Drilling commenced Sept. 20, 19 61 Total depth 6433 PB 6405 feet

Drilling ceased Oct. 9, 19 61 Initial production 290 MCFPD & 10 BOPD

Completed for production Nov. 9, 19 61 Gravity A. P. I. 43°

Abandonment approved, 19 Initial R. P.

Geologic Formations		Productive Horizons		
Surface	Lowest tested	Name	Depth	Contents
Torrion-Puerco	Dakota	Dakota	6266-6370	Gas

WELL STATUS

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
1961											PCGW	
1964											W.I. + Gallup	
1966						PCW						

Formerly Aspan Crude Purchasing No. 2-11 Federal, was originally Gallup-Dakota producer, with the Gallup committed to the Central Totah Unit as the No. 24. The Gallup produced (from perfs 5711-5713) with an IP of 897 BOPD, and is now an exhausted producer and has been plugged and abandoned as of May 18, 1966. Dakota still producing. The operator was Tenneco Oil Co. when the well was in the Central Totah Unit.

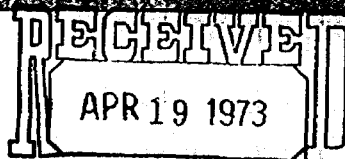
REMARKS	Geol. Tops:	Pict. Cliffs	1660'	E.L.	Gallup Pay	5710'	E.L.
		Mesaverde	2000'	"	Sanostec	5800'	"
		Pt. Lookout	4150'	"	Greenhorn	6155'	"
		Hancos	4430'	"	Graneros	6215'	"
		Gallup	5350'	"	Dakota	6265'	"

Case 4968

Form 9-593
(April 1952)



REVISED



UNITED STATES ^{Oil} CONSERVATION COMM
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
CONSERVATION DIVISION

Santa Fe Sec. 11

T. 28 N

R. 13 W

INDIVIDUAL WELL RECORD

N.M.P. Mer.

PUBLIC LAND:

Date July 7, 1966

Ref. No. _____

Land office New Mexico State New Mexico
Serial No. 0338690 County San Juan
Lessee Roy. Cook Field Basin-Dakota
Operator D.M. Pallas, Inc. District Farmington
Well No. 2 Federal Subdivision SW 1/4 SE 1/4

Location 1190 feet from south and 2210 feet from east lines of section

Drilling approved Sept. 11, 19 61 Well elevation 5925 g1 feet

Drilling commenced Sept. 20, 19 61 Total depth 6433 PB 6405 feet

Drilling ceased Oct. 9, 19 61 Initial production 290 MCFPD & 10 BOPD

Completed for production Nov. 9, 19 61 Gravity A. P. I. 43°

Abandonment approved _____, 19 ____ Initial R. P. _____

Geologic Formations		Productive Horizons		
Surface	Lowest tested	Name	Depths	Contents
<u>Torreyon-Puerco</u>	<u>Dakota</u>	<u>Dakota</u>	<u>6266-6370</u>	<u>Cas</u>

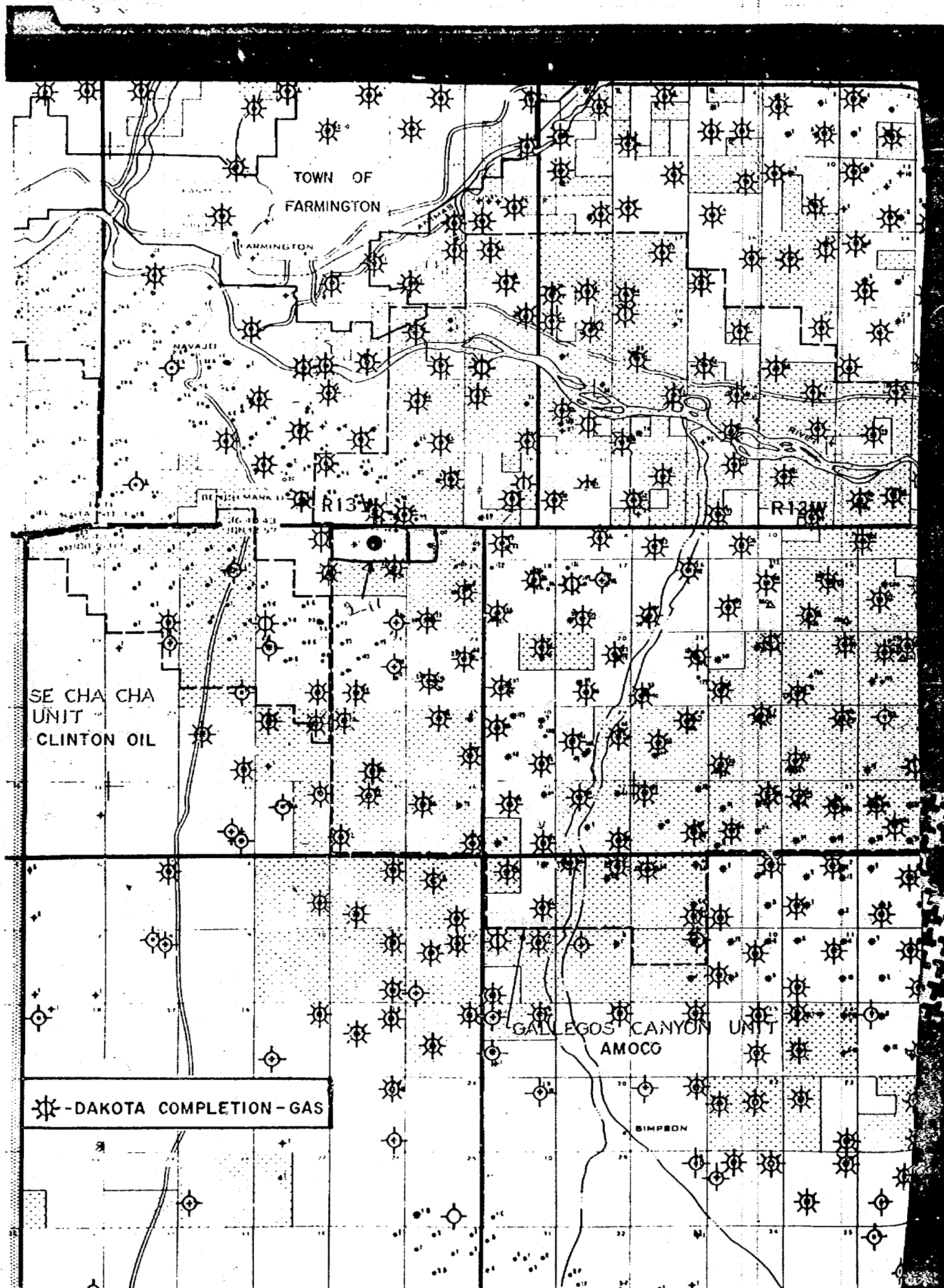
WELL STATUS

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
1961												
1964												
1966												

Formerly Aspen Crude Purchasing No. 2-11 Federal, was originally Gallup-Dakota producer, with the Gallup committed to the Central Totah Unit as the No. 24. The Gallup produced (from perfs 5711-5713) with an IP of 897 BOPD, and is now an exhausted producer and has been plugged and abandoned as of May 18, 1966. Dakota still producing. The operator was Tenneco Oil Co. when the well was in the Central Totah Unit.

REMARKS	Geol. Tops:	1660'	E.L.	Gallup Pay 5710'	E.L.
	Mesaville	2000'	"	Sanostee	5800'
	Pt. Lookout	4150'	"	Greenhorn	6155'
	Mancos	4430'	"	Graneros	6215'
	Gallup	5350'	"	Dakota	6265'

Case 4968



Form 9-331
(May 1963)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

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

Form approved
Budget Bureau No. 42-B1424

5. LEASE DESIGNATION AND SERIAL NO.

Federal 2-II NM 0338690

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

N/A

7. UNIT AGREEMENT NAME

Gallegos Canyon Unit

8. FARM OR LEASE NAME

W. H. Sloan

9. WELL NO.

2 Federal

10. FIELD AND POOL, OR WILDCAT

Basin Dakota

11. SEC. T. R. M. OR BLM. AND

SW 1/4, SE 1/4 of Fract. Sec.
II, T. 28N., R. 13W., NMPM

12. COUNTY OR PARISH 13. STATE

San Juan

NM

SUNDRY NOTICES AND REPORTS ON WELLS
(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT" for such proposals.)

1. OIL WELL ☐ GAS WELL ☒ OTHER

2. NAME OF OPERATOR

Benjamin K. Horton

3. ADDRESS OF OPERATOR

405 Ortiz N. E., Albuquerque, New Mexico 87108

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.
See also space 17 below.)

At surface

1190' from South and 2210' for East lines of SW 1/4, SE 1/4 of
Fractional Sect. II, T. 28N., R. 13W., New Mexico P. Mer.
San Juan County, N.M. consisting of 275.36 acres

14. PERMIT NO.

15. ELEVATIONS (Show whether DP, RT, GR, etc.)

5925 gl

16.

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

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF

☒

PULL OR ALTER CASING

☐

FRACTURE TREAT

☐

MULTIPLE COMPLETE

☐

SHOOT OR ACIDIZE

☐

ABANDON*

☐

REPAIR WELL

☒

CHANGE PLANS (plot)

☒

(Other) Test 3 Dakota Zones & Shut off water

SUBSEQUENT REPORT OF:

WATER SHUT-OFF

☐

REPAIRING WELL

☐

FRACTURE TREATMENT

☐

ALTERING CASING

☐

SHOOTING OR ACIDIZING

☐

ABANDONMENT*

☐

(Other)

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

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any
proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones perti-
nent to this work.)

Purpose, upon U.S.G.S. and NM O & G Commission approval to:

A. Clean up well after shut down in 1968, remove lost tool, remove and replace packer,
swab to kick off.

B. Test the 3 Dakota perforated zones (6266-76, 6284-90, 6346-70) for water producing
zone with packers, plugs, swab, seal off with Gel Block or other material.

C. Recomplete, if necessary, with squeeze job, reshoot and fracture treat if required.

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

SIGNED

[Signature]

TITLE Owner & Operator

DATE April 16, 1973

(This space for Federal or State office use)

APPROVED BY

TITLE

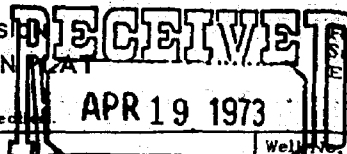
DATE

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

Core 4968

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT



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

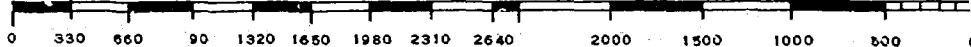
All distances must be from the outer boundaries of the Section.

Operator Benjamin K. Horton		Lease N. M. 0338690		Well No. OIL CONSERVATION COMM-11	
Unit Letter Fract. Sec. II	Section 28 N.	Township 13 W.	Range San Juan	County Santa Fe	
Actual Footage Location of Well: 1190 feet from the South line and 2210 feet from the east line					
Ground Level Elev. 5925'	Producing Formation Dakota	Pool Basin Dakota	Dedicated Acreage: 275.36 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). Formerly this spacing unit consisted of 344.28 acres (Gas Producers, Inc. to D. W. Falls (Roy Cook), 275.36 acres # NM 0338690, SW 1/4, SE 1/4, Fract. Sec. II, T.28N., R.13W and 68.9⁺ over
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? Application is made to dedicate only my 1/2 Sect. (Fractional) of 275.36 acres to Gas Production from Federal 2-II
☐ Yes ☐ No If answer is "yes," type of consolidation Not applicable

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) N/A (I own all of Section II)

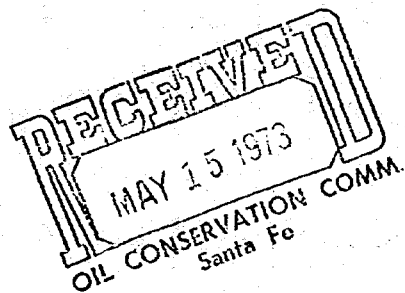
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



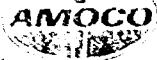
CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Benjamin K. Horton	
Name	Owner & Operator
Position	HORTON & WERNER, Attys.
Company	April 16, 1973
Date	
Property already surveyed	
I hereby certify that the well location 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	
Registered Professional Engineer and/or Land Surveyor	
Certificate No.	

Case 4968

EXHIBIT A



Exhibits "A" thru "G" complete



Amoco Production Company

Security Life Building
Denver, Colorado 80202

M. S. Kraemer
Division Production
Manager

H. T. Hunter
Assistant Division
Production Manager

K. W. Bolt
T. M. Curtis
District Superintendents

April 16, 1973

File: ARR-282-WF

Benjamin K. Horton
Attorney & Counselor at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87108

Dear Sir:

Re: Federal 2-11 Gas Well, SW/4, SE/4, Section 11-T28N-R13W,
San Juan County, New Mexico

Please refer to your letter of April 5, 1973, wherein you offered to purchase Amoco Production Company's interest in the Dakota formation. Under the 68.92 acre lease comprising the southwest quarter and Lot 4 of Section 12-T28N-R13W. This lease is a part of the 344.28 acres dedicated to the above referenced Dakota gas well. Please be advised that Amoco does not wish to sell or otherwise assign our interest under this lease. This particular tract of land is a part of the Gallegos Canyon Unit and it is in our best interest to retain ownership thereof.

At the request of Roy L. Cook who was agent for D. W. Falls, Incorporated, the previous operator of this well, Amoco Production Company and the other Gallegos Canyon Unit Dakota participating area owners approved permanent abandonment of this well. You have now acquired the interest of the former operator and as stated in your letter of April 5, you now wish to perform a remedial operation rather than abandon the well. We do not agree that a workover of the Dakota formation will result in a commercial producer and as provided in Section 9 of the operating provisions of the Operating Agreement for this well dated September 20, 1961, we elect not to join in this workover and will participate in the well when, and only when, you have recovered your costs as set forth in Section 9.

Please submit for our approval a new Communitization Agreement to replace the one which dissolved of its own terms in 1970. Also, please

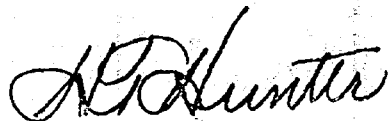
File: ABR 282 WF

Page 2

April 16, 1973

furnish us reports of all well operations performed in conjunction with your planned workover. As operator of the Gallegos Canyon Unit, we are sending a copy of this letter to each of the other Dakota Participating Area Owners so they will be informed of our decision in this matter. We are returning herewith your check No. 2161, dated April 5, 1973, in the amount of \$20.00.

Yours very truly,



CJB:pk

cc: Gallegos Canyon Unit Participating Area Owners

670 286, 287

[REDACTED]

File in 2-11 AMOCO

RIP C. UNDERWOOD
P.O. BOX 2588
FIRST NATIONAL BANK BUILDING
AMARILLO, TEXAS

May 4, 1973

Mr. Benjamin K. Horton
Attorney at Law
405 Ortiz, N. E.
Albuquerque, N. M. 87108

Dear Sir:

Re: Federal 2-11 Gas Well,
SW/4 SW/4 Sec. 11-T28N-R13W,
San Juan County, New Mexico

Reference is made to your letter of April 6, 1973 and to Amoco Production Company's letter of April 16, 1973, which was addressed to you.

For reasons which are set forth in Amoco's letter, I do not wish to sell or otherwise assign my interest under this lease and I elect not to join in your proposed workover and will participate in the well when, and only when, you have recovered your costs as set forth in Section 9 of the operating provisions of the Operating Agreement for this well dated September 20, 1961.

I am returning herewith your check #2172 dated April 7, 1973, in the amount of \$20.00.

Yours very truly,

Rip C. Underwood
Rip C. Underwood

RCU:ar
enc.

April 11, 1973

*File
Anuaco*

Mr. Benjamin K. Horton
Attorney at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87108

Dear Mr. Horton:

We have your April 7, 1973 letter with regard to Federal 2-11 Gas Well, USGS Lease Serial #NM 0338690, located approximately 5 miles South of Farmington, N. M. and more specifically described as the #2 Federal Well, SW SE Sec. 11-T28N-R13W, San Juan County, New Mexico, D. W. Falls, Former Operator.

Having carefully searched our records and plat book, we are unable to determine ownership in the lands above described. It is, however, entirely possible that when our records were set up several years ago, an interest could have been overlooked.

Our records reflect a producing Indian Lease, dated 5-29-50, between Glin nos bah, et al, Lessor, and Glenn J. Smith, Lessee, covering 456.24 acres, more or less, described as Lots 1 and 2 and the S/2 SE/4 Section 9-28N-12W, containing 136.24 acres; and the NE/4 and the NW/4 Section 16-28N-12W, each containing 160 acres, more or less; or a total of 456.24 acres.

This is the only lease interest we show in San Juan County, New Mexico.

We will hold the check and other papers until Friday of this week. If we do not hear from you by telephone by 4 p.m. of that date, we will forward the check and papers to you.

Very truly yours,
WOOD OIL COMPANY

Mrs. Ruth Morgan
Lease Records

4-30-73

Dear Mr. Horton:

Sorry this did not have my following as stated above. It was necessary for me to be away from the office, and I just returned to work this a.m. After reviewing the file, it appears the other papers are copies, so will only return the check. Will keep the papers for a period of approx. 30 days. If you want them returned, please so advise.
Thanks.

Ruth Morgan

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1011 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

April 6, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. Deewall
Land Department
American Petrofina Company of Texas
Post Office Box 2159
Dallas, Texas 75202

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

*Return to Mr.
Horton at the
above address*

hoby

Dear Mr. Deewall:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. Letter)

Mr. Deewall

- 2 -

April 6, 1973

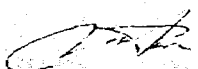
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-II so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-II.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 258-0825

FILE
7-11
AMOCO
Gallup

BENJAMIN K. HORTON
KARL T. WERNER

April 6, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. L. M. Thompson
Production Department
American Petrofina Company of Texas
Post Office Box 2159
Dallas, Texas 75202

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Thompson:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. Thompson

- 2 -

April 6, 1973

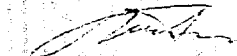
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,



Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.



*Mr. Amaco
2-21*

SKELLY OIL COMPANY

April 12, 1973

Mr. Benjamin K. Horton
Horton & Werner
407 Ortiz, N. E.
Albuquerque, New Mexico 87108

Dear Mr. Horton:

Your letter, with attachments, dated April 7, 1973, addressed to Mr. H. E. Aab, was sent to our Denver office to reply to your request.

Recently the Gallegos Canyon Unit area was reviewed and most of the splinter units do not contain any Skelly acreage and its interest therein is based upon its participating interest in the Gallegos Canyon Unit as a whole.

Due to the small interest owned by Skelly and the possibility of fractional changes in participation, Skelly does not desire to sell any interest that they might own.

Skelly does not want to participate in the remedial work on the 2-11.

Attached are the various attachments originally enclosed with your letter dated April 7, 1973.

Yours very truly,

Keith W. Green
Keith W. Green

KWG:lw
Enclosures

cc: Mr. Leland Franz
Skelly Oil Company
Denver, Colorado

[REDACTED]

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0925

BENJAMIN K. HORTON

~~XXXXXXXXXXXX~~
Karl T. Werner

April 7, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. J. R. Teel
Skelly Oil Company
Post Office Box 1650
Tulsa, Oklahoma 74102

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Teel:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must re-communitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. J. R. Teel

- 2 -

April 7, 1973

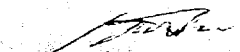
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

TEXAS PACIFIC OIL COMPANY, INC.

1700 ONE MAIN PLACE
DALLAS, TEXAS 75230

March 13, 1973

L. B. JEFFERS
MANAGER OF PRODUCTION SERVICES

AREA CODE 214
741-5933

Mr. Benjamin K. Horton
Attorney At Law
405 Ortiz Drive, N. E.
Albuquerque, New Mexico 87108

Re: Federal 2-11 Gas Unit
SW/4 SE/4 Sec. 11-T28N-R13W
San Juan Co., New Mexico

Dear Mr. Horton:

In reference to your letter of April 7, 1973 regarding reassignment of interest in above referenced well we are returning your check No. 2186 in the amount of \$20.00 as well as the unexecuted assignment of oil and gas interest form.

The Gallegos Canyon Unit Dakota Participating Area owners hold 20.018% interest in subject Dakota well as a result of 68.92 unit acres committed to this Dakota gas unit. Texas Pacific's 0.416% interest in subject well was brought about by our 2.07867% interest in the Gallegos Canyon Unit Dakota Area.

By letter of September 29, 1972, Amoco Production Company, operator of the Gallegos Canyon Unit, advised that the operator of subject well, Roy L. Cook (agent for D. W. Falls), requested abandonment of this Dakota well. Texas Pacific as an interest owner in the Gallegos Unit concurred with Amoco's recommendation for abandonment of this well.

Since Amoco is operator of the Gallegos Canyon Unit and Texas Pacific is an interest owner in this unit, we are requesting that any transactions regarding subject well be handled directly with Amoco.

Yours very truly,

L. B. Jeffers
L. B. Jeffers

LB:sp
Attachment
cc: Amoco Production Co.
501 Airport Drive
Farmington, New Mexico 87401

My Commission Expires:

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 16, 1973

Mr. H. T. Hunter
Assistant Division Production Manager
Amoco Production Company
Security Life Building
Denver, Colorado 80202

Re: Federal 2-11 Gas Well
NM 3338690
Fractional Sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico

Dear Mr. Hunter:

Just a note to advise you that the New Mexico Oil and Gas Commission has agreed to allow me to file a new 275.36 acre plot plan to rework and produce this Dakota Well on an 86% of the allowable. This will make it unnecessary to recomunitize my 275.36 acreage with Amoco and Associates, 68.9 acres (Santa Fe 078807-A) to make a new 344.28 acre spacing unit.

Also, I have received replies from almost all of your partners in the 68.9 acre Santa Fe lease, except yourselves; and all these parties disclaim any interest in the Sec. II, T. 28 N., R. 13 W., acreage and the 2-11 well.

Under these circumstances, unless I hear from you to the contrary, I will assume you have no further interest in the Federal 2-11 well. I would appreciate your Quitclaim, however, which I sent you, as I have assumed the abandonment expense, etc.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 8, 1973

Mr. H. T. Hunter
Assistant Division Production Manager
Amoco Production Company
Security Life Building
Denver, Colorado 80202

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Farmer Operator

Dear Mr. Hunter:

You will recall that I wrote approximately two weeks ago requesting the purchase or assignment of your one half interest in the 70 acres adjoining the above-entitled lease and Federal 2-11 well. I also further discussed the matter with your two land men two weeks ago and they said that they felt that since they wrote us requesting that this well be abandoned and plugged that they would recommend the assignment of Amoco's half interest in this small adjoining lease that we need to recommitize with my 275 acre lease, so that we can start re-working the 2-11.

I will be in Denver on Thursday of this week, and I would like to see you and see if we can wrap up this deal. In the meantime, I also send you a report from L & M Ventures, Inc., Farmington (Malcolm Kitchens), outlining the costs of abandonment and plugging and also stating the salvage value of the existing equipment. I offered to pay \$750 for the assignment of this 70 acre lease to me which is actually far more than the salvage value. But unless I can acquire these interests, I can

Mr. H. F. Hunter

- 2 -

April 8, 1978

hardly pay the great expense necessary to re-work this well on my own. I will call you from the Denver airport Thursday morning and perhaps we can resolve the problem.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Enc.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN R. HORTON
PAUL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

March 22, 1973

Mr. H T. Hunter
Assistant Division Production Manager
AMOCO Production company
Security Life Building
Denver, Colorado

Cloning 4-16-17

Re: File # GBM-297-WF
Federal 2-11 gas well, SW $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 11,
T.28 N., R. 13 W., San Juan County, New Mexico
Lessor : Gas Producers Incorporated
Previous operator: D.W. Falls and his agent Roy Cook

Dear Mr. Hunter:

I wish to advise you that I have acquired Quitclaim Deeds from all or most of the operating interest holders that paid for the drilling of the above described well in 1962. The attached well abandonment authorization and report and letter to Mr. Cook dated March 6, 1973 will give you information of the well that I am discussing herein.

I am currently in the process of obtaining a new operator's agreement with Gas Producers, Incorporated, as I have a Quitclaim Deed from Mr. Falls and his assignees. I have advised the United States Geological Survey in Farmington and the New Mexico Oil Conservation Commission in Santa Fe that it is my intent to re-work this well and attempt to put it back on production. Mr. Roy Cook, who previously assisted Mr. Falls in operating this well, has given me copies of the various documents necessary to proceed with the production of this well. I have advised the United States Geological Survey that I do not wish to abandon or plug this well in any way until I have purchased the equipment and attempted to re-work the well. As I am taking over the well, I will send you a new operating agreement shortly.

Mr. H.T. Hunter

-2-

March 22, 1973

In the meantime, however, I wish to proceed with the recommendations made by the various geologists' and engineers' reports that are attached hereto. Based upon these recommendations, the re-working and production of this well might cost as much as \$20,000 to \$30,000; but regardless, I am willing to take this gamble and proceed. Therefore, I would greatly appreciate it if you would allow me to buy out your approximate 20% of operating interest in this well at nominal cost so that I can proceed with the gamble. Mr. Roy Cook advised me yesterday that a couple of years ago he attempted to obtain your assignment of your interest without success. As I own, or will own within the next few days approximately 80% of the well, I believe that it would be much more beneficial to both parties concerned if I acquired your interest also.

If you request, I will be glad to fly to Denver to discuss the matter with you, or I would appreciate it if you would call me long distance so that we can discuss the matter and effect an assignment if at all possible. I will execute any agreement that you wish to prepare holding you free of any past, present, or future obligations, conditions, or expenses connected with the well and will post a bond with, if required, to be sure that you are relieved of any future responsibility in connection with the well. But in view of the pressure by the United States Geological Survey to abandon and plug the well, it is most important that I proceed immediately and obtain your decision as quickly as possible. I have all of the files relating to this well and will be glad to see or talk with you at your earliest convenience.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
Horton & Werner

BKH/hb

Encs.

cc: Mr. N.O. Frederick

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN H. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 5, 1973

Mr. H. T. Hunter
Assistant Division Production Manager
Amoco Production Company
Security Life Building
Denver, Colorado 80202

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4 sec. 11, T. 28 N., R. 13W., San
Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Hunter:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. H. T. Hunter

- 2 -

April 5, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

As you originally owned 10% of this communitized lease, and were out expenses as were we, I will offer you \$750.00 even though your share of the present value is only \$65.00. I have not had to pay any other interest holder for their deed or assignment as they seem to want out without further expense. Also, I have written all of your partners in this 68.92 acre lease requesting their assignments.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

April 6, 1970

Ms. Mary Roberts Berry
208 East Washington Street
Washington, Iowa 52353

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south
of Farmington, N.M. and more specific-
ally described as #2 Federal Well,
Southwest 1/4, Southeast 1/4, sec. 11,
T. 28N., R. 13 W., San Juan County, New
Mexico - D. W. Falls - Former Operator

Dear Ms. Berry:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached papers).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

(encl)

Ms. Mary P. Barry

April 6, 1973

I also had Mr. Malcolm Kitchens of I. & F. Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might be able to plug the old well. This is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hold bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

(encl)

Ms. Mary P. Berry

April 5, 1973

I also had Mr. Malcolm Kitchens of I. G. H. Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might have the right to plug the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hold bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

April 6, 1973

Mr. E. I. Rydin
P. O. Box 8852
Chicago, Illinois 60690

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N.M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11. T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Rydin:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologist (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. W. L. Rabin

-2-

April 6 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Birmingham, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hold bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

My Commission Expires:

April 6, 1973

Mr. A. C. Pegg
P. O. Box 66067
Chicago, Illinois 66066

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south
of Farmington, N.M. and more specific-
ally described as #2 Federal Well,
Southwest 1/4, Southeast 1/4, sec. 11,
T. 28 N., R. 13 W., San Juan County
New Mexico. D. W. Falls - Former Operator

Dear Mr. Pegg:

I have purchased this entire 275 acre lease for the above-described gas well from Murchison Brothers in Dallas and have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 69.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. Letter)

(seal)

Mr. A. C. Pegg

-2-

April 6, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 7 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hold bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

(seal)

April 6, 1978

Ms. Elma R. Jones
% R. H. Klinger
P. O. Box 1741
Stockton, California 95204

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial #NM 0338690
Located approximately 5 miles south
of Farmington, N.M. and more specif-
ically described as #2 Federal Well,
Southwest 1/4, Southeast 1/4 sec. 11,
T.28 N., R. 13 W., San Juan County,
New Mexico D.W. Falls - Former Operator

Dear Ms. Jones

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached papers).

Before I can proceed, however, the New Mexico Oil and Gas Commission, advises me that I must recommunityze your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communityzation agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Ms. E. R. Jones

-2-

April 6, 1972

I have had Mr. Wilcox Hitchens of L. H. Hitchens, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

April 6, 1973

Mr. Rip C. Underwood
Box 2588
First National Bank Building
Amarillo, Texas 79101

Re: Federal 2-11 Gas Well
U.S.G.S Lease Serial # NM 0338690
Located approximately 5 miles south
of Farmington, N.M. and more
specifically described as #2 Federal
Well, Southwest 1/4, Southeast 1/4,
sec. 11, T. 28 N., R. 13 W., San Juan
County, New Mexico D.W. Falls - Former Operator

Dear Mr. Underwood

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached letters).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. Underwood

-2-

April 6, 1973

Dear Mr. Malcolm Kitchens of L & M Ventures, Inc.,
I have prepared an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hold bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With Kindest Regards,

Benjamin K. Horton
HORTON & WERNER

BKH/mre
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1011 OR 268-0925

BENJAMIN N. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 6, 1973

Mr. Deewall
Land Department
American Petrofina Company of Texas
Post Office Box 2159
Dallas, Texas 75202

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Deewall:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must re-communitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. Letter)

(seal)

- 2 -

April 6, 1975

Mr. Daewall

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

My Commission Expires:

(seal)

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87106
TELEPHONES 266-1811 OR 266-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 6, 1973

Mr. P. R. Watts, Jr.
Aztex Oil & Gas Company
2000 First National Bank Building
Dallas, Texas 75202

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Watts:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. P. R. Watts, Jr.

- 2 -

April 6, 1972

I also had Mr. Malcolm Kitchens of L. & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1973

Mr. Olen F. Featherstone
Roswell Petroleum Building
Roswell, New Mexico 88201

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Featherstone:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. Olen F. Featherstone

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87100
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 6, 1973

Financial Technology, Inc.
Post Office Box 34848
Dallas, Texas 75234

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Guitelaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Financial Technology, Inc.

- 2 -

April 6, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-II so that I might try to repair and produce the old well. This is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-II.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87103
TELEPHONES 283-1611 OR 238-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATES
QUINCY O. ADAMS

April 7, 1973

XXXXXXXXXXXX
Karl T. Werner

Texaco, Inc.
Land Department
Post Office Box 2100
Denver, Colorado 80202

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

(seal)

Tekaco, Inc.

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

(seal)

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1973

XXXXXXXXXXXX
Karl T. Werner

Mr. V. M. Williams
Sunray DX Oil Company
1101 Wilco Building
Midland, Texas 79701

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Williams:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must re-communitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

(Seal)

Mr. V. M. Williams

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

(seal)

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1973

Karl T. Werner

Mr. J. R. Teel
Skelly Oil Company
Post Office Box 1650
Tulsa, Oklahoma 74102

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Teel:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

My Commission Expires:

Mr. J. R. Teel

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one note bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

My Commission Expires:

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0628

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 2, 1973

KARL T. WERNER
Karl T. Werner

Mr. H. E. Aab
Skelly Oil Company
Post Office Box 730
Hobbs, New Mexico 88240

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial NM 3336650
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as 2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 26 N.,
R. 13 E., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Aab:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recommunityize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communityization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Skelly Oil Company

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L. & M. Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-II so that I might try to repair and produce the old well. This is of no use to me as I do not want the United States Geological Survey and an American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-II.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 266-1211 OR 266-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

XXXXXX
Karl T. Werner

April 7, 1970

Pubco Petroleum Corporation
Land Department
Post Office Box 1419
Albuquerque, New Mexico 87103

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial NM 0398690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 20 N.,
R. 18 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter).

Public Petroleum Corporation

- 2 -

April 7, 1972

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0823

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1973

XXXXXXXXXXXX
Karl T. Werner

National Drilling Company, Inc.
Land Department
4810 N. Kenneth Avenue
Chicago, Illinois 60630

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # 88-008690
Located approximately 3 miles south of
Paradise, N.M., and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 Sec. 11, T. 35 N.,
R. 15 W., San Juan County, New Mexico
D. M. Coth - Former Landman

Dear Sir:

I have purchased this entire 3.7 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached report).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original recomunitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

National Drilling Company, Inc.

- 2 -

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the oil well. Time is of the essence as I am now with the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0925

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1978

XXXXXXXXXXXX
Karl T. Werner

Mr. L. A. Hodges
Post Office Box 489
Roswell, New Mexico 86201

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial A, NW 1/4 0836690
Located approximately 1 mile north of
Farmington, N.M., and more specifically
described as E2 Federal Well, Southwest
1/4, Southeast 1/4 and E1/2 Sec. 1,
R. 18 N., San Juan County, New Mexico
D. V. Falt - Former Owner

Dear Sirs:

I have purchased this entire 2/3 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recommitize your adjoining 68.92 acre lease so that the total lease will again cover 144 acres, as this is the way they originally established this unit for production of one Dakota gas well. The original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

April 7, 1973

Mr. L. B. Hodges

I also had Mr. Malcolm Kitchens of L. & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a surety bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of the well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & VERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 5, 1973

Pan American Refining Company (3)
Land Department
Post Office Box 1978
Roswell, New Mexico 88201

Re: Federal 2-11 Gas Well
U.S.C.S. Lease Serial No. 0338690
Located approximately 3 miles south of
Borington, N. M., and more specifically
described as #2 Federal Well, southwest
1/4, Southeast 1/4 sec. 16, T. 23 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 270 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have executed Quitclaim Deeds from the operating interest holder to this company that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1962 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recommission your adjoining 61.22 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well. The original recommissioning agreement dissolved of its own terms in 1970. (See U.S.C.S. 1502-1)

(seal)

Land Department

- 2 -

April 6, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

(seal)

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATES
QUINCY D. ADAMS

April 6, 1973

Mr. L. M. Thompson
Production Department
American Petrofina Company of Texas
Post Office Box 2159
Dallas, Texas 75202

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Fells - Former Operator

Dear Mr. Thompson:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well. The original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

My Commission Expires:

(seal)

Mr. L. M. Thompson

- 2 -

April 6, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

My Commission Expires:

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 4, 1973

Frederickson Oil Company
Post Office Box 100
Albuquerque, New Mexico 87108

Re: Federal Well Grant
U.S. Pat. & Trademark Office 0338690
Local of approximately 6 miles south of
Birmingham, N.M. are more specifically
described as the Federal Well, Southwest
1/4, Southeast 1/4 sec. 2, T. 26 N.,
R. 18 E., San Juan County, New Mexico
S. 1/4, T. 26 N. - Federal Grant

Dear Sirs:

I have purchased the entire 2/5 share for the above-described Dakota gas well from Marchison Brothers in Dallas and also have acquired Quitclaim Deeds from the co-owning interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recommit the your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Brookhaven Oil Company

- 2 -

April 6, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-II so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States to take over the well. I have obtained a new one hole bond to cover my expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-II.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & VERNER

BKH/bb
Encs.

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

XXXXXXXXXXXX
Karl T. Werner

Mr. L. B. Jeffers
Texas Pacific Oil Company
1700 One Main Place
Dallas, Texas 75259

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 3 miles south of
Farmington, N.M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 10, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Jeffers:

I have purchased this entire 275 acre lease for the above-described
Dakota gas well from Murchison Brothers in Dallas and also have acquired
Quitclaim Deeds from the Operating Interest holders to this acreage that
paid \$130,000 to drill this well in November of 1961. The United States
Geological Survey office and Pan American (Amoco) are insisting that we
abandon and plug this old dual producing well (Gallup and Dakota) that
was shut down in late 1967 due to excessive water from an unknown source.
I would like to acquire your interest so that I can attempt to do the
remedial work involving an expenditure of \$25,000 to \$30,000 as recom-
mended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission
advises me that I must recomunitize your adjoining 68.92 acre lease
so that the total lease will again cover 344 acres, as this is the way
they originally established this unit for production of one Dakota gas
well, the original recomunitization agreement dissolved of its own terms
in 1970. (See U.S.G.S. letter).

I also had Mr. Malapka Kitchens of I. S. K. Ventures, Inc., Farmington,
prepare an abandonment and plugging cost estimate and salvage value

My Commission Expires:

Mr. L. B. Jeffers
Page two
April 7, 1973

breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. This is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one-half bond to cover any expenses and I hereby agree to assume all liability and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH:ggm
Encs.

My Commission Expires:

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0828

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

April 7, 1970

Karl T. Werner

Land Department
8001 Oil Company
Room 802
Midstates Building
Tulsa, Oklahoma 74103

Re: Federal 2-11 Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N.M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 248 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must reaccommunitize your adjoining 69.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (See U.S.G.S. letter)

I also had Mr. Malcolm Kitchens of H & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value

Wood Oil Company
Page two
April 7, 1973

breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. This is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one and I agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

Benjamin K. Horton
HORTON & WERNER

BKH:qgm
Encs.



ROBERT H. MACCREADY, X620032X

3520 3rd Ave
San Diego, California 92103
April 7, 1973

Mr. Benjamin K. Horton
405 Ortiz Drive
Albuquerque, N. M. 87108

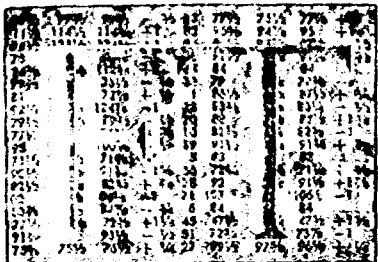
Dear Mr. Horton,

Several years ago I signed my interests over to Roy Cook. Please
contact him about my former interests.

Sincerely,

Robert H. MacCready

Robert H. MacCready



FINANCIAL TECHNOLOGY INC. / 7501 Carpenter Freeway Dallas, Texas 75247 / (214) 637-6340

April 10, 1973

Mr. Benjamin K. Horton,
Attorney at Law
405 Ortiz Drive, N.E.
Albuquerque, New Mexico 87108

Re: Your letter of April 6, 1973

Dear Mr. Horton:

With reference to your recent letter, Financial Technology, Inc. has just changed officers and office location.

We are returning herewith your check in the amount \$20.00; we will take this matter under consideration.

Very truly yours,


Raymond I. Arsht,
Chairman of the Board,
Financial Technology, Inc.

RIA/jna
Enclosure

TEXACO

PETROLEUM PRODUCTS

PRODUCING DEPARTMENT
BUREAU OF LANDMANSHIP
PLANNING DIVISION

J. C. MENCIN, JR.
DIVISION LANDMAN

TEXACO INC.
P. O. BOX 2100
DENVER, COLORADO 80201

April 12, 1973

FEDERAL 2-11 GAS WELL
U.S.G.S. LEASE SERIAL #NM 0338690
6.20-NM

Mr. Benjamin K. Horton
Attorneys & Counselors at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87103

Dear Mr. Horton:

This will refer to your letter of April 7, 1973 concerning your interest in doing remedial work on the captioned Federal lease. In your letter, you made an offer to Texaco for a 68.92 acre lease covering Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 12, Township 28 North, Range 13 West, so that you could attempt to re-communitize a total of 344 acres in order to proceed with this remedial work.

Texaco has thoroughly reviewed its lease records and maps covering this area, and our information indicates that Texaco does not hold any lease covering the subject acreage. Therefore, we are returning the materials which were forwarded to us by your letter of April 7, 1973, along with your check No. 2177 in the amount of \$20.

Yours very truly,

J. C. MENCIN, JR.

By R. A. Palmer
R. A. Palmer
Contract Section

RAP:JR

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1811 OR 268-0225

BENJAMIN K. HORTON

XXXXXXXXXXXXXX

Karl T. Werner

April 7, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Texaco, Inc.
Land Department
Post Office Box 2100
Denver, Colorado 80202

Re: Federal 2-1! Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Sirs:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Texaco, Inc.

- 2 -

April 7, 1973

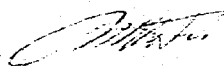
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

ARTCO OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT

April 11, 1973

Mr. Benjamin K. Horton
405 Ortiz, N.E.
Albuquerque, New Mexico 87108

Re: Federal 2-11 Gas Well
U.S.A. NM-0338690
San Juan County, New Mexico

Dear Mr. Horton

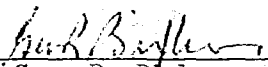
Reference is made to your letter of April 6, 1973, with reference to the captioned area.

With reference to the 68.92 acre lease which you refer to in your letter, our records do not reflect that we own an oil and gas lease on this tract, therefore, we are in no position to make an assignment to you as you have requested.

Your \$20.00 check, which you mailed to us, in consideration for this proposed assignment is returned herewith.

Since we have no interest in the 68.92 acre tract, we would not be interested in participating in the remedial work which you have recommended.

Yours very truly,


Geo. R. Bixler

GRB:dd
Enclosure

cc: Production Department

ARTIS OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT

April 11, 1973

Mr. Benjamin K. Horton
405 Ortiz, N.E.
Albuquerque, New Mexico 87108

Re: Federal 2-11 Gas Well
U.S.A. NM-0338690
San Juan County, New Mexico

Dear Mr. Horton

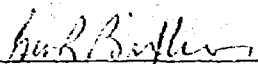
Reference is made to your letter of April 6, 1973, with reference to the captioned area.

With reference to the 68.92 acre lease which you refer to in your letter, our records do not reflect that we own an oil and gas lease on this tract, therefore, we are in no position to make an assignment to you as you have requested.

Your \$20.00 check, which you mailed to us, in consideration for this proposed assignment is returned herewith.

Since we have no interest in the 68.92 acre tract, we would not be interested in participating in the remedial work which you have recommended.

Yours very truly,


Geo. R. Bixler

GRB:da
Enclosure

cc: Production Department

BROOKHAVEN OIL COMPANY

7244 EAST INDIAN SCHOOL ROAD
(MAIL) P. O. BOX 1267
SCOTTSDALE, ARIZONA 85252

April 9, 1973

Mr. Benjamin K. Horton
405 Ortiz, N.E.
Albuquerque, New Mexico 87108

Dear Mr. Horton:

Referring to your letter of April 6th asking Brookhaven Oil Company to release its interest in the Federal 2-11 Dakota Gas Well, Section 11, Township 28 North, Range 13 West, San Juan County, New Mexico, as I understand it, this is part of the Callegos Canyon Unit and Amoco is the operator. Therefore, Brookhaven could not assign its undivided operating interests in any part of this well inasmuch as they have an undivided interest in the whole unit. I think you should refer this matter to Amoco Production Company.

I am returning your Bank of New Mexico Check No. 2166 made out to Brookhaven Oil Company for \$20.00.

Very truly yours,

BROOKHAVEN OIL COMPANY

By Thos. B. Scott, Jr.
Thos. B. Scott, Jr.

TBS/sh
Enclosure - Check No. 2166

cc: Amoco Production Company
Security Life Building
Denver, Colorado 80202

Featherstone Farms, Ltd.

1717 West Second St.
Roswell, New Mexico 88201

April 13, 1973

Mr. Benjamin K. Horton
Attorney at Law
405 Ortiz, N.E.
Albuquerque, NM 87108

Re: Gallegos Canyon Unit -
Federal 2-11 Gas Well
SW/4 SE/4 Section 11,
T 28N, R 13W., N.M.P.M.
San Juan County, New Mexico

Dear Mr. Horton:

Your letter of April 7, 1973 offered Olen F. Featherstone \$20 for his interest in the subject well. You also agreed to pay his proportionate part of the salvage value of the well.

Mr. Featherstone's interest has been assigned to Featherstone Farms, Ltd. We have re-written the Assignment of Oil and Gas Interest received with your cover letter making Featherstone Farms, Ltd., assignor, in the place of Olen F. Featherstone.

We have agreed to sell our interest as provided in your letter and are enclosing herewith original and one copy of the Assignment which has been executed by Olen F. Featherstone II as general partner and his signature has been acknowledged. We feel the salvage value that you show is much less than it should be; however, you may pay Featherstone Farms, Ltd. whatever you feel is equitable for its interest in the salvage material and equipment.

Very truly yours,

FEATHERSTONE FARMS, LTD.

Charles W. Hicks
Charles W. Hicks
General Manager

CWH/11w
Encls.



SKELLY OIL COMPANY

April 12, 1973

EXPLORATION & PRODUCTION DEPARTMENT
ALASKA-ROCKY MOUNTAIN DISTRICT

E. R. (RAY) SMITH, EXPLORATION & PRODUCTION MANAGER
F. L. FRANZ, PRODUCTION MANAGER
C. D. WILLIAMS, EXPLORATION MANAGER

ADDRESS REPLY TO:
1088 LINCOLN TOWER BUILDING
1850 LINCOLN STREET
DENVER, COLORADO 80203

Mr. Benjamin K. Horton
Horton & Werner
407 Ortiz, N. E.
Albuquerque, New Mexico 87108

Dear Mr. Horton:

Your letter, with attachments, dated April 7, 1973, addressed to Mr. H. E. Aab, was sent to our Denver office to reply to your request.

Recently the Gallegos Canyon Unit area was reviewed and most of the splinter units do not contain any Skelly acreage and its interest therein is based upon its participating interest in the Gallegos Canyon Unit as a whole.

Due to the small interest owned by Skelly and the possibility of fractional changes in participation, Skelly does not desire to sell any interest that they might own.

Skelly does not want to participate in the remedial work on the 2-11.

Attached are the various attachments originally enclosed with your letter dated April 7, 1973.

Yours very truly,

Keith W. Green
Keith W. Green

KWG:iw
Enclosures

cc: Mr. Leland Franz
Skelly Oil Company
Denver, Colorado

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87103
TELEPHONES 268-1811 OR 268-0825

BENJAMIN K. HORTON

XXXXXXXXXXXX

Karl T. Werner

April 7, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. H. E. Aab
Skelly Oil Company
Post Office Box 730
Hobbs, New Mexico 88240

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Aab:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must re-communitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Skelly Oil Company

- 2 -

April 7, 1973

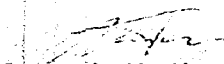
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

SOUTHERN UNION PRODUCTION COMPANY

SUITE 1700, CAMPBELL CENTRE
8350 NORTH CENTRAL EXPRESSWAY
DALLAS, TEXAS 75206

April 11, 1973

Mr. Benjamin K. Horton
Attorney-At-Law
405 Ortiz, NE
Albuquerque, New Mexico 87108

Re: #2 Federal Well
San Juan County, New Mexico

Dear Sir:

We are returning your check for \$20.00, together with the Assignment attached. We cannot find any record whereby we own any interest in this well.

Very truly yours,

G. Bjerke
G. Bjerke

nr
Enclosure

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87103
TELEPHONES 268-1811 OR 268-0825

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

BENJAMIN K. HORTON

XXXXXXXXXXXXXX

Karl T. Werner

April 7, 1973

Mr. L. S. Muennink
Southern Union Production Company
Fidelity Union Tower Building
Dallas, Texas 75201

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. 11, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Muennink:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communitization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

Mr. L. S. Muennink

- 2 -

April 7, 1973

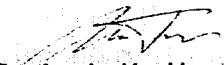
I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-11 so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-11.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

WOOD OIL COMPANY

THURSTON NATIONAL BUILDING

TULSA, OKLA. 74103

April 11, 1973

GLENN J. SMITH, PRES.
J. C. SMITH, VICE PRES. & TREAS.
J. W. SMITH, SEC.

Mr. Benjamin K. Horton
Attorney at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87102

Dear Mr. Horton:

We have your April 7, 1973 letter with regard to Federal 2-11 Gas Well, USGS Lease Serial #NM-0338690, located approximately 5 miles South of Farmington, N. M. and more specifically described as the #2 Federal Well, SW 1/4 Sec. 11-T26N-81W, San Juan County, New Mexico, D. W. Falls, Former Operator.

Having carefully searched our records and plat book, we are unable to determine ownership in the lands above described. It is, however, entirely possible that when our records were set up several years ago, an interest could have been overlooked.

Our records reflect a producing Indian Lease, dated 3-29-59, between Glin nos Bah, et al, Lessor, and Glenn J. Smith, Lessee, covering 451.24 acres, more or less, described as Lots 1 and 2 and the S 1/2 SE 1/4 Section 9-11N-12W, containing 156.24 acres; and the NE 1/4 and the NW 1/4 Section 10-22N-12W, each containing 150 acres, more or less; or a total of 456.24 acres.

This is the only lease interest we show in San Juan County, New Mexico.

We will hold the check and other papers until Friday of this week. If we do not hear from you by telephone by 4 p.m. of that date, we will forward the check and papers to you.

Very truly yours,

WOOD OIL COMPANY

Paul Horton
Mr. Paul Horton
Lease Records

SUN OIL COMPANY, INC. EXPLORATION AND PRODUCTION DEPT.
12400 E. 43rd Avenue, Denver, CO

RECEIVED

SUN OIL COMPANY

INCORPORATED, ONE OFFICE PARK, 11350 HILLCREST ROAD, DALLAS, TEXAS 75210 (214) 742-4411

April 25, 1973

Mr. Benjamin K. Horton
405 Ortiz, N. E.
Albuquerque, New Mexico 87108

Re: Federal 2-11 Gas Well
San Juan County
New Mexico

Dear Mr. Horton:

We talked by telephone today with Mr. Warner concerning your letter of April 7, 1973. Mr. Warner advised that the description included in the letter was inaccurate and requested that we return the complete file, which we are attaching hereto.

Sincerely yours,

E. R. Sausser
E. R. Sausser

ERS:fp
Att.

OF
BENJAMIN K. HORTON
ATTORNEY & COUNSELLORS AT LAW
405 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87109
TELEPHONES 264-1811 OR 268-0025

BENJAMIN K. HORTON

XXXXXXXXXXXXXXXXXX

Karl T. Werner

April 7, 1973

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

Mr. V. M. Williams
Sunray DX Oil Company
1101 Wilco Building
Midland, Texas 79701

Re: Federal 2-II Gas Well
U.S.G.S. Lease Serial # NM 0338690
Located approximately 5 miles south of
Farmington, N. M. and more specifically
described as #2 Federal Well, Southwest
1/4, Southeast 1/4 sec. II, T. 28 N.,
R. 13 W., San Juan County, New Mexico
D. W. Falls - Former Operator

Dear Mr. Williams:

I have purchased this entire 275 acre lease for the above-described Dakota gas well from Murchison Brothers in Dallas and also have acquired Quitclaim Deeds from the operating interest holders to this acreage that paid \$130,000 to drill this well in November of 1961. The United States Geological Survey office and Pan American (Amoco) are insisting that we abandon and plug this old dual producing well (Gallup and Dakota) that was shut down in late 1967 due to excessive water from an unknown source. I would like to acquire your interest so that I can attempt to do the remedial work involving an expenditure of \$25,000 to \$30,000 as recommended by our engineers and geologists (see attached reports).

Before I can proceed, however, the New Mexico Oil and Gas Commission advises me that I must recomunitize your adjoining 68.92 acre lease so that the total lease will again cover 344 acres, as this is the way they originally established this unit for production of one Dakota gas well, the original communization agreement dissolved of its own terms in 1970. (see U.S.G.S. letter)

April 7, 1973

I also had Mr. Malcolm Kitchens of L & M Ventures, Inc., Farmington, prepare an abandonment and plugging cost estimate and salvage value breakdown which is attached hereto and indicates a present net value of \$655. Therefore, the well has little if any value at this time. I am asking for the assignment of your interest in the 70 acre lease adjoining the 2-II so that I might try to repair and produce the old well. Time is of the essence as I do not want the United States Geological Survey and Pan American to plug the well. I have obtained a new one hole bond to cover any expenses and I hereby agree to assume all liabilities and expenses, past and future, on the 2-II.

If there is any further information that you require concerning this well, please let me know. But I beg of you to let me know your decision immediately.

If agreeable, please sign the attached assignment and return to me in the self-addressed stamped envelope as soon as possible. If you want me to pay you for your share of this value of well salvage (\$655.00), I will send you my check immediately. If you do not wish to assign your interest to me, would you be willing to participate in your share of the costs of the remedial work recommended?

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,

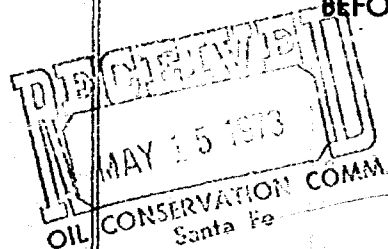

Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

EXHIBIT B

IN THE MATTER OF PETITION OF BENJAMIN K. HORTON

BEFORE THE NEW MEXICO OIL & GAS COMMISSION NO. 4968



STATEMENT

COMES NOW the Affiant, Benjamin K. Horton, who does hereby make the following statement in support of Application Number 13-73-4968, Application of Benjamin K. Horton for the amendment of Order Number R-1814, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order Number R-1814 to provide for the dissolution of the 344.28 acre non-standard unit approved by paragraph 4 of said order which unit comprises all of partial Section 11, plus Lot 4 and the SW/4 SW/4 of partial Section 12, Township 28 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico. Applicant proposes the creation of a 275.36 acre non-standard unit comprising all of the aforesaid partial Section 11 only to be dedicated to his Federal Well Number 2 located 1190 feet from the South line and 2210 feet from the East line of said Section 11.

Furthermore, Affiant states that:

1. I have repeatedly called, written and visited agents of Amoco in person and in their offices in the Security Life Building, Denver, Colorado, as indicated in Exhibit A.
2. I have requested that they sell me their interests to Santa Fe Number 078072 for any reasonable price.
3. At their request, I sent them a plugging and salvage value expense sheet itemized in detail so that a fair price could be placed upon their 50% interest in this lease and operating interest in the entire lease.
4. While in Amoco's office, they also inquired as to whether I would pay an overriding royalty for their assignment.

5. While in their offices, they advised me that in connection with their 50% ownership of this 68.92 acre lease, that they felt their management would approve either an assignment or sale; and on May 7, 1973, agents called me long distance in Albuquerque and stated that they did not want to make it difficult or impossible in the gamble to rework or produce the Federal 2-11 and that if the New Mexico Oil and Gas Commission would allow Amoco to unitize their 68.92 acre lease with another Dakota well in that area, they would have no objection to my application amending my unit order so that I could produce on a pro-rated price, Fractional Section II, T. 28 N., R. 13 W., San Juan County, even though this might require another hearing.

Furthermore, I wrote and called Amoco's 22 partners requesting their assignments or sale of said acreage; and with one exception, they refused primarily for the reason that their involvement in the entire Gallegos Canyon Unit would prevent them or make it extremely difficult for them to remove their tiny interest in this 68.92 acre lease.

Furthermore, while talking to Amoco in Denver, in March and April of 1973, Mr. Mac Gillis and other agents of Amoco advised me that they could not act for their 22 partners and that I would have to contact and deal with them directly which I have done and they provided me with a list of the names and addresses of said partners and that this has become an impossible task to perform in view of the other Gallegos Canyon Unit participation.

Furthermore, it is unfair, unreasonable and unnecessary for me to make the necessary substantial capital investment to re-work the Federal 2-11 well in order to shut off the serious water problem that forced this well out of production in 1967-68, which would in effect give Amoco and their associates a free ride with the exception of their 20% of the costs, doubled, when it would be much easier, simpler and more equitable to apply to this Commission to merely allot and apply this small lease to another one of Amoco's Dakota Wells in that area which they admitted they had.

Furthermore, it is my opinion that my right title and interest to Fractional Section II derives from the lessee of record, Gas Producers, Incorporated, and that I am

in no way bound to other contracts, including D. W. Falls, Inc. and Amoco or other such agreements and that under the rules and regulations of the New Mexico Oil & Gas Commission they have the full legal authority to create, amend or dissolve spacing unit requirements on the circumstances and conditions so required.

Wherefore, Petitioner respectfully prays this Commission to grant my application for amendment as required of our Case Number 4968.

Respectfully submitted,


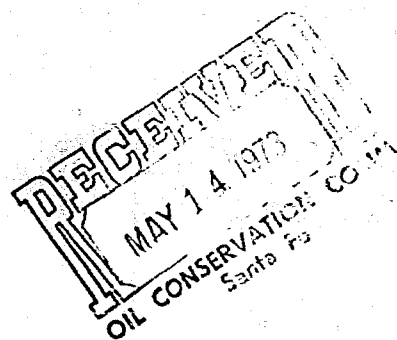

Benjamin K. Horton
405 Ortiz Drive N. E.
Albuquerque, New Mexico

EXHIBIT C



93241-41-3
 Federal
 2-11
 San Juan
 S.W. Sec. 11-T28N-113W
 D.W. Falls, Inc.
 10-2
 Dakota; 6265-6270; 369,312 HCF
 Gallup; 5711-5713; 31094 B0
 On Lease or Unit
 On Royalty Account
 Date of last production
 6/67
 Estimated costs
 Well
 Lease (if last well)
 Value of material
 0
 Cost to abandon
 2,600
 Salvage value
 0
 Well drilled in 1962 and shut in in 1968. USGS has notified operator to either repair well or abandon same. Uneconomical to repair.
 Recommended by
 Date 12-29-72
 Division office initials
 Exploration department approval
 Enter the following if there are no producing wells remaining on lease or unit
 Primary term expires
 19
 Abandonment of well
 Terminates lease or unit
 Does not terminate lease or unit
 Rentals
 Resumes payments
 Does not resume payments
 Exploration department approval by
 Date 2-22-73
 Name of company
 By
 Date 12-29-72
 Section No.
 State
 Mineral owned or leased to this well
 Yes
 No

EXHIBIT D

RECEIVED
MAY 14 1975
OIL CONSERVATION COM.
Santa Fe

PETROLEUM OPERATIONS

TELEPHONE 505: 247-3833

ROY L. COOK

1126 BANK OF NEW MEXICO BUILDING
ALBUQUERQUE, NEW MEXICO 87103

January 6, 1972

TO: Mr. D. W. Falls,
3628 Menaul Blvd., N. E.
Albuquerque, New Mexico

Mr. Benjamin K. Horton,
405 Ortiz Drive, N. E.
Albuquerque, New Mexico

RE: Federal 2-11 Gas Unit
S1/4, SE1/4, Sec. 11, T28N, R13W
San Juan County, New Mexico

The captioned well has been incapable of producing over a long period of time, and being a Federal lease, the United States Geological Survey has suggested the well be plugged and abandoned.

Various remedial procedures potentially applicable to this well have been evaluated by petroleum engineers, geologists, and other operators in the area, and the consensus is that further expenditure is not justified or economically feasible.

Therefore, I have had numerous conversations with Amoco Production Company, (formerly Pan American Petroleum Corporation) who own approximately 21% of this well, and the USGS, and it has been concluded that the well should be plugged and abandoned.

Attached are copies of letters from Amoco and USGS detailing the plugging procedure. Inasmuch as there appears to be a conflict of procedural requirements, I am submitting a copy of this correspondence to Mr. Henry S. Birdseye, another interested party, for information as to possible reconciliation of these procedures because of obvious difference in the cost of plugging the well.

This matter is referred to you as representatives of other interests in your respective groups.

With respect to the cost of plugging the well, I am hopeful that the wellhead equipment will salvage out sufficiently to cover the plugging expense.

Please let me have your acknowledgment.

With personal regards,

Sincerely

Roy L. Cook
ROY L. COOK

RLC:ps

cc: Mr. Henry S. Birdseye

EXHIBIT E

RECEIVED
MAY 14 1973
OIL CONSERVATION COM.
Santa Fe

Roy L. Cook

BANK OF NEW MEXICO BUILDING
ALBUQUERQUE, NEW MEXICO 87103

OIL OPERATOR

September 15, 1972

TELEPHONE
(505) 247-2833

Mr. Benjamin K. Horton
405 Ortiz Drive, N. E.
Albuquerque, New Mexico


RE: FEDERAL #2 GAS UNIT
San Juan County, N.M.

Dear Ben:

Having had no response from you regarding the problems concerning the captioned well, it is assumed you contemplate no action with regard to remedial work, or takeover the functions of operator including the bond in connection therewith.

Amoco has suggested plugging the well. There appears to be no alternative available, therefore, please advise in the circumstances.

Very truly yours,


ROY L. COOK

RLC:ps

EXHIBIT F

RECEIVED
MAY 14 1977
OIL CONSERVATION COM.
Santa Fe

EXHIBIT F

RECEIVED
MAY 14 1973
OIL CONSERVATION COM
Santa Fe



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

February 2, 1972

Mr. Roy L. Cook
1116 Bank of New Mexico Building
Albuquerque, New Mexico 87101

D. W. Falls, Inc.
Suite 1517, First National Bank Building East
Albuquerque, New Mexico 87108

Gentlemen:

Communitization Agreement No. Com. Agr.-SW-95 was approved by this office on May 21, 1963, effective as of September 20, 1961. Such agreement communitized all of fractional sec. 11 and lot 4, SW $\frac{1}{4}$ sec. 12, T. 28 N., R. 13 W., San Juan County, New Mexico, involving 344.28 acres of land in Federal leases Santa Fe 078807-A and New Mexico 0338690 as to oil, casinghead gas, dry gas, and associated liquid hydrocarbons producible from the Dakota formation.

Section 10 of the above-described agreement provides that the term of such agreement shall be for a period of two years and so long thereafter as communitized substances are produced from the communitized area in paying quantities. Our records show no sales from the Dakota well on the above-described communitized area since January 1970. Accordingly, communitization agreement No. Com. Agr.-SW-95 is considered to have expired by its own terms on January 31, 1970, the last day of the month in which production ceased from the communitized area.

Sincerely yours,

N. O. Frederick
N. O. FREDERICK
Regional Oil and Gas Supervisor

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
408 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 266-1811 OR 266-0825

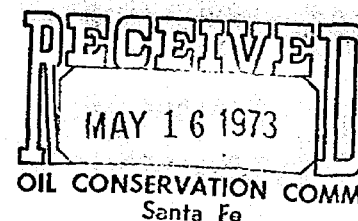
EXHIBIT "G"

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

May 15, 1973

Mr. Dan Nutter
Chief Engineer
Oil & Gas Commission
State Land Office Building
Santa Fe, New Mexico




Re: Federal Gas & Oil 2-II Well

Dear Mr. Nutter:

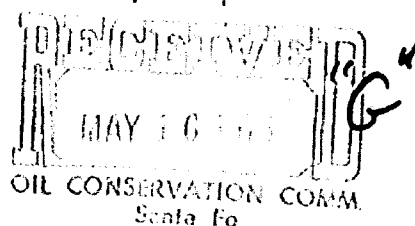
I attach herewith Exhibit G as previously discussed. It appears that in view of Paragraph 10 of the attached Communitization Agreement that the contracts clearly expired on January 31, 1970. The same paragraph states that the parties by mutual agreement may terminate the agreement anytime prior to abandonment but this is not relevant or applicable in this case. I have now sent copies of all of our Exhibits to Amoco and we have nothing further to offer. Paragraph 10 of the Communitization Agreement, Exhibit G, coincides with the United States Geological Survey's similar opinion in my earlier exhibit, to-wit, the letter from Mr. Fredericks to Mr. Roy Cook dated about February, 1972.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Enc.



RECEIVED

MAR 12 1963

U. S. GEOLOGICAL SURVEY
ROSOWELL, NEW MEXICO

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT entered into as of the 20th day of September, 1961, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 W.S.C. Secs. 181 et seq., authorizes communization or drilling agreements communizing or pooling a federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communization or pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing oil, casinghead gas, dry gas and associated liquid hydrocarbons in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

All of Section 11, and the Southwest Quarter of the Southwest Quarter (SW $\frac{1}{4}$ SW $\frac{1}{4}$) and Lot 4 of Section 12, all in Township 28 North, Range 13 West, N.M.P.M., San Juan County, New Mexico,

Containing 344.28 acres, more or less,

and this agreement shall extend to and include only the Dakota producing interval, as defined by the Oil Conservation Commission of New Mexico, underlying said lands and the oil, casinghead gas, dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such producing interval.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement.

RECEIVED

MAY 20 1963

U. S. GEOLOGICAL SURVEY
ROSOWELL, NEW MEXICO

A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.

11. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. It is understood and agreed that Pan American Petroleum Corporation joins in the execution of this agreement on its own behalf and also in its capacity as Unit Operator under the Unit Agreement for the Development and Operation of the Gallegos Canyon Unit Area, County of San Juan, State of New Mexico.

IN WITNESS WHEREOF, the parties hereto have executed this

agreement as of the day and year first above written and have set opposite their respective names the date of execution.

DATE EXECUTED:

June 21, 1962

ATTEST:

[Signature]
Secretary ASSISTANT SECRETARY

PAN AMERICAN PETROLEUM CORPORATION

By [Signature]

ATTORNEY-IN-FACT
H. B. Mason, Jr.

APPROVED

NATIONAL DRILLING CO.

ATTEST:

[Signature]
Secretary

By [Signature]

SUNAC PETROLEUM CORPORATION (Formerly
STEKOLL PETROLEUM CORPORATION)

ATTEST:

[Signature]
Secretary

By [Signature]

J. B. Avant, Vice-President

D. W. FALLS, INC.

ATTEST:

[Signature]
Secretary

By [Signature]

GAS PRODUCERS ~~PRODUCERS~~ CORPORATION

ATTEST:

[Signature]
Secretary

By [Signature]
President

EXHIBIT "A" TO COMMUNITIZATION AGREEMENT

Dated: September 20, 1961, embracing
all of Section 11, and the Southwest Quarter of the
Southwest Quarter (SW $\frac{1}{4}$ SW $\frac{1}{4}$) and Lot 4 of Section 12, all
in Township 28 North, Range 13 West, N.M.P.M., San Juan
County, New Mexico

Operator of Communitized Area: D.W.Falls, Inc.,
~~P.O. Box 95~~, Albuquerque, New Mexico
1517 First National Bank Bldg East

DESCRIPTION OF LEASES COMMITTED

TRACT No. 1

Lessor : United States of America
Lessees of Record : Pan American Petroleum Corp. and National
Drilling Co.
Serial No. of Lease : SF 078807-A
Description of Lands : Lot 4 and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 12, Town-
Committed ship 28 North, Range 13 West, N.M.P.M.,
San Juan County, New Mexico
Number of Acres : 63.92 acres
Date of Lease : April 1, 1948
Working Interest and : 75% of 85 $\frac{1}{2}$ %: Pan American Petroleum Corp.
Percentage : 25% of 85 $\frac{1}{2}$ %: National Drilling Co.
O.R.R.I. and Percentage : 2% of 100%: Stekall Petroleum Corp.

TRACT No. 2

Lessor : United States of America
Lessee of Record : Gas Producers, Inc.
Owner of Operating Rights : D. W. Falls, Inc.
Serial No. of Lease : ~~XXXX120001~~ Federal Lease NM 0338690
Description of Lands : All of Section 11, Township 28 North,
Committed Range 13 West, N.M.P.M., San Juan County,
New Mexico
Number of Acres : 275.36
Date of Lease : February 1, 1948
Working Interest and : 100% of 63%: D. W. Falls, Inc.
Percentage
O.R.R.I. and Percentage : 21.00% of 100%: Gas Producers, Inc.
3.50% of 100%: Robert B. Aaronson et al

OPERATING AGREEMENT

THIS AGREEMENT, made and entered into ^{as of the} ~~20th~~ 20th day of September, 1961 1962, by and between D. W. FALLS, INC., a corporation, hereinafter referred to as "Falls" or "Operator", and PAN AMERICAN PETROLEUM CORPORATION, a corporation, hereinafter referred to as "Pan American" or "Non-Operator";

WITNESSETH, THAT,

WHEREAS, Pan American is Unit Operator under the Unit Agreement for the Development and Operation of the Gallegos Canyon Unit Area, County of San Juan, State of New Mexico, dated November 1, 1950, and the Unit Operating Agreement executed by the working interest owners in conjunction with such Unit Agreement, and as such Unit Operator is in charge of the operation and development of United States Oil and Gas Lease Serial No. SF 078807-A, covering Lot 4, and the SW/4 of the SW/4 of Section 12, T-28-N, R-13-W, N.M.P.M., San Juan County, New Mexico, which lease contains 68.92 acres of land and is committed to said Unit Agreement and Unit Operating Agreement; and

WHEREAS, Falls is the owner of United States Oil and Gas Lease Serial No. SF 078072, covering all of Section 11, T-28-N, R-13-W, N.M.P.M., San Juan County, New Mexico, which lease contains 275.36 acres and is not committed to said Unit Agreement or Unit Operating Agreement; and

WHEREAS, Falls has heretofore completed a well capable of producing both from the Gallup formation and the Dakota formation on the land described in its lease hereinabove described, and, in compliance with the spacing rules of the Oil Conservation Commission of the State of New Mexico relating to the Dakota formation, the parties hereto have joined in the execution of a certain Communitization Agreement of even date herewith by the terms of which a unit has been created consisting of the Dakota formation in the following described land in San Juan County, New Mexico, to-wit:

All of Section 11, and the SW/4 of the SW/4 and Lot 4 of Section 12, all in T-28-N, R-13-W, N.M.P.M., San Juan County, New Mexico, containing 344.28 acres, more or less;

and

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>Amoco</i>	EXHIBIT NO. <u>1</u>
CASE NO.	<u>4960</u>

53156

WHEREAS, it is the desire of the parties hereto to enter into an Operating Agreement covering the development and operation of the above described land as hereinafter set out.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained to be kept and performed by the parties hereto, it is understood and agreed by and between the parties hereto as follows:

1. FORMATION OF THE UNIT:

For purposes hereof, it is agreed that the leases hereinabove described have been pooled and unitized to form a unit covering all of the above described land for the Dakota formation, said unit containing 344.28 acres of land, more or less. For purposes hereof the lease owned by Falls covering 275.36 acres shall be considered to be a unit as to the Gallup formation.

2. OPERATOR:

Falls is hereby designated and shall act as Operator of both units in accordance with the terms and provisions of this agreement. Operator shall have full and complete management of the development and operation of the units as to the Gallup and Dakota formations as an entirety, but Operator agrees that no well shall be commenced upon said units, except the well hereinafter provided for, without the consent of Non-Operator.

*Operator King
A. J. K. Smith*
Falls may resign as Operator at any time by giving notice to Non-Operator in writing sixty (60) days in advance of the effective date of such resignation and, in such event, the working interest owners of said units shall immediately select a successor. In the event Operator shall sell or otherwise dispose of all its interest in said units, the right of operation herein conferred shall not run with the transfer or assignment of such interest or inure to the benefit of Operator's assignee, but Non-Operator and Operator's assignee shall immediately select a new Operator.

3. WELL:

Operator has heretofore completed a well at a location 1190 feet North of the South line and 2210 feet West of the East line of Section 11, T-28-N, R-12-W, N.M.P.M., San Juan County, New Mexico, as a dual well capable of production both

from the Gallup formation and from the Dakota formation.

4. COSTS AND EXPENSES OF DUAL COMPLETION WELL:

The entire costs and expenses involved in drilling, completing, operating and reworking said well shall be borne by the parties hereto in accordance with the following provisions.

A. Definitions

- "Gallup Owners" - the working interest owners in All of Section 11, T-28-N, R-13-W, N.M.P.M., owning the working interest in and to the Gallup formation.
- "Dakota Owners" - the working interest owners in All of Section 11; and Lot 4, and SW/4 of SW/4 of Section 12, T-28-N, R-13-W, N.M.P.M., owning the working interest in and to the Dakota formation.

B. Formula for Allocation of Costs for Drilling and Completing the Subject Well

Whenever in this Agreement it is provided that costs will be borne by Gallup Owners and Dakota Owners in accordance with Paragraph B, Section 4, the following procedures will be used:

Upon completion of the well, the actual costs of drilling, completing, testing and equipping such well will be apportioned among the three categories set forth hereinbelow, and these actual costs will be paid by the obligated parties as follows:

- (1) Costs incurred above the base of the Gallup formation except those set forth in Subsection (3) hereof will be shared equally by and between Gallup Owners and Dakota Owners.
- (2) The costs incurred below the base of the Gallup formation shall be paid by Dakota Owners.
- (3) Costs attributable to testing and completing in the Gallup formation shall be paid by Gallup Owners.

C. Ownership of Formations

In computing cost liability under the formula set forth in Section 4B hereinabove, and in determining the ownership of production attributable to the respective producing formations, it is understood that the parties hereto hold the following working interests under the subject lands:

As to the Gallup Formation:

Falls 100%

As to the Dakota Formation:

Falls	79.98141%
Pan American	20.01859%

D. Drilling and Completing the Subject Well

Costs of drilling, testing, treating, equipping and completing the subject well in both the Gallup and Dakota formations shall be borne by Gallup Owners and by Dakota Owners in accordance with the provisions of Paragraph B, Section 4. All material and equipment thereon shall be owned by the party or parties paying the cost thereof pursuant to Paragraph B, Section 4. Gallup Owners and Dakota Owners shall respectively own, in the proportions set out in Paragraph C, Section 4, hereof, all production attributable to their respective formations. Inasmuch as such well has heretofore been completed, and the costs determined, it is understood and agreed that the costs to be borne by the Dakota Owners for the drilling, testing, treating, equipping and completing the well are \$45,887.00. It is further understood and agreed that production from such well shall be attributed to the respective formations from the date of first production from such well.

E. Abandonment of Subject Well After Completion in Both Formations

In the event the subject well is capable of production from both the Gallup and Dakota formations, it shall not be abandoned as to one or both formations without the mutual consent of the working interest owners in the formation or formations to be abandoned, whichever shall be applicable. In the event any of the parties owning a working interest in one formation desire to abandon the well as to their formation, such party or parties shall so notify the other party or parties owning working interests in the subject formation, and the latter shall have ten (10) days in which to elect whether to agree to such abandonment. If all parties agree to such abandonment, the working interest owners of the remaining

producing formation shall be entitled to select one of the following options regarding the abandonment of the other formation:

- (1) To pay to the working interest owners of the formation to be abandoned the actual salvage value of the equipment belonging to said owners. The owners of the formation to be abandoned shall bear the cost, risk and expense of the abandonment of their formation and shall have control over the manner in which the formation is abandoned, or
- (2) To pay to the working interest owners of the formation to be abandoned the difference, if any, between the estimated costs of abandonment and the estimated value of the salvable equipment belonging to said owners. Thereafter, the owners of the remaining producing formation shall have control over the manner in which the formation is to be abandoned and shall bear the cost and risk of any actual abandonment operations thereafter conducted.

After selection of either option #1 or #2 above, the working interest owners of the formation from which the well continues to produce shall own all of such equipment and shall also bear all costs of operating, reworking and plugging and abandoning upon later abandonment of the well as to their formation. If any party or parties, owning working interests in the formation to be abandoned, do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon said well and the physical equipment therein and thereon; and within twenty-five (25) days after receipt of notice by the party or parties not electing to abandon, the party or parties desiring to abandon shall execute and deliver to the other party or parties an assignment, without warranty of title, of all of its or their working interest in said well and physical equipment, and in the working interest and gas leasehold estate, insofar as it covers the formation which was to be abandoned.

In exchange for said assignment, the purchasing party or parties shall pay to the assigning party or parties the salvage value of the latter's interest in the salvable casing and other physical equipment in and on said well, such value to be determined in accordance with the provisions of the Accounting Procedure

attached hereto as Exhibit "B".

In a like manner, in the event any party or parties owning a working interest in both formations desire to abandon the well as to both formations, such party or parties shall so notify all the parties hereto, and the latter shall have ten (10) days in which to elect whether to agree to such abandonment. If all parties hereto agree to such abandonment, such well shall be abandoned and plugged by the Operator, and the costs thereof shall be shared equally by and between the Gallup Owners and Dakota Owners. All casing and physical equipment salvaged from said well shall be owned by the party or parties paying the costs thereof pursuant to Paragraph B, Section 4. If any party or parties do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon and shall be entitled to receive an assignment of their interest, in accordance with the provisions set forth hereinabove.

F. Allocation of General Operating and Maintenance Costs

After completion of the subject well in both the Gallup and Dakota formations, the costs of producing operations shall be borne by the working interest owners of the two formations as follows:

- (1) The completion in each separate formation shall be treated as a separate well for overhead expense. Such overhead expense shall not be treated as part of the costs of drilling, testing, treating, equipping, completing and operating for purposes of allocation, as set forth in Paragraph B, Section 4 hereof, but the working interest owners of the respective formations shall bear such charges as a separate cost allocable to their interest;
- (2) Each formation shall bear all costs of normal producing operations, including costs of labor, repairs, maintenance and replacement of equipment attributable to such formation. All costs of operations performed for the joint benefit of both formations, shall be borne on a per well basis by the Gallup Owners to the extent of 50% of the total costs, and by the Dakota Owners to the extent of 50% of the total costs.

5. RENTALS, MINIMUM ROYALTIES, AND SHUT-IN GAS WELL ROYALTIES:

Each party hereto agrees to pay all rentals, minimum royalties and shut-in royalty which may become due under the lease or leases which such party

is contributing to such unit hereunder, and Operator shall not have any obligation to pay any such rentals, minimum royalties and shut-in royalty except as to the leases contributed by Operator. Each party further agrees to use its best efforts to keep and maintain in full force and effect the oil and gas lease(s) contributed by such party to said unit.

6. INSURANCE:

Operator shall carry for the benefit of the joint account insurance to cover all its operations on the units covered by this agreement as follows:

- (a) Workmen's compensation insurance, including employers' liability: In compliance with the workmen's compensation laws of the State of New Mexico;
- (b) Comprehensive general liability insurance, excluding products: In amounts of \$100,000.00 for injuries to one person, \$500,000.00 for injuries in one accident, for property damage in the amounts of \$100,000.00 for each accident and \$250,000.00 aggregate;
- (c) Automobile public liability and property damage insurance: The amounts of \$100,000.00 for injuries to one person, \$300,000.00 for injuries in one accident and \$10,000.00 for property damage.

The Operator shall require its contractors and subcontractors working or performing services on the units covered hereby to comply with the workmen's compensation laws of the State of New Mexico and to carry such other insurance and in such amounts as the Operator shall deem necessary.

7. NOTICES:

All notices, reports and other correspondence required or made necessary by the terms of this agreement shall be deemed to have been properly served and addressed if sent by mail or telegram as follows:

D. W. Falls, Inc.
P. O. Box 95
Albuquerque, New Mexico

Pan American Petroleum Corporation
Oil and Gas Building
P. O. Box 1410
Fort Worth, Texas

8. EXHIBITS:

Exhibits "A" and "B" are attached hereto and made a part hereof. In the event of any conflict between the provisions of said Exhibits and the body of this agreement, the provisions contained in the body of this agreement shall control to the extent of such conflict. The term "lease acreage" as used in Exhibit

"A" hereto shall refer to the units described in Article 1 of this agreement.

9. UNIT AGREEMENT:

It is understood and agreed that Pan American joins in the execution of this agreement in its capacity as Unit Operator under the Unit Agreement for the Development and Operation of the Gallegos Canyon Unit Area, and that all production and costs and expenses, which Pan American under this agreement is entitled to receive or required to pay, shall be distributed by Pan American to the owners of interests under said Unit Agreement and the Unit Operating Agreement executed in conjunction therewith.

10. SUCCESSORS AND ASSIGNS:

All of the provisions of this agreement shall extend to and be binding upon the parties hereto, their successors and assigns, and such provisions shall be deemed to be covenants running with the land covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

ATTEST:

[Signature]
Assistant Secretary

PAN AMERICAN PETROLEUM CORPORATION

By

[Signature]
Attorney in Fact



ATTEST:

[Signature]
Secretary

D. W. FALLS, INC.

By

[Signature]
President

THE STATE OF TEXAS)
COUNTY OF TARRANT }

On this 30th day of November, 1962, before me appeared D. B. Mason, Jr., to me personally known, who, being by me duly sworn, did say that he is the Attorney in Fact of Pan American Petroleum Corporation, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said D. B. Mason, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this the day and year first above written.

My Commission expires:

June 1, 1963

[Signature] VELMA B. CRAFT
Notary Public in and for Tarrant
County, Texas

THE STATE OF New Mexico
COUNTY OF Serrano

On this 7 day of Sept., 1962, before me appeared D. W. Falls, to me personally known, who, being by me duly sworn, did say that he is the President of D. W. FALLS, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said D. W. Falls acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this, the day and year first above written.

My Commission expires:

8/30/65

Walter T. Brown
Notary Public in and for Serrano
County, N.M.

EXHIBIT " A "

OPERATING PROVISIONS

Attached to and made a part of that certain Operating Agreement, dated the 20th day of September, 1961, by and between

D. W. Falls, Inc., as Operator, and Pan
American Petroleum Corporation, as Non-
Operator, covering land in San Juan County,
New Mexico.

1. TERMINOLOGY:

The terms "lease acreage", "Operator" and "Non-Operator" shall have the same meaning, respectively, as are attributed to them in the Operating Agreement to which this exhibit is attached. The words "it" or "its", wherever used herein, shall refer to an individual (male or female) as well as to a corporation or other legal entity and, where the context permits, shall include the plural number.

2. OPERATIONS:

Except as may be authorized by the mutual agreement of all the parties hereto, the Operator shall not permit or suffer any lien or other encumbrances to be filed or to remain against any lease or physical equipment covered hereby as a result of its operations hereunder.

The number of employees, the selection of such employees, the hours of labor and the compensation for services to be paid any and all employees, in connection with operations hereunder, shall be determined by the Operator. All employees and contractors used in operations hereunder shall be the employees and contractors of the Operator and not the employees or contractors of the Non-Operator.

In the event the Operator should sell, transfer, or otherwise dispose of all its interest in the property or properties covered by this Operating Agreement, then the right to operate said property or properties hereunder shall not pass to Operator's successor in interest but a new Operator shall be selected as set out in the following paragraph.

Operator may resign its appointment hereunder after first giving sixty (60) days' notice in writing of its intended resignation to Non-Operator; or if Operator should liquidate, become insolvent, die; or terminate its corporate existence, or should Operator sell or transfer or otherwise dispose of all its interest in the joint property, its appointment hereunder shall thereupon terminate. In any such

event the other party or parties hereto or their respective successor (or successors) in interest shall by vote representing the majority percentage of interest in the joint property select and designate a new Operator. Provided, however, if there is only one Non-Operator owning fifty per cent (50%) or more of the working interest, then it shall have the option of becoming the new Operator of the joint property.

The Operator shall not be relieved of operations hereunder until sixty (60) days after the effective date of such resignation, sale, transfer, or other disposition of all of its interest, unless a new Operator selected as hereinabove provided, shall assume operations hereunder at an earlier date.

3. LOSS OR FAILURE OF TITLE:

In the event of the loss or failure of the title, in whole or in part, of any party hereto to any lease, or any interest therein, covered hereby, the interest of such party in and to the production obtained from the lease acreage shall be reduced in proportion to such loss or failure of title as of the date such loss or failure of title is finally determined; provided, that such revision of ownership interest shall not be retroactive as to operating costs and expenses incurred or as to revenues or production obtained prior to such date; and provided, further, that each party hereto whose title has been lost or has failed, as aforesaid, shall indemnify the other parties hereto against, and shall hold such other parties harmless from, all loss, cost, damage and expense which may result from, or in any manner arise because of, the delivery to such party of production obtained hereunder from the lease acreage covered hereby or the payment to such party of proceeds derived from the sale of any such production, prior to the date said loss or failure of title is finally determined.

4. DURATION OF AGREEMENT:

This agreement shall remain in full force and effect, unless sooner terminated by the mutual agreement of the parties hereto, so long as any lease covered hereby, or any extension or renewal thereof, remains in full force and effect, whether by production or otherwise; provided, that, if a party hereto should transfer all or part of its interest in leases covered hereby or if a party's title should fail in whole or in part, this agreement shall not thereby terminate, except as to a party which thereafter retains no interest covered hereby.

5. COSTS AND EXPENSES:

Unless the Operator elects to require the Non-Operator to advance its

share of the costs and expenses, as hereinafter provided, the Operator initially shall advance and pay all costs and expenses for the drilling, development and operation of said lease acreage and shall charge the Non-Operator its share thereof, said share being equal to its percentage of ownership of production and equipment as set out in the foregoing Operating Agreement to which these Operating Provisions are attached as an exhibit.

All such costs, expenses, credits and related matters, and the method of handling the accounting with respect thereto, shall be in accordance with the provisions of the schedule of accounting procedure, attached to the Operating Agreement to which this exhibit is attached, marked Exhibit "B" and hereby made a part of said Operating Agreement. (In the event of any conflict between the provisions contained in this exhibit and those contained in said Exhibit "B", the provisions of this exhibit shall govern to the extent of such conflict. In the event of any conflict between the provisions contained in either of said exhibits and those contained in the body of said Operating Agreement, the provisions contained in the body of said Operating Agreement shall govern to the extent of such conflict.)

The Operator shall make no single expenditure in excess of Five Thousand Dollars (\$5,000.00) without first obtaining the consent thereto of the Non-Operator; provided, however, that in case of accident or other emergency, the Operator shall have the right and duty to take such action as in its judgment may be required for the protection of life and property and to incur for the joint account of the parties hereto the necessary costs and expenses in connection therewith, said accident or other emergency, and the action taken, to be reported by the Operator to the Non-Operator as soon as reasonably possible; and provided, further, that the approval of the drilling of a well shall include all expenditures for the drilling, completing, testing and equipping of such well, including the necessary lines, separators and lease tankage.

In the event that the Operator elects to require the Non-Operator to advance its proportionate share of the above mentioned costs and expenses, the Operator, on or before the 10th day of the month, shall submit an itemized estimate of such costs and expenses for the succeeding calendar month to the Non-Operator, showing therein the proportionate part of such estimated costs and expenses which is chargeable to the Non-Operator. Within fifteen (15) days after receipt of said estimate, the Non-Operator shall pay to the Operator its proportionate share of said estimated costs and expenses. If payment of said estimated costs and expenses is not made when due,

the unpaid balance thereof shall bear interest at the rate of six per cent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and expenses shall be made by the Operator at the close of each calendar month and the accounts of the parties hereto adjusted accordingly.

6. OPERATOR'S LIEN:

The Operator is hereby granted a lien upon the working interest and leasehold estate of the Non-Operator covered hereby and upon the Non-Operator's interest in the well or wells located on lease acreage covered hereby, in the production obtained from said well or wells and in the physical equipment used, had and obtained in connection with the operations of said well or wells to secure the payment of said Non-Operator's proportionate share of said costs and expenses and of said estimated costs and expenses, together with interest thereon at the rate of six per cent (6%) per annum. Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by Non-Operator in payment of chargeable costs and expenses, Operator shall have the right to collect and receive from the purchaser or purchasers the Non-Operator's proceeds from production from the lease acreage covered hereby until the amount owed of such indebtedness by such Non-Operator, plus interest, as aforesaid, has been paid. By execution hereof, each subscribing party hereto agrees that each such purchaser shall be entitled to rely upon Operator's statement concerning the existence and amount of any such default.

7. DRILLING WELLS ON BASIS OF COMPETITIVE CONTRACT PRICE:

The Operator shall have the right to drill any well to be drilled hereunder on lease acreage covered hereby with its own or rented tools and equipment or to cause such well to be drilled by a responsible drilling contractor selected by the Operator. Each such well shall be drilled on the basis of the competitive contract price prevailing in the field at the time the parties hereto agree to the drilling thereof; and, if possible, such price shall be agreed upon by the parties hereto in advance. If the parties hereto are unable mutually to agree on said competitive contract price, the Operator shall obtain bids from at least three (3) responsible drilling contractors who are ready, able and willing to drill a well of the type contemplated by the parties hereto on lease acreage covered hereby; and said competitive contract price shall be the lowest acceptable bid received which will result in the most economical drilling of said well.

8. DISPOSAL OF PRODUCTION:

Each of the parties hereto shall own and, at its own expense, shall take in kind or separately dispose of its proportionate part of all the oil, gas, casing-head gas, and other hydrocarbon substances produced and saved from the lease acreage covered hereby, exclusive of the production which may be used by the Operator in developing and producing operations and in preparing and treating oil for market purposes and of production unavoidably lost; and provided, that each of the parties hereto shall pay, or secure the payment of, the royalty interest in its proportionate part of said production. At such time or times as a Non-Operator shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, the Operator shall have the authority, revocable by the Non-Operator at will, to sell all or part of such production to others at the same price which the Operator receives for its own portion of the production; provided, that Operator shall not make a sale in interstate commerce of any Non-Operator's share of gas produced and saved from said lease acreage unless Operator shall have given such Non-Operator written notice of such intended sale, and Non-Operator, for a period of sixty (60) days from and after receipt of such notice, shall have failed to revoke the authority of Operator to sell its share of such gas. All such sales by the Operator of a Non-Operator's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year.

9. ADDITIONAL DRILLING:

1 per cent of production

For purposes of this article, the term "drilling operation" shall include drilling, completing, testing and (if a producer) equipping of a new well into the lease tanks, or (if a dry hole) plugging and abandonment, and shall include a reworking operation costing in excess of \$5,000.00, recompletion, multiple completion, deepening or plugging back of an existing well, and the acquiring of any additional equipment related thereto, but shall not include any simple workover or other operation performed to maintain, increase or restore production not costing in excess of \$5,000.00. No drilling operation which is not expressly provided for in this article shall be undertaken on said lease acreage for the joint account of the parties without the mutual agreement of all of the parties hereto.

If all of the parties hereto cannot mutually agree upon a proposed drilling operation, the party (whether one or more) desiring to conduct such operation (hereinafter referred to as "drilling party"), may do so after notifying the other parties in

writing of such desire, specifying the location and type of operation contemplated and the estimated costs thereof, including the estimated costs if a dry hole or if a producer. The other parties shall have twenty (20) days, exclusive of Saturdays, Sundays and holidays, from receipt of such notice within which to notify the drilling party in writing as to whether or not such party elects to join in the drilling operation. If such notice involves a drilling operation on a well actively rigged for drilling, then a written reply as to whether or not a party elects to participate therein shall be required within forty-eight (48) hours after receipt of such notice, exclusive of Saturdays, Sundays and holidays. The failure of a party to notify drilling party in writing within the time required shall constitute an election not to join in the drilling operation.

If all of the parties hereto mutually agree to the drilling operation, then such operation shall be conducted by the Operator hereunder for the joint account of the parties. If all of the parties do not agree to the drilling operation, then the drilling party shall conduct such operation hereunder at drilling party's sole cost, risk and expense. If Operator is one of the drilling parties, the drilling operation shall be conducted by Operator, but if Operator is not one of the drilling parties, then the drilling operation shall be conducted by a party designated by drilling parties.

If all of the parties hereto do not participate in the drilling operation and if the same results in production, then the drilling party shall own all production from said well and all equipment placed thereon by the drilling party until such time as the drilling party has received revenue from production from said well that otherwise would have been payable to the non-drilling party or parties (exclusive of royalties, overriding royalties and any other payments out of production to which the non-drilling party's interest was subject at the time of the execution of this Operating Agreement) an amount in excess of taxes on production equal to:

(1) Two Hundred Per Cent (200%) of the proportion of the cost incurred in the drilling operation that otherwise would have been payable by the non-drilling party or parties; and

(2) One Hundred Per Cent (100%) of the proportion of the costs and expenses incurred in operating the well that otherwise would have been payable by the non-drilling party or parties during the time required by the drilling party to recover the costs above specified.

After the drilling party has been so reimbursed and paid, the parties hereto shall participate in the ownership of material and equipment installed in connection with

such operation and in the production resulting from such operation in the ratio of their respective interests in the lease acreage covered hereby; and thereafter, the well involved shall be operated by Operator as a well drilled with the mutual consent of the parties hereto for the joint account in accordance with the provisions of this agreement. If the amounts to be reimbursed as specified above are not fully reimbursed as specified herein but if, by adding the salvage value of the equipment obtained and used by drilling party in the operation undertaken the reimbursement would exceed the amounts specified to be reimbursed, then such excess amount shall be credited or distributed to the drilling and non-drilling parties according to their respective interests. < During such time as the drilling party is operating said well and receiving production therefrom, said drilling party agrees to furnish the non-drilling party or parties a monthly statement, segregated by costs, expenses and revenue, showing the status of the payout of said well. All such costs and expenses shall be determined in accordance with the applicable terms and provisions of this Operating Agreement and Exhibit "B", Accounting Procedure, attached hereto. >

No drilling operation shall be conducted on a well which is producing in paying quantities without the mutual consent of the parties hereto owning a majority interest of the leasehold estate in the land upon which the well is situated.

If, under any provisions of this Article 9, more than one party hereto has either (a) the obligation to participate in costs, expenses or risks or (b) the right to receive the payment of money or production from a well, working interest or leasehold estate, said parties shall participate therein (unless otherwise agreed by the parties involved) in the ratio of their respective interests in the lease acreage upon which the well is located at the time said operation was undertaken.

10. GEOPHONE AND CONTINUOUS VELOCITY SURVEYING INSTRUMENTS:

In the event parties hereto mutually agree toward the drilling of a test well, then Operator shall notify the Non-Operator approximately forty-eight (48) hours in advance of the time that Operator anticipates reaching the depth mutually agreed upon for the drilling of such test well hereunder and thereafter shall notify Non-Operator when such depth has been reached. At the time of giving the latter notice, unless it is necessary to perform and evaluate additional tests necessary to make a determination of the nature of the next operation in said well, in which event notice will be given with as little lost time as possible, Operator shall notify Non-Operator whether Operator proposes to plug and abandon said well; or whether Operator proposes to make further tests, or whether Operator intends to complete said well as a producer of oil or gas, or both oil and

gas, specifying what formations are to be tested further, or in what formation completion is to be attempted. Non-Operator shall have six (6) hours from and after receipt of the latter notification within which to advise Operator whether or not Non-Operator elects to conduct the tests for which provision is made hereinafter; and failure so to notify Operator within said six- (6-) hour period shall be deemed to constitute a decision not to conduct such tests. If Non-Operator notifies Operator that Non-Operator elects to conduct such tests, then Operator shall permit Non-Operator, at Non-Operator's sole expense, to lower a geophone and any type of continuous velocity surveying instrument in said well for the purpose of making a velocity survey and to run any other type down hole surveys or tests desired by Non-Operator. During the time Non-Operator is conducting any such surveys or tests, Non-Operator shall bear all costs of standby time on the drilling rig at the rate which may be specified in Operator's contract with the drilling contractor for said well; and, if Operator is drilling said well with Operator's own or rented equipment, then Non-Operator shall pay Operator at the standby rate customary in the area in which the well is drilled. Standby time shall begin to accrue subsequent to six (6) hours after Non-Operator has received the latter notice, if Non-Operator has notified Operator that it desires to conduct the tests. If said test well is dry and Operator has determined that it should be plugged and abandoned upon the completion of the tests being made by Non-Operator, then Non-Operator shall be under no liability to the other parties in the event the instrument lowered in the hole, or cable (or both), should be lost in the hole, unless such would result in additional expense to Operator in complying with plugging regulations of the State or Federal authority having jurisdiction thereof; and, should such additional expense result, Non-Operator shall be liable and shall bear and pay such additional expense. If Operator has previously notified Non-Operator that Operator wishes to test certain specified horizons upon completion of the tests being conducted by Non-Operator, or that Operator intends to complete said well as a producer of oil or gas (or both oil and gas), then, in the event Non-Operator should damage the drill hole, Non-Operator's liability shall be limited to, and Non-Operator shall bear, the costs of restoring the drill hole to as usable and workable condition as that which existed prior to the tests conducted by Non-Operator; and, if the damaged drill hole cannot be restored to a condition which will permit its utilization for the purposes Operator contemplated as aforesaid, then Non-Operator shall bear and pay the cost of drilling a hole to the depth at which the specified formations were encountered concerning which Operator has previously advised Non-Operator that further tests were to be

made, or to the depth at which Operator had previously advised Non-Operator completion as a producer would be attempted. The cost of drilling a hole to the depth at which the specified formations were encountered shall be deemed to be inclusive of a whip-stock drilling operation to restore the damaged hole to usable condition. Non-Operator shall never be required to pay the costs of drilling a hole to the depth at which the specified formations were encountered unless and until the drilling operations are actually commenced and thereafter concluded in the specified formations with all due diligence. The benefits of this Article shall never inure to the advantage of a party who has not previously elected and agreed to participate in the drilling of the test well. Data obtained by a party hereunder shall never be subject to the provisions of Article 15 of this Exhibit.

11. ABANDONMENT OF WELLS:

No well which is producing or has once produced shall be abandoned without the mutual consent thereto of the parties hereto. If any party (whether one or more) desires to abandon a well and the other party (whether one or more) does not agree to abandon same, the party desiring to abandon shall so notify the other party in writing, and the latter shall have ten (10) days after the receipt of such notice in which to elect whether to agree to such abandonment. If the party receiving said notice elects to agree to such abandonment, such well shall be abandoned by the Operator at the expense of the joint account and as much as possible of the casing and other equipment in and on said well shall be salvaged for the benefit of the parties hereto. If the party receiving said notice fails so to make an election or elects not to agree to said abandonment, such party shall purchase the interest of the party desiring to abandon in said well, in the physical equipment therein and thereon and in that portion of the working interest and leasehold estate hereinafter in this Article 11 provided; and, within twenty-five (25) days after the receipt of said notice by the party not electing to abandon, the party desiring to abandon shall execute and deliver to the other party an assignment, without warranty of title, of its interest in said well and physical equipment and in the working interest and leasehold estate in a tract surrounding said well of an area equal to that prescribed for one well by the spacing rule of state or federal authority; provided, that, if there be no such established spacing rule, the assignment shall cover the interest of the party desiring to abandon in said well and physical equipment and the working interest and leasehold estate in the forty (40) acres surrounding said well if it is an oil well or in the six hundred and forty (640) acres surrounding said well if it is a gas well, as nearly as possible in the form of a square, with said well in the approximate center thereof; and provided, further,

that such assignment shall convey the assignor's leasehold estate in the particular horizon from which said well is producing, or last produced, but shall not include any other well or any other formation or horizon. In exchange for said assignment, the purchasing party shall pay to the assigning party the salvage value of the latter's interest in the salvageable casing and other physical equipment in and on said well, such value to be determined in accordance with the provisions of the Accounting Procedure, being said Exhibit "B".

If, under any provision of the last preceding paragraph of this Article 11, more than one of the parties hereto has either (a) the obligation to pay money or to assign interests in a well, physical equipment or working interest and leasehold estate or (b) the right to receive the payment of money or an assignment of any interest in a well, physical equipment or working interest and leasehold estate, said parties shall pay said money, make such assignment, receive and divide such payment or take the interest so assigned, as the case may be, (unless otherwise specifically agreed by the parties involved) in the ratio of their respective interests in the lease acreage covered hereby prior to any such assignment.

12. TAXES:

The Operator shall render, for ad valorem tax purposes, the entire leasehold rights and interests covered by this agreement and all physical property located thereon or used in connection therewith, or such part thereof as may be subject to ad valorem taxation under existing laws, or which may be made subject to taxation under future laws, and shall pay, for the benefit of the joint account, all such ad valorem taxes at the time and in the manner required by law which may be assessed upon or against all or any portion of such leasehold rights and interests and the physical property located thereon or used in connection therewith. The Operator shall bill the Non-Operator for its proportionate share of such tax payments as provided by the Accounting Procedure, being said Exhibit "B".

Each Non-Operator shall reimburse the Operator for (a) the percentage of the ad valorem taxes on personal property which is equal to such Non-Operator's percentage of participation in production, and (b) the ad valorem taxes levied on such Non-Operator's leasehold interest or interests covered by this Agreement; provided, however, that a Non-Operator owning less than the entire seven-eighths (7/8) leasehold interest or interests covered by this Agreement shall reimburse the Operator for its proportion of the ad valorem taxes levied on the full leasehold interest, adjusted so as to reflect a credit for payments based upon values assigned to and made on behalf

of outstanding excess royalties, overriding royalties, and production payments.

In the event that any taxable valuation is assessed upon or against said property or any portion thereof, which the Operator deems to be unreasonable, it shall be the duty of the Operator to protest said taxable valuation within the time and manner as prescribed by law and to prosecute such protest to a final determination unless the parties agree to abandon such protest prior to final determination. When any such protested valuation of such property shall have been determined, the Operator shall pay for the joint account the taxes thereon, together with any interest or penalty accrued by reason of such protest, and shall bill the Non-Operator for its proportionate share of such payments in accordance with the Accounting Procedure, being said Exhibit "B".

13. OPTION TO PURCHASE:

In the event that any party hereto receives a bona fide offer which it is willing to accept for the purchase of such party's lease or leases covered hereby, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such lease or leases, or part thereof or interest therein, the party hereto receiving said offer immediately shall give written notice thereof to each of the other parties hereto, including in said notice the name and address of such offeror, the price offered and all other pertinent terms and conditions of the offer. The other parties hereto, for a period of fifteen (15) days after the receipt of said notice, shall have the prior and preferred right and option, in the ratio of their respective interests in the lease acreage covered hereby, to purchase the lease or leases, or part thereof or interest therein, covered by said offer, at the price and according to the terms and conditions specified in said offer.

If more than one of the other parties hereto desire to exercise such right and option, such parties shall purchase the lease or leases, or part thereof or interest therein, covered by said offer in the ratio of their respective interests in the lease acreage covered hereby.

If only one of the other parties hereto desires to exercise such right and option, it shall have the right to purchase all the rights and interests covered by said offer. If none of the other parties hereto exercises said right and option by giving written notice of its acceptance within fifteen (15) days after receipt of the above mentioned notice, the party which received said offer shall accept said offer and complete said sale to the offeror in accordance with said offer within sixty (60) days after the expiration of said period of fifteen (15) days; provided, that, if the

party which received said offer fails to accept said offer or to complete said sale within said period of sixty (60) days, the preferred right and option of the other parties hereto under this Article 13 shall be considered as revived, and the party which received said offer shall not complete said sale to said offeror unless and until said offer again has been presented to the other parties hereto, as hereinabove provided, and said other parties again have failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to any party hereto for the purchase of its lease or leases covered hereby, or part thereof or interest therein, shall be subject to all the terms and conditions of this Article 13. In the event any offer to purchase which any party hereto is willing to accept includes other leases or properties in addition to the lease acreage, or part thereof, covered hereby, then, during the period of time above provided, the other parties hereto shall have the prior and preferred right to purchase such lease acreage, or part thereof, segregated from the other leases or properties included in such offer and at the fair cash market value thereof as of the date of such offer.

The provisions of this Article 13 shall not apply to a transfer by a corporate party hereto made in connection with any transaction between such party and its parent, subsidiary or an affiliated company.

14. RELATION OF PARTIES:

The rights, duties, obligations and liabilities of the parties hereto shall be several, and not joint or collective, it being the express purpose and intention of the parties hereto that their ownership in the lease acreage covered hereby shall be as tenants in common; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust or as imposing upon any or all of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligation set out in this Agreement.

Each party hereto hereby elects to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, insofar as such Subchapter or any portion or portions thereof may be applicable to the parties in respect to the operations covered by this Agreement. Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such additional or further evidence of said election as may be required by regulations issued under said Subchapter K, or, should said regulations require each party to execute such further evidence, each party agrees to execute such evidence, or to join in the execution

thereof.

15. ACCESS TO PREMISES, LOGS AND REPORTS:

The Operator shall keep accurate logs of all wells drilled on said lease acreage, which logs shall be available at all reasonable times for inspection by the Non-Operator. Upon request by a Non-Operator, the Operator shall furnish to such Non-Operator copies of said logs, samples of cores and cuttings of formations encountered, and monthly reports relative to the development and operation of said lease acreage, together with any other information which may be reasonably requested pertaining to such wells. The Non-Operator shall have access to said lease acreage and to all books and records pertaining to operations hereunder for the purpose of inspection at all reasonable times.

16. SURRENDER, EXPIRATION, ABANDONMENT OR RELEASE OF LEASE:

No lease or leases covered hereby shall be surrendered, let to expire, abandoned or released, in whole or in part, unless the parties hereto mutually consent thereto in writing. In the event that less than all the parties hereto should elect to surrender, let expire, abandon or release all or any part of a lease or leases covered hereby and the other party (whether one or more) does not consent or agree thereto, the party (whether one or more) so electing shall notify the other party not less than sixty (60) days in advance of such surrender, expiration, abandonment or release and, if requested so to do by the party not so electing, immediately shall assign without warranty to the latter party all its rights, title and interest in and to said lease or leases, the well or wells located thereon and the casing and other physical equipment in or on said well or wells. If the party not so electing fails to request such assignment within said period of sixty (60) days, the party so electing shall have the right to surrender, let expire, abandon or release said lease or leases or any part thereof. In the event such assignment is so requested, the party to whom such assignment is made, upon the delivery thereof, shall pay to the assigning party the salvage value of its interest in all the salvageable casing and other physical equipment in or on the assigned lease acreage, said value to be determined in accordance with the provisions of the Accounting Procedure, being said Exhibit "B". After the delivery of any such assignment, the party making the assignment shall be released from and discharged of all the duties and obligations thereafter accruing or arising hereunder with respect to the assigned lease or leases in connection with the operation and development of the lease acreage. If more than one of the parties hereto are assignees in any such assignment, such as-

signees shall take the rights, property and interests assigned thereby, and shall pay said salvage value in the ratio of their respective interests in the lease acreage covered thereby just prior to the assignment.

17. LAWS AND REGULATIONS:

This Agreement shall be subject to all valid and applicable state and federal laws, rules, regulations and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules, regulations and orders. In the event this agreement or any provision hereof is, or the operations contemplated hereby are found to be, inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control and this Agreement shall be regarded as modified accordingly and, as so modified, shall continue in full force and effect.

18. FORCE MAJEURE:

In the event that any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the obligation to make payments of amounts due hereunder, upon such party's giving notice and reasonably full particulars of such force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, the obligations of the party giving said notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period; and the cause of the force majeure as far as possible shall be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, riot, lightning, fire, storm, flood, explosion, governmental restraint, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

The settlement of strikes, lockouts and other labor difficulties shall be entirely within the discretion of the party having the difficulty. The above 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 acceding to the demands of opponents therein when such course is inadvisable in the discretion of the party having the difficulty.

19. CONTRIBUTIONS FROM OTHERS:

If any party hereto at any time while this agreement is in force receives

a contribution of cash or acreage, or both, toward the drilling of any well upon the lease acreage covered hereby, said contribution shall be owned by the parties hereto in the ratio of their respective interests in said well. All cash contributions so received shall be paid to the Operator and by it credited to the parties hereto according to their respective interests in said well; provided, that such portion of said cash contribution which is credited to each party hereto as is not required to liquidate any unpaid balance of indebtedness due by said party to the Operator shall be paid by the Operator to such party. In the event that an acreage contribution is made to one of the parties hereto, the party to which such contribution is made shall promptly execute and deliver to the other parties hereto an assignment, without warranty, covering proportionate interests in said acreage equal to their respective interests in the well for which said contribution was made.

20. EFFECT OF AGREEMENT:

The terms, covenants and conditions of this agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors (or heirs) and assigns; and said terms, covenants and conditions shall be covenants running with the land and leasehold estates covered hereby and with each transfer or assignment of said land or leasehold estates.

21. ROYALTY, OVERRIDING ROYALTIES, PRODUCTION PAYMENTS, ETC.:

All royalty, overriding royalties, production payments, carried working interests, net profits obligations, and royalty in excess of one-eighth (1/8), to which any party's lease covered hereby is subject, shall be borne and paid by such party in accordance with the provisions of the lease, assignment or other instrument creating or pertaining to such obligations.

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 from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's lowest echelon office serving the joint property office located at or near wherever located (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE (Use Completion Depth)			
	Each Well	First Five		Next Five	All Wells Over Ten
0' - 4,000'	\$150.00	\$30.00	40	\$25.00	\$15.00
4,000' - 8,000'	225.00	50.00	70	40.00	30.00
8,000' - 12,000'	300.00	65.00	90	55.00	45.00
Over 12,000'	400.00	75.00	130	65.00	55.00

A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

B. In connection with overhead charges, the status of wells shall be as follows:

- (1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
- (2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
- (3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

- (4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
- (5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.
- (6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.
- (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
- (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.
- D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.
- E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

No charge, either direct or indirect, will be made to the joint account for operating and maintenance expense of Operator's fully-owned warehouse.

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on car-load basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning,
 shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III 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 materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

- B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or
- B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used material (Condition "C"), at fifty per cent (50%) of current new price, being used material which:

- A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
- B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

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-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.



acting for Amoco

Amoco Production Company
Security Life Building
Denver, Colorado 80202

M. S. Kraemer
Division Production
Manager
H. T. Hunter
Assistant Division
Production Manager
K. W. Bolt
T. M. Curtis
District Superintendents

April 16, 1973

File: ARR-282-WF

Benjamin K. Horton
Attorney & Counselor at Law
405 Ortiz, N. E.
Albuquerque, New Mexico 87108

BEFORE EXAMINER NUTTER	
OIL CONFESSIONAL EXAMINATION	
<i>Amoco</i>	EXHIBIT NO. <u>2</u>
CASE NO.	<u>1968</u>

Dear Sir:

Re: Federal 2-11 Gas Well, SW/4, SE/4, Section 11-T28N-R13W,
San Juan County, New Mexico

Please refer to your letter of April 5, 1973, wherein you offered to purchase Amoco Production Company's interest in the Dakota formation, Under the 68.92 acre lease comprising the southwest quarter and Lot 4 of Section 12-T28N-R13W. This lease is a part of the 344.28 acres dedicated to the above referenced Dakota gas well. Please be advised that Amoco does not wish to sell or otherwise assign our interest under this lease. This particular tract of land is a part of the Gallegos Canyon Unit and it is in our best interest to retain ownership thereof.

At the request of Roy L. Cook who was agent for D. W. Falls, Incorporated, the previous operator of this well, Amoco Production Company and the other Gallegos Canyon Unit Dakota participating area owners approved permanent abandonment of this well. You have now acquired the interest of the former operator and as stated in your letter of April 5, you now wish to perform a remedial operation rather than abandon the well. We do not agree that a workover of the Dakota formation will result in a commercial producer and as provided in Section 9 of the operating provisions of the Operating Agreement for this well dated September 20, 1961, we elect not to join in this workover and will participate in the well when, and only when, you have recovered your costs as set forth in Section 9.

Please submit for our approval a new Communitization Agreement to replace the one which dissolved of its own terms in 1970. Also, please

File: ARR-282-WF

Page 2

April 16, 1973

furnish us reports of all well operations performed in conjunction with your planned workover. As operator of the Gallegos Canyon Unit, we are sending a copy of this letter to each of the other Dakota Participating Area Owners so they will be informed of our decision in this matter. We are returning herewith your check No. 2161, dated April 5, 1973, in the amount of \$20.00.

Yours very truly,

A handwritten signature in cursive script, appearing to read "R. P. Hunter".

CJB:pk

cc: Gallegos Canyon Unit Participating Area Owners

670 286, 287

LAW OFFICES
OF
BENJAMIN K. HORTON
ATTORNEYS & COUNSELORS AT LAW
406 ORTIZ, N. E.
ALBUQUERQUE, NEW MEXICO 87106
—
TELEPHONES 266-1811 OR 266-0823

BENJAMIN K. HORTON

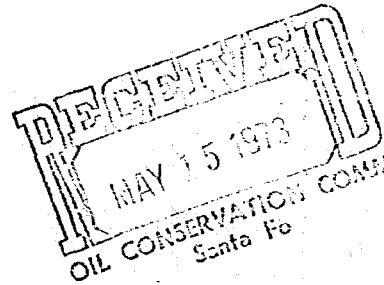
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

May 10, 1973

Mr. Dan Nutter
Chief Engineer
New Mexico Oil & Gas Commission
Santa Fe, New Mexico

Re: Federal 2-II Gas Well
Unit 4, Section II
T. 28 N., R. 13 W.
San Juan County, New Mexico




Dear Mr. Nutter:

Pursuant to the request to submit Exhibits to my application in amending our Case 4968 as indicated in the attached hearing notification, I wish to attach as Petitioner's Exhibit A, copies of all correspondence that I have had with Amoco and our 22 partners which are self-explanatory. From Amoco on down, with one exception, they have refused to sell or assign their interests in Santa Fe Lease Number 078072, Section 12, T. 28 N., R. 13 W., consisting of 68.92 acres. Also, I attach herewith my statement as Exhibit B.

Your cooperation and assistance in this matter will be appreciated.

With kindest regards,


Benjamin K. Horton
HORTON & WERNER

BKH/bb
Encs.

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF BENJAMIN K.
HORTON FOR THE AMENDMENT OF
ORDER NO. R-1814, SAN JUAN COUNTY,
NEW MEXICO.

CASE NO. 4968

Order No. R-4536

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 9, 1973,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this June day of June, 1973, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Benjamin K. Horton,
is the owner of a Federal Oil and Gas Lease, New
Mexico Lease 0338690, comprising all of fractional Section
11, Township 28 North, Range 13 West, NMPM, San Juan County,
New Mexico, and being 275.36 acres

(3) That said lands were, on September 20, 1961,
communitized with the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and Lot 4 of Section
12, Township 28 North, Range 13 West, NMPM, San Juan County,
New Mexico, being 68.92 acres, to form a communitized area com-
prising 344.28 acres, more or less.

(4) That by Commission Order No. R-1814, dated November
4, 1960, a 344.28-acre non-standard gas proration unit com-
prising all of partial Section 11 plus Lot 4 and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of
Section 12, Township 28 North, Range 13 West, NMPM, San Juan County,
New Mexico, was approved for the Basin-Dakota Gas Pool; that this unit
was subsequently dedicated to the D.W. Falls Federal ~~2-11~~ Well No 2-11 located

to 1190 feet from the South line and 2210 feet from the West line of said Section 11.

(5) That by letter dated February 2, 1972, the ~~United~~ Regional Oil and Gas Supervisor of the United States Geological Survey notified D.W. Fells Inc. that Geological Survey records show no sales from the Dakota well on the above-described communitized area since January 1970; that accordingly, communitization agreement No. Com. Agr. - SW-95 is considered to have expired by its own terms on January 31, 1970, the last day of the month in which production ceased from the communitized area.

(6) That the applicant, Benjamin K. Horton, as present owner of the lease covering all of partial Section 11, Township 28 North, Range 13 West, NMPM, San Juan County, New Mexico, seeks the amendment of Commission Order No. R-1814 to provide for the dissolution of the 344.28-acre nonstandard gas proration unit approved by ^{paragraph} ~~Order~~ (4) of said order, and to provide for the approval of a 275.36-acre non-standard unit comprising only ^{the aforesaid} partial Section 11.

(7) That upon approval of the aforesaid ~~275.36~~ - acre non-standard gas proration unit for the Basin-Dakota Gas Pool, the applicant proposes to re-enter the above-described Federal Well No. 2-11, and to attempt to restore said well to production from the Basin Dakota Gas Pool.

(9) That approval of the application may result in the production of gas from the Basin-Dakota Gas Pool that would otherwise not be recovered, thereby preventing waste, and will not impair correlative rights provided an acreage factor for allowable purposes of $275.36/320.00$ or 0.86 is assigned to the subject well.

(8) That after hearing the testimony adduced at the subject hearing, applicant was given ~~an additional~~ period of ten days in which to file statements and exhibits, and protestants were given an additional fifteen days in which to respond; that all statements, exhibits, and responses were timely received.

IT IS THEREFORE ORDERED:

(1) That paragraph (4) of Commission Order No. R-1814 is hereby amended to read in its entirety as follows:

"(4) All of partial Section 11, Township 28 North, Range 13 West, comprising 275.36 acres, to be dedicated to the Benjamin K. Horton Federal Well No 2-11, located 1190 feet from the South line and 2210 feet from the East line of said Section 11." ~~That~~

(2) That jurisdiction etc

DONE at Santa Fe etc.