CASE No. 4986

Application,

Transcripts,

Small Exhibits

ETC.

OIL CONSERVATION COMMISSION

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

June 15, 1973

Re: Case No. 4986
Order No. R-4553
Applicant:
Dalport Oil Corporation

Mr. Sim Christy
Jennings, Christy & Copple
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

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 x
Aztec OCC

Other Reading & Bates, Inc. - 1100 Philtower Building, Tulsa, Oklahoma 74103

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico.

Case No. 4986

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

MR. STAMETS: Call next Case 4986,

MR. CARR: Case 4986, application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico.

MR. CHRISTY: Sim Christy, Roswell, New Mexico, for the Applicant, Dalport Oil Corporation. We have one witness. Would you stand and be sworn, please?

LEON LAMPERT,

was called as a witness and having been duly sworn according to law, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Please state your name, address, by whom you are employed, and in what capacity.

A Leon Lampert,Corpus Christy,employed by Dalport Oil Corporation out of Dallas.

Q Have you previously testified before this regulatory body as a geologist and had your qualifications accepted?

A Yes, sir.

Q Are you familiar with what is sought by the application in Case 4986 and the area involved?

A Yes, sir.

Q Would you briefly state what is sought?

A We are requesting compulsory pooling for the East half of Section 17. This is Exhibit 1. The East half of

Section 17, 12 South, 31 East. Dalport has secured a farm-out from Terra Resources of the South half, Northeast quarter and South half, Southeast quarter.

Q Are those your Exhibits 3 and 4 being the farm-out from Terra Resources and the amandment of April 10, 1973.

A Yes, sir.

Q And the owners of the other two eighties in this East half do not desire to farm-out to us nor do they desire to join with us in operating agreement.

Q And you have made efforts to obtain that joinder?

A Yes, sir.

MR. CHRISTY: And I believe the records will reflect, Mr. Examiner, that the title to the operating rights on those other two eighties down to the base of the Glorietta are owned by Reading and Bates, and I did send them a copy.

I had information that one Mr. Stringer also claimed an interest in the working interest in those 2 eighties. He does not show of record, but I also sent him a copy of this application.

MR. STAMETS: Mr. Christy, I believe your application calls for a well drilled in Unit G?

MR. CHRISTY: That is correct, and I'm coming to it now. Thank you.

Q Initially when we filed this application we proposed the well in Unit G,and I notice by your Exhibit 1, it's relocated in Unit J. Would you tell me why you feel Unit J would be better and, if so, why?

A It's a safer location. It's in accordance with Commission spacing for a 320-acre unit, and J would be a much safer location, we feel, than originally, G.

Q What type of test do you plan?

A 2600 foot Queen test.

Q This will be for Queen gas?

A Yes, sir.

Q I believe the Commission rules now provide for 320-acre spacing in Southeast Chaves area?

A Right.

Q And these lands are in Southeast Chaves area?

A Right.

Q Who do you propose to be operator of the well in the event the application is granted?

A Dalport will be the operator.

Q You have had other experience in drilling Queen tests in this area, have you not, Mr. Lampert?

A Yes, sir.

Q And that experience is rather extensive; is it not?

A It's extensive, yes, sir.

Q Tell me what you would estimate the costs would be for the

proposed well, and I refer you to your Exhibit 2.

A In Exhibit 2 we feel that down to the casing point, the cost would be $25,060. If we decided to complete it or if production is indicated, an additional $16,058 would be the cost of this completion, giving us a total of $41,118 which is an estimate; but it should be fairly close.

Q Based on your experience of other Queen wells in the area?

A That's right.

Q Tell me about any overhead costs that would happen in the drilling and on the production of the well.

A We normally charge a rate on that APL Form of $500 for a drilling well; and then in the operating contract, we normally charge $75 per month for the overhead plus field expense like the pumper's expense, etc.

Q Direct expense?

A Direct expense.

Q Is that a customary charge in this area?

A It's lower than customary.

Q Do you feel there is a risk factor involved in the drilling of this well?

A From my past experience, yes.

Q There is a substantial risk factor; is there not?

A Yes.

MR. CHRISTY: At this point, I'd like to call the Commission's attention to the laws of 1973, Chapter 250, effective March 30, 1973, which as the Examiner knows, does provide for risk factors up to 200 percent of the non-consenting owners' share in the event he does not elect to prepay his proposed costs.

Q (By Mr. Christy) Do you have an opinion as to whether or not the granting of this application will permit the owner of each tract in the proposed area to recover and receive his fair and just share of the gas and associated hydrocarbons underneath his lands?

A It will, sir.

Q This is all one lease, is it not, a Federal lease?

A It's one base lease, right.

Q One base lease. Is there anything else I failed to ask you that you think would be of interest to the Commission in connection with the consideration of this application?

A I don't think of a thing.

Q Were Exhibits 1 and 2 prepared by you or under your direct supervision?

A Yes, sir.

MR. CHRISTY: That's all.

MR. STAMETS: How about 3 and 4?

MR. CHRISTY: They are not prepared by him. They

are letter agreements between Terra and Dalport.

CROSS-EXAMINATION

BY MR. STAMETS:

Q Do you have a specific percentage that you would like to recommend as a risk factor in this area, Mr. Lampert?

A Well, we thought 200 percent; but the reason being that the risk in this area is great. We have drilled dry holes just adjacent to producers, so there is a great risk here; but we will abide by the Commission's ruling as far as that's concerned.

Q Okay. You would say that the risk is certainly not as much as a rank wildcat in Dona Ana County.

A We have offset producing wells updip and downdip and had dry holes in the past.

MR. STAMETS: Mr. Christy, I'm not sure what the effect will be on this unit letter change from G to J, whether that will take readvertisement of this case.

MR. CHRISTY: I don't think it will, Mr. Examiner. The application has to do with pooling whatever mineral interests are in the East half. It is not jurisdictional as to where you locate the well. That's not even provided for in the statute we are under; and of course, any order coming out with J which gives the other Reading and Bates the opportunity to join or not join or to object or to have an innovo hearing, if they don't like it.

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MR.STAMETS: Are there other questions of this witness? He may be excused.

MR. CHRISTY: At this time, we would like to offer into evidence Applicant's Exhibits 1 through 3 inclusive, and we have no further testimony.

MR. STAMETS: What about 4?

MR. CHRISTY: One through four inclusive.

MR. STAMETS: Without objection, these will be admitted into evidence. Are there any statements in this case? We will take the case under advisement.

* * * * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4986, heard by me on June 6, 1973.

Richard L. Stamets, Examiner
New Mexico Oil Conservation Commission

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, JANET RUSSELL, a Notary Public, in and for the County of Bernalillo, State of New Mexico do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Janet Russell
NOTARY PUBLIC

dearnley, meier & mc cormick
209 SIMMS BLDG.•P.O. BOX 1092•PHONE 243-6691•ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST•ALBUQUERQUE, NEW MEXICO 87108

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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. 4986
Order No. R-4553

APPLICATION OF DALPORT OIL
CORPORATION FOR COMPULSORY
POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 6, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th 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, Dalport Oil Corporation, seeks an order pooling all mineral interests in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, NMPM, Southeast Chaves Queen Gas Area, Chaves County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in Unit J of said Section 17.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $75.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject wells which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, NMPM, Southeast Chaves Queen Gas Area, Chaves County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to a well to be drilled in Unit J of said Section 17.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Dalport Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and at least 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 100 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That $75.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Chaves County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/

DALPORT OIL CORPORATION
3471 FIRST NATIONAL BANK BLDG.
DALLAS, TEXAS 75202

November 1, 1973

Case File
4 986

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico, 87501

Re: Order No. R-4553
No. R-4553-A

Gentlemen,

In accordance with the above orders, Dalport Oil Corporation commenced drilling our Terra-Federal No. 1, Unit G, Section 17, T-12-S, R-31-E, Chaves County, New Mexico, July 19, 1973 and completed August 4, 1973.

Attached is a copy of the well costs in the amount of $32,945.09 and a copy of the Operating Contract which was negotiated with J. Frank Stringer et al, the owners of a 3/8th interest.

Reading and Bates Oil and Gas Co., Tulsa, Oklahoma, owner of a 1/8th working interest, are the only non-consenting owner. By copy of this letter, we are sending them a copy of the well costs.

We believe that we have complied with all the requirements of the above orders, but if any additional information is required, we would appreciate your advice.

Yours very truly,

DALPORT OIL CORPORATION

W. L. Todd, Jr.

WLTJr/fm

Enclosure
cc: Reading & Bates Oil & Gas Co.
Philtower Building,
Tulsa, Oklahoma 74103

ALPORT OIL CORPORATIO'
3471 FIRST NATIONAL BANK BLDG.
DALLAS, TEXAS 75202
JOINT OPERATIONS

RECEIVED
NOV - 5 1973
OIL CONSERVATION COMM
Santa Fe

PAGE	MONTH	LEASE
1	July & August, 1973	Terra-Federal #1

REFERENCE	DESCRIPTION		AMOUNT	TOTAL
372	Bearing Service & Supply Co., Inc, Artesia, NM			
	Inv 48412, 7/1$73,	127-03		852.71
384	WEK Drilling Co, Inc, Roswell, NM			
	Inv 7-05, 7/26/73	126-02		14,340.57
385	American Coldset Corp, Dallas, Texas,			
	Inv No. 09000, 7/27/73	126-51		423.80
386	Bearing Service & Supply Co, Artesia, NM			
	Inv 48450, 7/23/73	127-03	16.14	
	Inv 48460, 7/24/73	127-03	4,027.59	
	Inv 48461, 7/24/73	127-03	293.36	4,337.09
387	Foster Testers, Inc, Odessa, Texas			
	Inv 939, 7/23/73	126-61		508.56
388	Halliburton, Duncan, Okla.			
	Inv 658905, 7/19/73	126-62		871.72
389	Milford Pipe & Supply Co, Tatum, NM			
	Inv 1931, 7/28/73	127-04		1,562.65
390	Mudco, Inc. Hobbs, NM			
	Inv 1988, 7/24/73	126-52		930.22
398	Halliburton Services, Duncan, Okla.			
	Inv 631122, 7/23/73	126-62		1,572.92
400	The Pathfinder Co., Houston, Texas			
	Inv 7937-15, 7/31/73	127-02		120.22
401	Sweatt Construction Co, Loco Hills, NM			
	Inv 6600, 7/31/73	126-30	74.88	
	Inv 6598m 7/31/73	126-30	74.88	
	Inv 6599, 7/31/73	126-30	149.76	299.52
403	Standard Corp, Artesia, New Mexico			
	Inv 17243, 7/31/73	127-04		440.10
404	T & C Rental Tool Co., Denver City, Texas			
	Inv 1070, 8/3/73	126-63		159.84
406	The Western Co., Fort Worth, Texas			
	Inv 74708, 7/26/73	126-63	420.00	
	Inv 74709, 7/26/73	126-63	626.56	1,046.56
407	Mack Chase, Inc, Artesia, NM			
	Inv 73623, 7/30/73	126-63		662.26
413	Bearing Service & Supply Co Inc, Artesia, New Mex.			
	Inv 48882, 8/24/73	127-06		99.47
416	Core Laboratories, Inc, Dallas, Texas			
	Inv 88119, 7/22/73	126-71		252.10
423	Sweatt Construction Co, Loco Hills, NM			
	Inv 6639, 8/7/73	126-30		3,238.25
				31,718.56

ALPORT OIL CORPORATIOI

3471 FIRST NATIONAL BANK BLDG.

DALLAS, TEXAS 75202

JOINT OPERATIONS

PAGE	MONTH	LEASE
1	July & August, 1973	Terra-Federal #1

REFERENCE	DESCRIPTION		AMOUNT	TOTAL
	DIVISION OF INTEREST			
	Cameo Inc	50%		15,859.28
	J. Frank Stringer	7.8125%		2,478.01
	Dr. James C. Womack	3.125%		991.21
	Edwin S. Mayer, Jr.	12.50%		3,964.82
	J. A. March, III	6.250%		1,982.41
	Guy A. Swartz	7.8125%		2,478.01
	Reading & Bates	12.5%		3,964.82
				31,718.56

ALPORT OIL CORPORATION
3471 FIRST NATIONAL BANK BLDG.
DALLAS, TEXAS 75202
JOINT OPERATIONS

PAGE	MONTH	LEASE
1	September, 1973	Terra-Federal #1

REFERENCE	DESCRIPTION			AMOUNT	TOTAL
426	Dalport Oil Corp.- Regular Acct., Dallas, Texas				
	Operating Expense for June, July & August, 1973,				
	as per contract		901-03		57.75
			126-71		500.00
440	Sweatt Construction Co., Loco Hills, N.M.				
	Inv. #6662, 8-16-73	18.72	126-30		
	Inv. #6683, 8-21-73	224.64	126-30		243.36
459	West Engineering Co., Hobbs, N.M.				
	Inv. #773-12, 8-30-73	162.50			
	Inv. #873-9, 9-15-73	89.86			
	Inv. #873-10, 9-15-73	173.06	126-53		425.42
					1,226.53

'ALPORT OIL CORPORATIO'

3471 FIRST NATIONAL BANK BLDG.

DALLAS, TEXAS 75202

JOINT OPERATIONS

PAGE	MONTH	LEASE
1	September 1973	Terra-Federal #1

REFERENCE	DESCRIPTION		AMOUNT	TOTAL
	Division of Interest			
	Camex Inc.	50%		613.26
	J. Frank Stringer	7.8125%		95.82
	Dr. James C. Womack	3.125%		38.33
	Edwin C. Mayer, Jr.	12.50%		153.32
	J. A. March III	6.25%		76.66
	Guy A. Swartz	7.8125%		95.82
	Reading & Bates	12.5%		153.32
				1,226.53

PRINTING CO., HOUSTON, TEXAS

P-1842 800-1

JOINT OPERATING CONTRACT

THIS MEMORANDUM of agreement made and entered into this the 25th day of July, 19 73, by and between

J. Frank Stringer	7.8125%
Dr. James C. Womack	3.1250%
Edwin S. Mayer, Jr.	12.5000%
J. A. March III	6.2500%
Guy A. Swartz	7.8125%
	37.5000%

(hereinafter called Non-Operators whether one or more) and Dalport Oil Corporation

3471 First National Bank Bldg., Dallas, Texas 75202

(hereinafter called Operator),

WITNESSETH:

WHEREAS, Operator and Non-Operators respectively are the owners of the oil, gas and mineral lease or leases, or of the undivided interests therein, described in Exhibit "A" hereto attached and made a part hereof for all purposes insofar as such lease or leases cover the land described in Exhibit "A" hereto attached, which lease or leases insofar as the described land is covered thereby are hereinafter referred to as "Joint Leases"; and it is the desire of the parties hereto that Operator shall be in charge of development operations under said Joint Leases in accordance with agreements and provisions hereinafter contained:

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. GENERAL DUTIES OF OPERATOR: Operator shall have, subject to the terms, provisions and limitations hereinafter expressed, exclusive charge, control and supervision of all operations of every kind to be conducted on the Joint Leases for the development, production, treating, handling and marketing of oil, gas and other minerals therefrom as well as the payment of all rentals, royalties, taxes and other charges which may arise or become due or payable in connection with such operations.

2. CHARGES TO JOINT ACCOUNT: Operator shall charge the Joint Account with all costs and expenses incurred in connection with the operation of the Joint Leases as herein contemplated, charges to be made in accordance with the "Accounting Procedure" hereto attached as Exhibit "B" and made a part hereof for all purposes. The charges made to the Joint Account as provided herein shall be borne by the parties hereto in the proportion that the interest of each of the parties in the Joint Leases bears to the total of the interests in the Joint Leases of the parties hereto.

3. RECORDS: Operator shall keep an accurate record of the Joint Account hereunder showing the cost and expenses incurred and charges made and all credits and returns made and received which record shall be available at all reasonable times for the consideration, examination and inspection of each of Non-Operators and its duly authorized representatives.

4. MONTHLY STATEMENTS: On or before the last day of each calendar month, Operator shall furnish to each of Non-Operators a detailed statement of investments made and costs and expenses incurred against and credits and receipts made and received for the Joint Account during the preceding calendar month. Any exceptions to the statement as rendered by Operator must be made by Non-Operators within two (2) years from receipt thereof, and if no exception is made within that time, the statement shall be conclusively considered as correct; but this provision shall not prevent adjustments of physical property to inventory as provided for in Exhibit "B." Each of Non-Operators agrees to pay to Operator at Dallas, Texas its proportionate part of all expenditures made for the Joint Account by Operator in connection with investments on account of and the operation, maintenance and supervision of said Joint Leases hereunder, based upon such Non-Operators' interest from time to time in the leases described in Exhibit "A" hereto attached. Currently within ~~fifteen (15) days~~ 30 after receipt of the monthly statements herein provided to be rendered by Operator each Non-Operator agrees to pay its proportionate part of the amount due Operator as shown by such statements. The amount properly chargeable in each statement and due to Operator shall be due and payable at the expiration of ~~fifteen (15)~~ 30 days from receipt of each monthly statement and shall bear interest thereafter until paid at the rate of five per cent (5%) per annum, which interest on its delinquencies each Non-Operator hereto severally agrees to pay Operator at the place above designated. Each Non-Operator grants to Operator a lien on its interest in the Joint Leases, the production therefrom and all fixtures, improvements and personal property now or hereafter located thereon to secure the payment of its proportionate part of all investments made for and costs and expenses against the Joint Account hereunder in operating and developing the Joint Leases hereunder, which lien may be enforced as any other mortgage lien. ~~Should any Non-Operator fail to pay its proportionate part of all statements rendered as herein provided within the fifteen (15) days hereinabove stipulated, Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien upon the interests of the Non-Operator in default.~~

5. DRILLING AND DEVELOPMENT OF LEASES: Operator is authorized to drill at the expense of the Joint Account any well on the Joint Leases required to meet the offset and reasonable development obligations, and all express obligations under the Joint Leases, and any well necessary in order to prevent the expiration or termination of any Joint Lease, without first securing the authority and approval of Non-Operators.

Operator shall secure the written approval of Non-Operators before incurring against the Joint Account any item of expense, which item itself is in excess of $ 5,000.00, except in the drilling, equipping and completion of a well covered by the next preceding paragraph or in the drilling, equipping and completion of a well as to which notice has been given as provided in the next succeeding paragraph and with respect to which well no Non-Operator has given notice that it does not desire to participate in the cost and expense of drilling.

Before Operator commences operations at the cost of the Joint Account for the drilling of any well on the Joint Leases other than wells required to meet the offset and reasonable development obligations, and the express obligations under said Joint Leases, or wells necessary in order to prevent the expiration or termination of any Joint Lease, it shall give ten (10) days' written notice of its intention to commence operations for the drilling of the well to each of the Non-Operators, and should any Non-Operator or Non-Operators notify Operator, within ~~five (5)~~ 15 days of the mailing to it or them of the notice, that it or they do not desire to participate in the cost and expense of drilling, completing and equipping the well, the costs and expenses thereof shall be borne by the Operator and the Non-Operators, if any, not giving the notice, each bearing that portion of the cost which its interest in the Joint Leases bears to the total of the interests therein of Operator and Non-Operators participating in the drilling of the well; and if all Non-Operators give such notice, Operator may drill, complete and equip the well at Operator's cost and expense; provided, however, before any Non-Operator who elects not to participate in the cost and expense of drilling, completing, and equipping the well shall be entitled to any portion of the production therefrom Operator and the Non-Operators, if any, who participate in the cost of drilling, completing and equipping the well shall have the right to receive and shall receive currently out of the net proceeds of the sale of the portion of the production from the well belonging to each Non-Operator who does not participate in the cost and expense of drilling, completing, and equipping the well, double the amount of that portion of the cost which would have been borne by the non-participating Non-Operator, under the provisions hereof, had it participated in such cost and expense. The proceeds of the sale of the specified portion of the production shall be allocated between Operator and Non-Operators, if any, who participate in the drilling of the well in proportion to their interest in the Joint Leases. The cost of operating such well or of reworking same shall be borne by the Joint Account. If the well is a dry hole, the salvage therefrom shall be owned by the Operator and Non-Operators, if any, participating in the drilling thereof in proportion to their several interests in the Joint Leases.

Operator shall have the right itself to drill any or all wells drilled at the expense of the Joint Account, or to let the drilling thereof to a responsible contractor. Should Operator elect to drill any well itself, it may either charge the Joint Account with the actual cost of drilling and equipping the well, in accordance with the provisions of Exhibit "B," or may itself pay the actual cost of drilling the well and charge to the Joint Account, as the cost of drilling, an amount equal to the contract price per foot and for day work for drilling the well on the basis of the contract price per foot and for day work prevailing in the immediate area, or which may be obtained from a responsible drilling contractor, at the time the well is drilled. In either event, the cost of equipping the well shall be on the basis provided for in Exhibit "B," hereto attached. Operator shall notify Non-Operators, in writing, prior to the commencement of operations on any well drilled at the expense of the Joint Account, which Operator drills itself, as to whether Operator will drill the well on the basis of actual cost or on a contract basis, and if on a contract basis, the notice shall state the price per foot and for day work. If the Non-Operators do not object in writing to Operator within five (5) days of the notice, it will be conclusively considered that the price per foot and for day work stated in the notice is satisfactory. Should Non-Operators, or any of them, object in writing within said five (5) days to such price per foot and for day work, then, if Operator and Non-Operators cannot agree upon the price to be charged, such price shall be determined by arbitration in accordance with the provisions of Section 15 hereof. When cost of the well drilled by Operator is charged on the contract basis, Operator assumes all risks in connection with the drilling of the well which would customarily be assumed by an independent contractor had the drilling of the well been let to an independent contractor, except that Operator shall not assume any loss, risk, damage or liability resulting from the well blowing out, cratering, or running wild, except injury to Operator's equipment and to Operator's agents, servants and employees; but all loss, risk, damage or liability not assumed by Operator shall be borne by the Joint Account. Where the cost of the well drilled by Operator is not charged on a contract basis, but on the basis of actual cost, Operator assumes none of the risks incident to the drilling of the well, but the risks shall be borne by the Joint Account.

6. MARKETING OF PRODUCTS: Subject to the provisions of Section 7 hereof, Operator is given authority to market all oil, gas and other minerals produced from the Joint Leases and accruing to the parties hereto; and, upon the sale of same, the purchaser thereof shall pay to the respective parties hereto the proceeds of sale in proportion to each respective party's interest in the oil, gas or other minerals produced; provided, however, should any Non-Operator hereunder be in arrears in its payments to Operator as herein provided, Operator shall have the right upon demand to receive from the purchaser of the production such Non-Operator's portion of the proceeds, and apply the proceeds on amounts in arrears. In this connection, it is specifically understood that each of the parties hereto will sign the usual customary division order or orders covering its respective portion of the production and warranting its title thereto. Subject to the provisions of Section 7 hereof, Operator, if it desires to do so, but without any obligation so to do, may take all the oil, gas and other minerals produced from the Joint Leases, and in such event it shall credit or pay each Non-Operator for its interest therein as follows:

(a) On oil, the current posted field price of Operator, per barrel of 42 U. S. gallons each, for crude oil of like grade and quality prevailing for the field where produced on the date of respective runs to pipe line; provided, however, should Operator not post a price for oil produced in said field, then the average of the current field prices per barrel, of 42 U. S. gallons each, posted for crude oil of like grade and quality for said field prevailing on the respective dates on which runs are made to pipe line of.....

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and.....

or their successors, or such ones of said companies or their successors as may be purchasing oil in the field where the premises are located and posting field prices therefor.

(b) For natural gas or other gaseous or vaporous substance produced from the Joint Leases and used by Operator for the extraction of gasoline or other products, the current market value at the wells of such Non-Operator's interest therein, the natural gas or other gaseous or vaporous substance to be measured and the market value to be determined in a manner then prevailing in the industry. Each Non-Operator agrees upon demand of Operator from time to time to execute and deliver to Operator the form of division order then in use by Operator to cover the sale of its interest in the natural gas or other gaseous or vaporous substance so utilized by Operator.

(c) For gas of any kind when not used for the extraction of gasoline or other product by Operator, each Non-Operator's proportionate part of the market value thereof at the well.

(d) For other minerals, each Non-Operator's proportionate part of the reasonable market value thereof at the well or mine.

Operator may apply the proceeds accruing to any Non-Operator from the sale of its interest in the production from the Joint Leases on its indebtedness to Operator incurred under the provisions hereof.

7. TAKING PRODUCTS IN KIND: Despite the provisions of Section 6 above, each Non-Operator, at its election, after giving Operator written notice of its intention so to do, shall have the right and privilege of receiving at any time in kind its portion of the oil, gas and other minerals produced and saved from the Joint Leases. Such production shall be delivered to the Non-Operator involved into the pipe line or lines to which the well or wells on the Joint Leases may be connected or into storage tanks furnished by the Non-Operator. Each Non-Operator shall bear any extra expense incurred by Operator in delivering in kind Non-Operator's portion of the production from the Joint Leases.

8. INSURANCE—COMPLIANCE WITH LAWS AND REGULATIONS: Operator shall carry Workmen's Compensation insurance on its employees engaged in the joint operations, and in conducting operations hereunder shall comply with the Fair Labor Standards Act and all other applicable Federal and State laws, and applicable rules and regulations of Federal and State governmental agencies having jurisdiction.

9. NON-OPERATORS' RIGHTS AND PRIVILEGES: Each Non-Operator shall have the following specific rights and privileges:

(a) Access to the Joint Leases at all reasonable times to inspect the operations hereunder.

(b) The right to inspect the logs, samples, and cuttings from any and all wells drilled hereunder and to receive copies of the logs.

(c) The right to inspect and audit at all reasonable times the Operator's books, records and invoices pertaining to any matter of accounting arising hereunder.

10. LIABILITY OF PARTIES: The Joint Leases shall not be operated hereunder as a partnership venture, and the liability of the parties hereunder shall be several and not joint or collective. Each party shall be responsible only for its obligations as set out herein and shall be liable only for its proportionate share of the cost of operation hereunder. Nothing herein shall be construed as an assignment or transfer of the leases or an interest therein as between the parties hereto. Operator shall use reasonable diligence to pay all rentals payable under the leases which Operator is required to pay hereunder, but Operator shall not be liable in damages to Non-Operators or any of them for failure to pay promptly and properly any rental payable under such leases.

11. RIGHT OF PARTIES TO WITHDRAW OR ASSIGN: Any party hereto shall have the right, at any time when it is not indebted in any amount to the Operator under the provisions hereof and when there is not existing to any lessor or lessors or their successors in interest any obligation to do any further drilling upon the leases affected by this contract, to be relieved of all unaccrued obligations under this agreement by assigning to the other parties hereto in proportion to the interests then severally held by them in the Joint Leases all of the interest of the party desiring to be relieved of unaccrued obligations in and to the Joint Leases, free and clear of all liens and encumbrances and relinquishing all of its rights hereunder. Should the other parties desire not to accept an assignment, they shall join with the party desiring to relieve itself of unaccrued obligations in releasing the Joint Leases. If the other parties desire to accept an assignment, they shall have the right at their election either to:

(a) Purchase the interest of the withdrawing party in all casing, material, equipment, fixtures and personal property belonging to the Joint Account at its fair secondhand value, less the cost of salvaging same; or

(b) Retain such casing, material, equipment, fixtures and personal property and pay to the withdrawing party five per cent (5%) per annum on the value of the casing, material, equipment, fixtures and personal property, which value shall be the depreciated value from year to year, less the estimated cost of recovering the casing, material, equipment, fixtures and personal property, and, when the leases are finally abandoned, deliver to the withdrawing party its part of the material, casing, equipment, fixtures and personal property; or

(c) Deliver to the withdrawing party an amount of casing, material equipment, fixtures, and personal property of like kind as that retained and of a value equivalent to the interest of the withdrawing party in the casing, material, equipment, fixtures. and personal property involved less the cost of salvaging them.

Each party hereto owning an undivided interest in the Joint Leases waives any and all rights it may have to partition the Joint Leases and have set aside to it in severality its undivided interest therein. Before the sale by any party hereto of its interest in the Joint Leases, or any of them, the other parties hereto shall be given the refusal thereof at the price offered in good faith by a third party, and shall have the preferred right to purchase at the price stated, which right shall be exercised within five (5) days after receipt of written notice of the offer made by a third party. Should more than one party hereto exercise the preferred right to purchase, the interest in the Joint Leases shall be assigned to them in proportion to their several interests then held in the Joint Leases. This provision shall not apply in the event of sale to a subsidiary, affiliated or successor company of any party hereto, or to the sale by a party hereto of its interest in the Joint Leases as a part of the sale of all its assets.

12. RESIGNATION OF OPERATOR AND APPOINTMENT OF SUCCESSOR: Should Operator or any successor operator hereunder dissolve, liquidate or terminate its corporate existence or sell or otherwise dispose of its interest in the Joint Leases it shall thereupon cease to be Operator hereunder. Operator or any successor operator may resign its duties as Operator hereunder with the consent of the majority in interest of the parties hereto. Should Operator or any successor operator for any cause cease to be Operator hereunder, the parties hereto (including the successor or successors in interest of Operator) by vote of the majority in interest of the parties shall elect and designate another

Operator from among the parties hereto to act as Operator hereunder, provided if there are only two parties to this contract and their interests are equal the Non-Operator shall have the right and option to become Operator. Should Operator or any successor operator hereunder resign as Operator, its rights, titles and interests in the Joint Leases shall be unaffected by such resignation and that party shall thereupon become one of the Non-Operators hereunder and shall thenceforth be bound by the terms and provisions hereof as a Non-Operator. Any party hereto designated as Operator to succeed the Operator herein named shall thereupon succeed to all the duties, powers, obligations, rights and authority given to the Operator herein named with respect to all operations of every kind thereafter conducted on the Joint Leases for developing and managing the leases and producing, treating, handling and marketing of oil, gas and other minerals therefrom, as well as the payment of rentals, royalties, taxes and other charges which may arise or become due in connection with operations.

13. FORCE MAJEURE: In the event of any party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this contract, other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by 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 shall so far as possible be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of government and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of natural gas wells and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension. The term shall likewise include (a) in those instances where any party hereto is required to obtain servitudes, right of way grants, permits or licenses to enable it to fulfill its obligations hereunder, the inability of the party to acquire or the delays on the part of the party in acquiring, at reasonable cost and after the exercise of reasonable diligence, the servitudes, right of way grants, permits or licenses; and (b) in those instances where any party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities to enable the party to fulfill its obligations hereunder, the inability of the party to acquire, or the delays on the part of the party in acquiring, at reasonable cost and after the exercise of reasonable diligence, the materials and supplies and the inability of the party to secure, or the delays in securing, after the exercise of reasonable diligence, permission from any governmental agency to use materials and supplies which the party may have in its possession.

It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above mentioned requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

14. NOTICES: All notices herein provided for shall be mailed or sent to Operator at Dallas, Texas

and to Non-Operators as follows:

at J. Frank Stringer P.O.Box 3037, San Angelo, Texas 76901

at Dr. James C. Womack Suite 8, Medical Arts Bldg.,San Angelo,Texas 76901

at Edwin S. Mayer, Jr. P.O. Box 1741, San Angelo, Texas 76901

at J. A. March III 2509 Nasworthy Drive, San Angelo, Texas 76901

at Guy A. Swartz P.O. Box 3037, San Angelo, Texas 76901

at

at

at and

at

15. ARBITRATION: In case of disagreement as to any matter relating to operations hereunder which cannot be settled amicably, then, upon five (5) days' written notice given by one or more parties hereto to the others, the matter in disagreement shall be submitted to a board of three arbitrators. Non-Operators agree to appoint one arbitrator and Operator agrees to appoint one arbitrator. Such appointments shall be made within ten (10) days after the notice is given. Should either Operator or Non-Operators fail or refuse to appoint an arbitrator within the time specified, the party or parties hereto appointing an arbitrator, upon five (5) days' written notice to the party or parties failing or refusing to appoint an arbitrator, may apply to the person who is the judge then senior in office of the District Court of the United States of America having jurisdiction for the the Southern District of Texas or any federal court of similar jurisdiction for the appointment of such second arbitrator, and in such case the person so appointed shall act as a second arbitrator. The third arbitrator shall be chosen promptly by the two so appointed. All three arbitrators shall be disinterested practical oil operators. Pending a decision of the board of arbitrators, the parties hereto shall remain bound by the express terms hereof. Any and all decisions rendered by a majority of the board of arbitrators shall be final and binding upon the parties hereto, and adjustments shall be made in conformity with their award.

16. TERM: Unless terminated by agreement of all parties hereto, this contract shall continue in force and effect as long as the Joint Leases, or any of them, remain in force and effect.

17. PARTIES BOUND: This contract shall be binding upon the parties hereto and their heirs, successors and assigns. All parties hereto are referred to in the neuter gender.

EXECUTED in duplicate originals this the day of August, A. D. 1973

Edwin S. Mayer, Jr.

J. A. March III

Guy A. Swartz

J. Frank Stringer

James C. Womack

NON-OPERATORS

DALPORT OIL CORPORATION

By

OPERATOR

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

EXHIBIT "A"

Lands covered by Joint Operating Contract dated July 25, 1973, between J. Frank Stringer et al and Dalport Oil Corporation are as follows:

Township 12 South, Range 31 East NMPM

Section 17: East 1/2
containing 320 acres, more or less

601 ROSS-MARTIN COMPANY
TULSA, OKLAHOMA 74101

Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT " B "

Attached to and made a part of Joint Operating Contract between J. Frank Stringer et al and Dalport Oil Corporation dated July 25, 1973

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall be defined as set forth under the subparagraph selected below:

A. [X] Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

B. [ ] Material which is ordinarily so classified and controlled by Operator in the conduct of its operations. List shall be furnished Non-Operators upon request.

2. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under the subparagraph selected below:

A. [X] Statement in detail of all charges and credits to the Joint Account.

B. [ ] Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. [X] Statement of all charges and credits to the Joint Account, summarized by appropriate classification indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

3. Advances and Payments by Non-Operators

~~Unless otherwise provided for in the agreement,~~ the Operator may require the Non-Operators to ~~advance their~~ share of estimated cash outlay for the ~~succeeding month's operation. Operator shall~~ adjust each monthly billing to ~~reflect advances received from~~ the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ten per cent (10%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of Non-Operators is expressly required under Paragraphs 5A, 5B, 6A and 8 of Section II, Section III, Section V, Section VI, and Paragraph 4 of Section VII, of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.

(3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.

(4) Salaries and wages of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from overhead rates in Option C of Section III.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:

A. [ ] Operator's actual cost.

B. [X] Operator's actual cost not to exceed fifteen per cent (15%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of $100 or less.

6. Services

A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.

B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance

Net premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge therefor on the following basis:

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11. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus the rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraph 1 of this Section III or by combining all three of said items under the rates provided for in Paragraph 2 or 3 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE INDIRECT COSTS TO THE JOINT ACCOUNT UNDER THE TERMS OF:

[ ] Paragraph 1. (District Expense, Administrative Overhead and Warehousing)
[X] Paragraph 2. (Combined Rates - Well Basis)
[ ] Paragraph 3. (Combined Rates - Percentage Basis)

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by Operator and Non-Operators as a direct charge to the Joint Account.

THE OVERHEAD RATES PROVIDED FOR IN ANY OF THE PARAGRAPHS SELECTED ABOVE

A. [ ] shall [X] shall not include salaries and personal expenses of first-level supervisors in the field.
B. [ ] shall [X] shall not include salaries, wages and personal expenses of technical employees temporarily assigned to and directly employed on the Joint Property.
C. [ ] shall [X] shall not include salaries, wages and personal expenses of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property.

1. District Expense, Administrative Overhead and Warehousing

A. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages 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 ..... office located at or near ..... (or a comparable office if location changed); and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

B. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1A of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charge shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged direct as provided in Paragraphs 2 and 8 of Section II. Such charge shall be made on the basis indicated below, either (1) well basis or (2) percentage basis, at the rates shown thereunder.

(1) [ ] Well Basis

RATE PER WELL PER MONTH

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

(2) [ ] Percentage Basis

PERCENTAGE BASIS

Development:

..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

Operating:

..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

COPAS

C. Operator's Warehouse Operating and Maintenance Expense
[ ] Included in district expense
[ ] No charge either direct or indirect
[ ] Percentage basis (describe fully) .....

2. **Combined Rates - Well Basis**
Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

RATE PER WELL PER MONTH

Well Depth	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth) First Five	Next Five	All Wells Over Ten
2700'	$500.00	75.00	75.00	75.00

3. **Combined Rates - Percentage Basis**
Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

PERCENTAGE BASIS

A. Development:
..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

B. Operating:
..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

4. **Application of Administrative Overhead or Combined Rates - Well Basis**
The following limitations, instructions and charges shall apply in the application of the rates as provided under either Paragraph 1B (1) or Paragraph 2 of this Section III.

A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

B. The status of wells shall be as follows:
(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflooding operations and salt water disposal wells shall be considered the same as producing oil wells.
(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.
(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.
(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allowable production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.
(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
(6) Wells completed in multiple horizons, shall be considered as a producing well for each separately producing horizon, providing each completion is considered a separate well by governmental or other statewide regulatory authority.

C. The well rates for producing wells shall be applied to the individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project, the well rates shall be applied to the total number of producing wells, irrespective of individual leases.

D. The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian Index as published by the Dominion Bureau of Statistics, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

5. **Application of Administrative Overhead or Combined Rates - Percentage Basis**
For the purpose of determining charges on a Percentage Basis under Paragraph 1B (2) or Paragraph 3 of this Section III, Development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when well is not completed as a producer; and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 6 of this Section III. All other costs shall be considered as Operating.

6. **Major Construction Overhead**
For the construction of compressor plants, water stations, secondary recovery systems, drilling and production platforms, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling

and producing operations, Operator in addition to the Administrative Overhead or Combined Rates provided for in Paragraph 1, 2 or 3 of this Secton III shall either negotiate a rate prior to beginning of construction or shall charge the Joint Account with an additional overhead charge as follows:

A. Total cost less than $25,000, no charge.

B. Total cost more than $25,000, but less than $100,000, ...3..... % of total cost.

C. Total cost of $100,000 or more, ...2..... % of the first $100,000 plus .....1..... % of all over $100,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. Amendment of Rates

The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operators may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

(1) Tubular goods, except line pipe, shall be priced on a maximum carload and/or barge load weight basis regardless of quantity transferred and equalized to the lowest prevailing price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available effective at date of transfer.

(2) Line pipe shall be priced at the current replacement cost effective at date of transfer from a reliable supply store nearest the Joint Property where such Material is normally available if the movement is less than 30,000 pounds. If the movement is 30,000 pounds or more, it shall be priced on the same basis as casing and tubing under Subparagraph (1) of this paragraph.

(3) When the Operator has equalized actual hauling costs as provided for in Paragraph 5 of Section II, Operator is permitted to include ten cents (10¢) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.

(4) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f.o.b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is normally available.

(5) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

(1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.

(2) Material which is not suitable for its original function until after reconditioning shall be furnished to the Joint Account under one of the two methods defined below:

(a) Classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material. The cost of reconditioning shall be absorbed by the Operator of the transferring property.

(b) Classified as Condition "C" and priced at fifty per cent (50%) of current price of new Material. The cost of reconditioning also shall be charged to the receiving property, provided Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

(3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

(4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. In lieu of rates based on costs of ownership and operation of equipment, other than automotive, Operator may elect to use commercial rates prevailing in the area of the Joint Property less 20%; for automotive equipment, rates as published by the Petroleum Motor Transport Association may be used. Rates for laboratory services shall not exceed those currently prevailing if performed by

outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be agreed to by Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from Joint Property.

1. **Material Purchased by the Operator or Non-Operators.**
   Material purchased by either the Operator or Non-Operators 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-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator to the Joint Account.
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 claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless agreed to by Operator and Non-Operators shall be priced on the following basis:

1. **New Price Defined**
   New price as used in this Section VI shall be the price specified for new Material in Section IV.
2. **New Material**
   New Material (Condition "A"), being new Material procured for the Joint Property but never used, 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 Account 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. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
   B. Is serviceable for original function but not suitable for reconditioning.
5. **Bad-Order Material**
   Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.
6. **Junk Material**
   Junk Material (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 Property does not justify the reduction in price as provided for in Paragraph 3B of this Section VI, 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.

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**
   At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.
2. **Reconciliation and Adjustment of Inventories**
   Reconciliation of inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operators only for shortages due to lack of reasonable diligence.
3. **Special Inventories**
   Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.
4. **Expense of Conducting Periodic Inventories**
   The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.

EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement dated July 25,1973, between Dalport Oil Corporation as Operator, and J. Frank Stringer et al as Non-Operator. Operator shall at all times during the term of this Agreement, carry insurance to protect the parties hereto as follows:

1. Workmen's Compensation and occupational disease insurance as required by the laws of the state or states in which operations will be conducted and employer's liability insurance with a limit of not less than $100,000.

2. Comprehensive general public liability insurance, excluding products liability insurance, with limits of not less than: $100,000 applicable to bodily injury, sickness or death of any one person and $300,000 for more than one person in any one accident, and $100,000 for loss of or damage to property in any one accident and $100,000 aggregate limit applicable to all loss of or damage to property during the policy period.

3. Automobile public liability insurance covering all automotive equipment used in performance of work under this Agreement with limits of not less than: $100,000 applicable to bodily injury, sickness or death of any one person and $300,000 for more than one person in any one accident, and $50,000 for loss of or damage to property in any one accident.

If automotive equipment used is owned exclusively by Operator, no charge will be made to the Joint Account for premiums for this coverage except as provided in Section IV, Paragraph 5 of the Accounting Procedure.

File
Case 4986

LAW OFFICES OF
JENNINGS, CHRISTY & COPPLE
1012 SECURITY NATIONAL BANK BUILDING
P.O. BOX 1180
ROSWELL, NEW MEXICO 88201

JAMES T. JENNINGS
SIM B. CHRISTY IV
ROGER L. COPPLE
BRIAN W. COPPLE

ROBERT G. ARMSTRONG

TELEPHONE 622-6432
AREA CODE 505

June 22, 1973

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

Re: Order R-4553

Gentlemen:

We are enclosing herewith a copy of a letter from our client Dalport Oil Corporation to Reading & Bates in accordance with your Order R-4553; attached to this letter is Exhibit 2 in Case 4986.

Respectfully,

JENNINGS, CHRISTY & COPPLE

By S. B. Christy IV

SBC/jy
Encl.

cc: Dalport Oil Corporation
(Mr. Lampert)

DALPORT OIL CORPORATION

June 19, 1973

C

Mr. R. C. Little
Reading & Bates
1100 Philtower Building
Tulsa, Oklahoma 74103

O

Re: NMOCC Order #R-4553
Compulsory Pooling
E 1/2 Sec. 17, 12S-31E
Chaves County, New Mexico

Dear Sir:

P

In accordance with the above commission order, we are enclosing estimated drilling costs of our proposed #1 Terra-Federal, to be located approximately 2310' FNL and 1980' FEL, Sec. 17, 12S-31E. As record title owner of one half of the acreage under this 320 acre unit, you can join in the drilling of this well by paying to us or escrowing one half of the drilling costs within 30 days of receipt of this letter. Final payment will be in accordance with Order R-4553. Your acceptance or rejection of this request to join in the drilling of this well should be in accordance with Order R-4553.

Very truly yours,

Y

Leon M. Lampert

LML:chw

cc: Mr. Sim Christy IV
P. O. Box 1180
Roswell, New Mexico 88201

EXHIBIT 2

ESTIMATED DRILLING COST
DALPORT OIL CORP. #1 TERRA-FEDERAL
SEC. 17, 12S-31E
CHAVES COUNTY, NEW MEXICO

Drilling - Rotary Test		
Location and roads	$ 6,500	
2700' at $4.75/ft.	12,825	
300' of 8-5/8" surface casing at $2.70/ft.	485	
Cementing surface -- 200 sx	700	
Mud and water	800	
50' core and rig time	1,000	
1 DST and rig time	1,000	
Gamma-sonic log	1,000	
Supervision	250	
Miscellaneous	500	
Subtotal		$ 25,060
Completion		
Workover rig - 5 days	$ 2,100	
Anchors	250	
Casinghead - used	275	
Tubinghead - used	210	
Water	250	
2650' used 2-3/8 tubing at 85¢/ft	2,253	
2700' new 4½" J-55 at $1.60/ft	4,320	
Cementing long string, 275 sacks	1,000	
Seating nipple, valves, perforations	150	
1000 gallon acid job	700	
Sand fracture, 20,000 gallons water, 25,000# sand	3,500	
Supervision	250	
Clean location	300	
Miscellaneous	500	
Subtotal		$ 16,058
TOTAL		$ 41,118

Overhead - Combined Rate $500.00/drilling well;
$75.00 per month/well

LAW OFFICES
OF
HORTON & WERNER
ATTORNEYS & COUNSELORS AT LAW
405 ORTIZ, N.E.
ALBUQUERQUE, NEW MEXICO 87108
TELEPHONES 268-1611 OR 268-0825

BENJAMIN K. HORTON
KARL T. WERNER

ALBUQUERQUE ASSOCIATE
QUINCY D. ADAMS

File Case 4968

June 21, 1973

Mr. Emery Arnold
Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico

Re: Federal 2-11 Dakota Gas Well
New Mexico Lease Number 0338690
Fractional Section 11, T28N, R13W
San Juan County, New Mexico

Dear Mr. Arnold:

In reply to your request for five copies of Form C-104, Change of Operator for the above-entitled well, I wish to advise you that I already submitted these forms to Mr. Nutter in Santa Fe. But in case they have been misplaced, I am submitting a new original and four copies. We are awaiting the New Mexico Oil Conservation Commission's decision to amend Order # R-1814 to provide for the dissolution of the 344.28-acre non-standard unit. This unit comprises all of partial Section 11 plus Lot 4 and the SW/4 SW/4 or partial Section 12, T28N, R13W, Basin-Dakota Pool, San Juan County, New Mexico. I have applied for the creation of a 275.36-acre non-standard unit comprising all of partial Section 11 only to be dedicated to my Federal well #2. This was heard by Mr. Nutter, the examiner on May 9, 1973 as case #4968.

If you need any further information, please call me collect. As we have been working now over six months trying to get the 2-11 onto production, I have also received my purchase contract from El Paso Natural Gas and the FPC, but I cannot get U.S.G.S. approval until Order #R-1814 has been amended.

Your cooperation and assistance are appreciated.

With kindest regards,

Benjamin K. Horton

Benjamin K. Horton
BKH:ggm
cc: Mr. Dan Nutter

P.S. The U.S.G.S. gave my Farmington operator agent, Mr. Doyle Baxter, a permit to rework this well, which we are now doing.

File Case 4986

LAW OFFICES OF
JENNINGS, CHRISTY & COPPLE
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

JAMES T. JENNINGS
SIM B. CHRISTY IV
ROGER L. COPPLE
BRIAN W. COPPLE

ROBERT G. ARMSTRONG

TELEPHONE 622-6432
AREA CODE 505

July 17, 1973

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

Re: Order R-4553
E½ Sec. 17, Twp. 12 S., Rge. 31 E.
Chaves County, New Mexico

Gentlemen:

For your files we enclose herewith two letters, one from Reading & Bates Oil and Gas Co. of July 11, 1973, and one from J. Frank Stringer of July 12, 1973, relative to participation in the drilling of a test well on the captioned pursuant to Order R-4553, which is a compulsory pooling order.

As you will note, Reading & Bates have elected to go "non-consent" for their 25% interest and J. Frank Stringer, et al, have elected to pay their part of the drilling costs under the submitted AFE for their 75%.

As the record will reflect, there is no evidence in the Chaves County records of the interest of J. Frank Stringer, 100% of the operating rights being shown as owned by Reading & Bates. By carbon copy hereof we are asking Mr. Stringer to furnish us the assignment of the 75% interest in these operating rights to him and his co-tenants, together with evidence that the same has been recorded in the County records and approved by the BLM.

We understand that our client Dalport is furnishing to Stringer, et al, the Operating Agreement at an appropriate time, and a copy will be furnished to the Commission upon execution.

Respectfully,

JENNINGS, CHRISTY & COPPLE

By S. B. Christy IV

SBC:pv
cc: Dalport Oil Corporation (Dallas)
cc: Dalport Oil Corporation (Corpus Christi)
cc: Reading & Bates Oil and Gas Co.
cc: J. Frank Stringer

J. FRANK STRINGER
OIL PROPERTIES
P. O. BOX 3037
SAN ANGELO, TEXAS 76901

PHONE 949-8506

2402 COLORADO FALLS BOULEVARD

July 12, 1973

Mr. Leon M. Lampert
Dalport Oil Corporation
1134 The 600 Building
Corpus Christi, Texas 78401

RE: Dalport Oil Corporation No. 1
Terra-Federal, Section 17,
12S-31E, Chaves County, N.M.

Dear Mr. Lampert:

I have contacted my partners in regard to joining Dalport in drilling and pooling our leases in regard to the subject well. They have approved the estimated drilling cost of $25,060 and the estimated completion cost of $16,058 in connection with the drilling and completion of the subject well. They have stated that they will pay their prorata part. Our partners and their interests in this tract are as follows:

J. Frank Stringer	P. O. Box 3037, San Angelo, Texas 76901	15.625%
Dr. James C. Womack	Suite 8, Medical Arts Bldg., San Angelo, Texas 76901	6.25%
Edwin S. Mayer, Jr.	P. O. Box 1741, San Angelo, Texas 76901	25.00%
J. A. March, III	2509 Nasworthy Drive, San Angelo, Texas	12.50%
Guy A. Swartz	P. O. Box 3037, San Angelo, Texas 76901	15.625%

We understand that Reading & Bates who own 25% is not joining in this venture and will probably go under the penalty clause.

Please forward to us at the appropriate time the Operating Agreement for signatures.

Very truly yours,

J. Frank Stringer

JFS:cr

cc: All Partners

READING & BATES OIL AND GAS CO.
GENERAL OFFICE: PHILTOWER BUILDING, TULSA, OKLAHOMA 74103, CABLE ADDRESS: REBAT-TULSA, PHONE: AC/918 583-8521

July 11, 1973

Dalport Oil Corporation
1134 The 600 Building
Corpus Christi, Texas

Attention: Leon M. Lampert

Re: NMOCC Order #R-4553
E/2 Section 17-12S-31E
Chaves County, New Mexico

Dear Mr. Lampert:

Pursuant to the above captioned commission order and following receipt of your letter dated June 19, 1973 transmitting a copy of an AFE, please be advised that Reading & Bates hereby makes its election to assume a non-consent position with regard to participation in the test well to be drilled pursuant to said order.

We shall, however, expect to be provided with all well reports, data and the schedule of actual well cost following completion of the well.

Yours truly,

READING & BATES OIL AND GAS CO.

D. L. Potter

D. L. Potter,
Vice President

HER:pah

Case 4456

LAW OFFICES OF
JENNINGS, CHRISTY & COPPLE
1012 SECURITY NATIONAL BANK BUILDING
P.O. BOX 1180
ROSWELL, NEW MEXICO 88201

JAMES T. JENNINGS
SIM B. CHRISTY IV
ROGER L. COPPLE
BRIAN W. COPPLE

ROBERT G. ARMSTRONG

TELEPHONE 622-6432
AREA CODE 505

June 27, 1973

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

Re: Order R-4553

Gentlemen:

We are enclosing herewith Registered Return Receipt by Reading & Bates, dated June 21, 1973, in connection with our transmittal to you of June 22, 1973.

Respectfully,

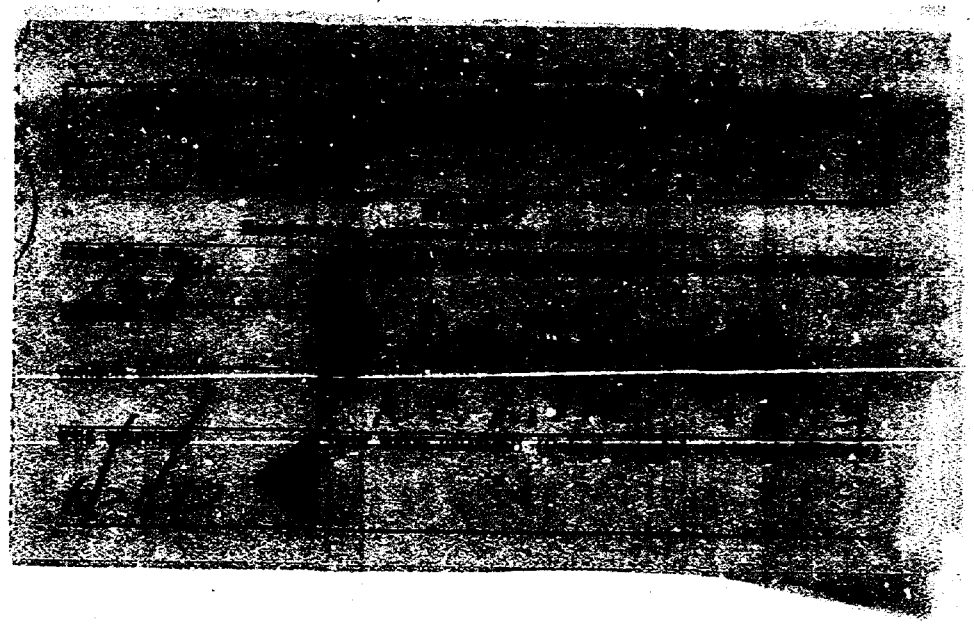
JENNINGS, CHRISTY & COPPLE

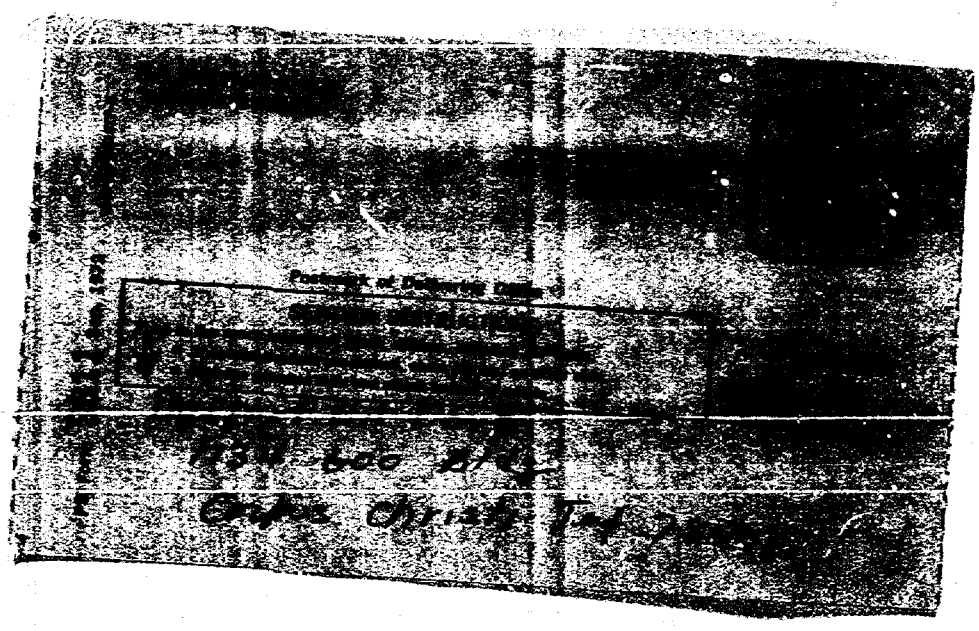
By S. B. Christy IV

SBC:pv

Enlc.

cc: Dalport Oil Corporation
(Corpus Christi)





Docket No. 15-73

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for July, 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 July, 1973.

CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

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

(Case 4967 continued from page 1)

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 M of said Section 29.

CASE 4985: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pipeline Deep Unit Area comprising 3,862 acres, more or less, of federal lands in Township 19 South, Range 34 East, Lea County, New Mexico.

CASE 4986: Application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, Chaves County, New Mexico, to be dedicated to a well to be drilled in Unit G of said Section 17. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, the establishment of charges for supervision of said well, and the designation of applicant as operator.

CASE 4987: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry, Tubb, and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 20 located in Unit E of Section 20, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4988: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Tubb and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 28 located in Unit A of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4989: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is

Docket No. 15-73

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

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

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CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

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

(Case 4989 continued from page 2)

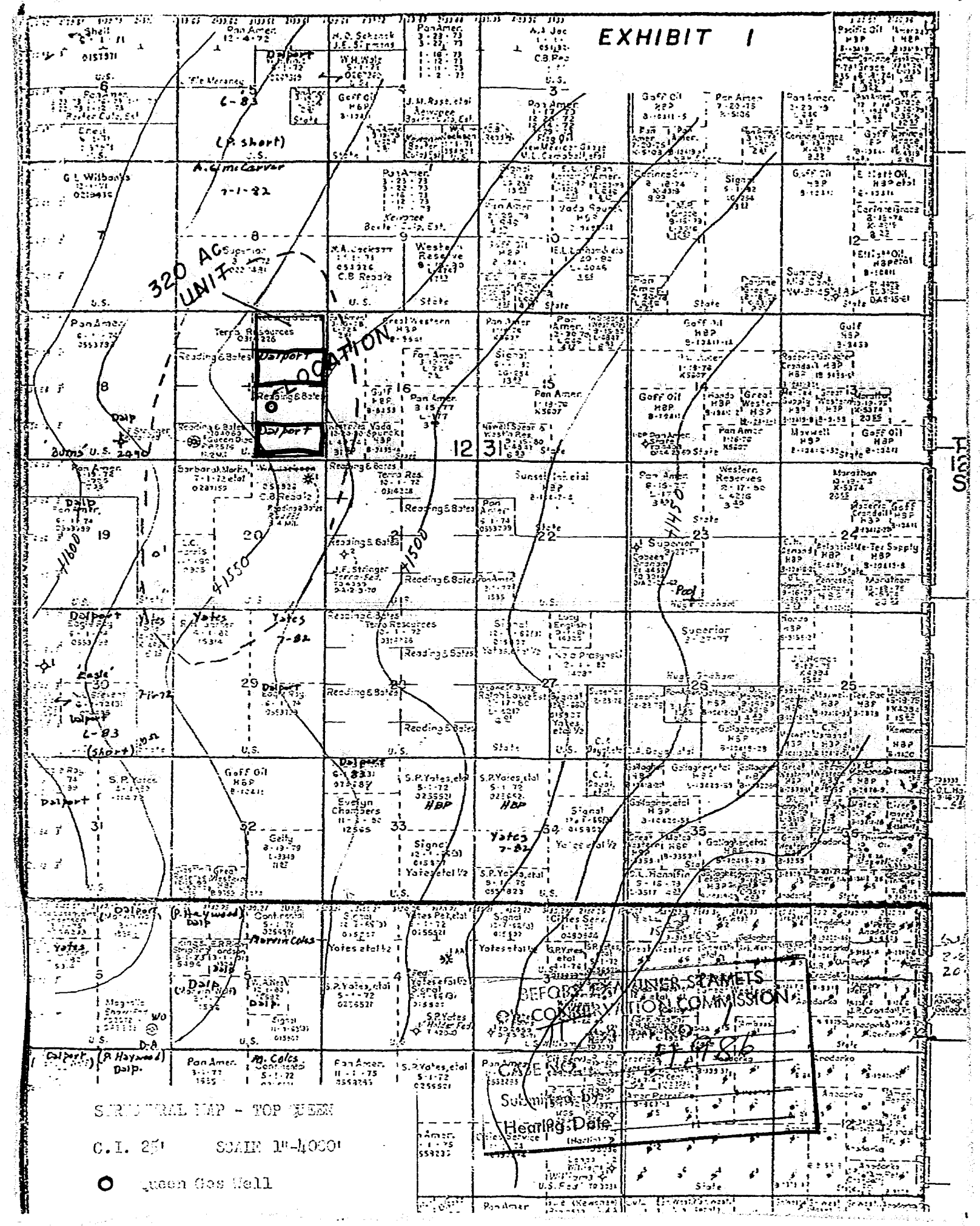
overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

CASE 4966: (Continued from the May 23, 1973 Examiner Hearing)

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.

EXHIBIT 1



STRUCTURAL MAP - TOP QUEEN

C.I. 25' SCALE 1"=4000'

O Queen Gas Well

EXHIBIT 2

ESTIMATED DRILLING COST
DALPORT OIL CORP. #1 TERRA-FEDERAL
SEC. 17, 12S-31E
CHAVES COUNTY, NEW MEXICO

Drilling - Rotary Test		
Location and roads	$ 6,500	
2700' at $4.75/ft.	12,825	
300' of 8-5/8" surface casing at $2.70/ft.	485	
Cementing surface - 200 sx	700	
Mud and water	800	
50' core and rig time	1,000	
1 DST and rig time	1,000	
Gamma-sonic log	1,000	
Supervision	250	
Miscellaneous	500	
Subtotal		$ 25,060

Completion		
Workover rig - 5 days	$ 2,100	
Anchors	250	
Casinghead - used	275	
Tubinghead - used	210	
Water	250	
2650' used 2-3/8 tubing at 85¢/ft	2,253	
2700' new 4½" J-55 at $1.60/ft	4,320	
Cementing long string, 275 sacks	1,000	
Seating nipple, valves, perforations	150	
1000 gallon acid job	700	
Sand fracture, 20,000 gallons water, 25,000# sand	3,500	
Supervision	250	
Clean location	300	
Miscellaneous	500	
Subtotal		$ 16,058
TOTAL		$ 41,118

Overhead - Combined Rate $500.00/drilling well;
$75.00 per month/well

TERRA RESOURCES, INC.

March 9, 1973

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 4986
Submitted by
Hearing Date

Dalport Oil Corporation
1134, The 600 Building
Corpus Christi, Texas 78401

Attention: Mr. Leon M. Lampart

Re: Option to Drill and
Farmout Agreement
West Caprock Area (1402)
Chaves County, New Mexico

Gentlemen:

Without expressing any warranty of title, either express or implied, Terra Resources, Inc., (hereinafter referred to as "Terra"), is the owner of all the leasehold interest in the following described oil and gas leases, covering lands in Chaves County, New Mexico to-wit:

Terra Lease No. 1402-15451

Oil and Gas Lease dated October 1, 1962, from The United States of America, Lessor, to Hazel M. Huckabay, Lessee, bearing Serial No. NM-0314228 and covering, among other lands, the following described lands:

Township 12 South, Range 31 East

Section 17: S/2 SE/4 and S/2 NE/4
Section 21: S/2 NW/4 and N/2 NE/4 and
S/2 SW/4 and N/2 SE/4
Section 28: S/2 NW/4 and N/2 NE/4 and
S/2 SW/4 and N/2 SE/4

containing 800 acres, more or less

The above-described lease, insofar as it relates to the land particularly described above, is hereinafter referred to as "Earned Lease."

You have expressed to representatives of Terra your desire to acquire a part of the interest of Terra in the Earned Lease for and in consideration of the performance of

certain operations subject to the terms and provisions hereinafter set forth.

Subject to your acceptance and approval in the manner hereinafter provided, Terra proposes the following agreement:

I.

A. In consideration of the promises and of the premises hereinafter set forth, you have the option and right to commence or cause to be commenced on or before April 1, 1973, actual drilling in a well for oil and gas in the center of E/2 Section 17, Township 12 South, Range 31 East, Chaves County, New Mexico (hereinafter referred to as "initial test well") and therafter continue such drilling with due diligence and in a workmanlike manner in accordance with good oil field practice until said test well shall have been drilled to a depth of 2,700 feet below the surface of the ground at the well site or 75 feet below the base of the Queen Sand, whichever is the lesser depth.

B. The initial test well shall be drilled, tested and completed for production, or if dry, plugged and abandoned and the premises restored, at your sole cost, risk and expense, and Terra shall never be liable for any such cost, risk or expense. Said test well shall be completed pursuant to the terms hereof within 60 days from spud date.

C. In the event the initial test well is drilled and completed as a well capable of producing oil and/or gas in paying quantities, in compliance with and subject to all conditions, covenants and agreements herein set forth, Terra forthwith shall execute and deliver to you an assignment of all its operating rights or working interest under, but not record title to, the S/2 SE/4 and S/2 NE/4 Sec. 17-12S-31E as to all depths from the surface of the ground to the base of the Queen Sand reserving to Terra free and clear of all cost and expense except applicable taxes which may be assessed against the same, an overriding royalty of three percent (3%) of all oil, gas and other hydrocarbon substances which may be allocated, produced, saved and sold from said assigned acreage under the Earned Lease and any extensions or renewals thereof, together with the right to elect to exchange such overriding royalty interest for an undivided interest in such acreage as hereinafter provided. The overriding royalty reserved to Terra shall be in addition to and not inclusive of any overriding royalties now existing on said Earned Lease.

D. After you shall have been reimbursed from the gross proceeds derived from the operations of the initial test well for all of the "chargeable expenses" incurred by you in drilling, completing and operating same, Terra shall have the right to elect to exchange its overriding royalty interest for an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage, burdened only with a proportionate part of all presently existing overriding royalty payable under Earned Lease as to said assigned acreage. Any such election by Terra shall be confirmed by notice in writing to you and such exchanges shall be effective on the first day of the calendar month next following the date of such payout. Forthwith following receipt by you of notice of the election by Terra to make such an exchange, you shall execute and deliver to Terra an assignment of an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage as provided above, and Terra shall execute an appropriate instrument to extinguish its overriding royalty interest. "Gross proceeds" as used herein shall include the value of all oil, gas and other minerals produced, sold or removed from said initial test well, together with the value of any material salvaged, sold or removed from the test well. "Chargeable expenses" as used herein shall include all of the cost and expense of every nature incurred by you in connection with (1) the drilling, coring, testing, completing, equipping, and operating the initial test well and the storing and shipping of oil, gas and other minerals produced from the initial test well, and (2) all lessor's royalty, all presently existing overriding royalties and the overriding royalty interest reserved to Terra in the 320-acre proration unit. During the payout period of initial test well, you shall submit to Terra, on or before the last day of each month, a detailed statement of the gross proceeds received and chargeable expenses incurred during the preceding calendar month and advise of the remaining balance of recoverable costs.

E. In the event the initial test well is plugged and abandoned as a dry hole after having been drilled to contract depth, Terra shall execute and deliver to you an assignment of an undivided seventy-five percent (75%) of its operating rights or working interest, but not record title, in and to the Earned Lease, INSOFAR only as said Earned Lease covers the S/2 SE/4 and S/2 NE/4 Sec. 17-12S-31E as to all depths from the surface of the ground to the base of the Queen Sand.

F. It is specifically understood and agreed that you shall not earn any interest in the proration unit created for

the #1 Terra Federal well located in SW/4 SW/4 Sec. 17-12S-31E.

II.

A. In the event the initial test well is drilled and completed as a well capable of producing in paying quantities, or dry and abandoned, as provided in Paragraph I above, you shall have the right and option, expiring sixty (60) days after the initial test well has been completed as a producer, shut-in, or dry and abandoned, to commence drilling a second test well at a location in Section 21 or 28-12S-31E. The second test well shall be drilled pursuant to the terms and conditions as provided for the initial test well in Paragraph I,subparagraphs A and B above.

B. In the event the second test well is drilled and completed as a well capable of producing oil and/or gas in paying quantities, in compliance with and subject to all conditions, covenants and agreements herein set forth, Terra forthwith shall execute and deliver to you an assignment of all its operating rights or working interest under, but not record title to, the acreage committed to the 320-acre proration unit designated for the said second test well as to all depths from the surface of the ground to the base of the Queen Sand, reserving to Terra free and clear of all cost and expense except applicable taxes which may be assessed against the same, an overriding royalty of Three Percent (3%) of all oil, gas and other hydrocarbon substances which may be allocated, produced, saved and sold from said assigned acreage under the Earned Lease and any extensions or renewals thereof, together with the right to elect to exchange such overriding royalty interest for an undivided interest in such lease as to said assigned acreage as hereinafter provided. The overriding royalty reserved to Terra shall be in addition to and not inclusive of any overriding royalties now existing on said Earned Lease.

C. After you shall have been reimbursed from the gross proceeds derived from the operations of the second test well for all of the "chargeable expenses" incurred by you in drilling, completing and operating same, Terra shall have the right to elect to exchange its overriding royalty interest for an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage committed to the 320-acre proration unit designated for said second test well, burdened only with a proportionate part of all presently existing overriding royalty payable under Earned Lease as to said assigned acreage. Any such election by Terra shall be confirmed by notice in writing to you and such exchanges shall be effective on the first day of the

calendar month next following the date of such payout. Forthwith following receipt by you of notice of the election by Terra to make such an exchange, you shall execute and deliver to Terra an assignment of an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage as provided above, and Terra shall execute an appropriate instrument to extinguish its overriding royalty interest. "Gross proceeds" as used herein shall include the value of all oil, gas and other minerals produced, sold or removed from said second test well, together with the value of any material salvaged, sold or removed from the second test well. "Chargeable expenses" as used herein shall include all of the cost and expense of every nature incurred by you in connection with (1) the drilling, coring, testing, completing, equipping and operating the second test well and the storing and shipping of oil, gas and other minerals produced from the second test well, and (2) the lessor's royalty, all presently existing overriding royalties and the overriding royalty interest reserved to Terra in the 320-acre proration unit. During the payout period of second test well you shall submit to Terra, on or before the last day of each month, a detailed statement of the gross proceeds received and chargeable expenses incurred during the preceding calendar month and advise of the remaining balance of recoverable costs.

D. In addition, when the second test well has been drilled and completed for production, in accordance with the provisions hereof, Terra shall execute and deliver to you an assignment of an undivided seventy-five percent (75%) of its operating rights or working interest, but not record, title, in and to all of the Earned Lease acreage within the drillsite section, except said acreage within the 320-acre proration unit, from the surface of the ground to the base of the Queen Sand.

E. In the event the second test well is plugged and abandoned as a dry hole after having been drilled to contract depth, Terra shall execute and deliver to you an assignment of an undivided seventy-five percent (75%) of its operating rights or working interest, but not record title, in and to the Earned Lease, INSOFAR only as said Earned Lease covers acreage in the drillsite section, as to all depths from the surface of the ground to the base of the Queen Sand.

III.

A. In the event the second test well is drilled and completed as a well capable of producing in paying quantities, or dry and abandoned, as provided in Paragraph II above, you shall have the right and option, expiring sixty (60) days after the second test well has been completed as a producer, shut-in, or dry

and abandoned, to commence drilling a third test well at a location in Section 21 or 28-12S-31E. Said location shall not be in same section as the location for the second test well. The third test well shall be drilled pursuant to the terms and conditions as provided for the initial test well in Paragraph I, subparagraphs A and B above.

B. In the event the third test well is drilled and completed as a well capable of producing oil and/or gas in paying quantities, in compliance with and subject to all conditions, covenants and agreements herein set forth, Terra forthwith shall execute and deliver to you an assignment of all its operating rights or working interest under, but not record title to, the acreage committed to the 320-acre proration unit designated for the said third test well as to all depths from the surface of the ground to the base of the Queen Sand, reserving to Terra free and clear of all cost and expense except applicable taxes which may be assessed against the same, an overriding royalty of Three Percent (3%) of all oil, gas and other hydrocarbon substances which may be allocated, produced, saved and sold from said assigned acreage under the Earned Lease and any extensions or renewals thereof, together with the right to elect to exchange such overriding royalty interest for an undivided interest in such lease as to said assigned acreage as hereinafter provided. The overriding royalty reserved to Terra shall be in addition to and not inclusive of any overriding royalties now existing on said Earned Lease.

C. After you shall have been reimbursed from the gross proceeds derived from the operations of the third test well for all of the "chargeable expenses" incurred by you in drilling, completing and operating same, Terra shall have the right to elect to exchange its overriding royalty interest for an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage committed to the 320-acre proration unit designated for said third test well, burdened only with a proportionate part of all presently existing overriding royalty payable under Earned Lease as to said assigned acreage. Any such election by Terra shall be confirmed by notice in writing to you and such exchanges shall be effective on the first day of the calendar month next following the date of such payout. Forthwith following receipt by you of notice of the election by Terra to make such an exchange, you shall execute and deliver to Terra an assignment of an undivided twenty-five percent (25%) interest in, to and under Earned Lease as to said assigned acreage as provided above, and Terra shall execute an

appropriate instrument to extinguish its overriding royalty interest. "Gross proceeds" as used herein shall include the value of all oil, gas and other minerals produced, sold or removed from said 320-acre proration unit, together with the value of any material salvaged, sold or removed from the test well. "Chargeable expenses" as used herein shall include all of the cost and expense of every nature incurred by you in connection with (1) the drilling, coring, testing, completing, equipping and operating the third test well and the storing and shipping of oil, gas and other minerals produced from the third test well, and (2) the lessor's royalty, all presently existing overriding royalties, and the overriding royalty interest reserved to Terra in the 320-acre proration unit. During the payout period, you shall submit to Terra on or before the last day of each month, a detailed statement of the gross proceeds received and chargeable expenses incurred during the preceding calendar month and advise of the remaining balance of recoverable costs.

D. In addition, when the third test well has been drilled and completed for production, in accordance with the provisions hereof, Terra shall execute and deliver to you an assignment of an undivided seventy-five percent (75%) of its operating rights or working interest, but not record title, in and to all of the Earned Lease acreage within the drillsite section except said acreage within the 320-acre proration unit, as to all depths from the surface of the ground to the base of the Queen Sand.

E. In the event the third test well is plugged and abandoned as a dry hole after having been drilled to contract depth, Terra shall execute and deliver to you an assignment of an undivided seventy-five percent (75%) of its operating rights or working interest, but not record title, in and to the Earned Lease, INSOFAR only as said Earned Lease covers acreage in the drillsite section, as to all depths from the surface of the ground to the base of the Queen Sand.

IV.

A. It is understood and agreed that 320-acre proration units shall be established for each test well drilled pursuant to the terms of this agreement. The rights of Terra shall be reduced by dividing the acreage in which Terra reserved an interest by the total proration unit acreage.

B. It is understood and agreed that any assignments to be made by Terra to you pursuant to the foregoing provisions of this Agreement shall be made without representation of title, either express or implied, it being understood that you shall satisfy yourself as to the title to said Earned Lease by your own independent examination.

V.

Should you fail to reach the object depth in any test well, due to mechanical difficulties or because of encountering conditions which are normally considered in the industry to be impenetrable or which, in your opinion, would make further drilling impractical by ordinary drilling methods, you shall have the right, within ten (10) days after good faith discontinuance of operations on the test well, to commence actual drilling of a substitute test well on the Earned Lease premises under all the terms and conditions prescribed for the test well. Such substitute well shall be treated under this Agreement as the test well.

VI.

If any test well provided for herein is completed as a commercial producer and Terra exercises its option to become a working interest owner under the preceding provisions of this agreement, or the parties hereto elect to drill a subsequent test well upon said jointly-owned Earned Lease premises, you agree to enter into an Operating Agreement covering said operations upon the A.A.P.L. Form 610, Model Form Operating Agreement - 1956, including Terra's usual special provisions, COPAS 1962 form of Accounting Procedure with Overhead Rates acceptable in the industry for that area.

VII.

After your acceptance hereof, Terra shall continue to pay all delay rentals payable under the Earned Lease provided that:

A. Terra shall not be liable for error in such payment or for nonpayment due to error or oversight.

B. Upon being billed therefor and furnished copies of rental receipts, you shall reimburse Terra for 75% of such payments.

VIII.

With respect to all wells drilled by you hereunder, you shall comply with the well data and logging provisions contained in Exhibit "A" attached hereto.

IX.

In addition to the other indemnity provisions herein contained, at all times while you shall have the right to conduct any operations hereunder on Earned Lease, you agree to comply with the insurance provisions set forth on Exhibit "B".

X.

The parties hereto hereby agree to and hereby do elect under the authority of Section 761 (a) of the Internal Revenue Code of 1954 and the regulations thereunder, that this contract and all operations hereunder be excluded from the application of any and all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, and each of the parties hereto agrees to execute whatever instruments as may be required to effect this intent.

XI.

It is expressly understood and agreed that Terra shall have the option and exclusive right to be exercised from time to time and as often as desired, to purchase all oil, gas, casinghead gas and other minerals which may be produced and saved from the leasehold estates to be assigned under the terms of this agreement at the posted market price offered by responsible purchaser for production of the same kind and quality in the area in which said land is located at the time such production is taken for purchase.

XII.

You shall have no right to assign to any third party any of your rights hereunder without the written consent of Terra.

XIII.

This agreement shall inure to and be binding upon the parties hereto and upon their respective successors and assigns.

If the foregoing correctly sets forth our agreement, please so signify by having the appropriate signature affixed in the space provided below and return one (1) copy of this letter within thirty (30) days from the date hereof or the proposal herein contained is to be deemed withdrawn.

Yours very truly,

TERRA RESOURCES, INC.

By _____
J. P. Roach, Vice President

JPR/CBF/sjd
Attachments

ACCEPTED AND APPROVED THIS 13th
day of April ,1973

DALPORT OIL CORPORATION

W. L. Todd, President

By:
(Name) (Title)

EXHIBIT "A"

(Attached to and made a part of Letter)
(Agreement dated Mar. 9, 1973 between)
(Terra Resources, Inc. and Dalport Oil)
(Corporation, Chaves County, New Mexico)

WELL DATA AND LOGGING REQUIREMENTS

1. Terra and its employees and representatives shall at all times have full and complete access to said locations, wells and the derrick floor of any wells drilled in accordance with this Agreement, and in connection with and during the course of drilling all wells, you shall:

(a) Use mud of sufficient gravity and viscosity to return cuttings satisfactory to the representatives of Terra;

(b) Test or core all shows of oil or gas at your sole cost, risk and expense as soon as encountered, unless Terra shall consent that testing be deferred until said test well shall reach total depth;

(c) Maintain a continuous record of the drilling time for said test well commencing at the base of surface casing and continuing at a maximum of 10-foot intervals to total depth;

(d) Telephone daily drilling reports to Terra;

(e) Maintain at the well while drilling and at Amstrat thereafter, samples of all formations encountered between a depth at the base of surface casing to total depth, such samples to be available to Terra representatives at all times;

(f) Notify Terra before conducting any coring operations, drill stem test, electrical log survey, or velocity survey in sufficient time to enable its representatives to be present to witness such test.

2. At the appropriate time or times, you shall take or cause to be taken the necessary action to make available and, as soon as available, promptly furnish Terra with the following in connection with the drilling of all test wells under this Agreement:

(a) Samples of all cores, fluids or gases sampled therein, together with all information (including 2 copies of fluid and core analyses) obtained during and from the drilling of said test well;

(b) Three (3) field copies and three (3) final copies of Induction Electrical Survey Log from the base of surface casing to total depth;

(c) Three (3) field copies and three (3) final copies of Gamma Ray-Sonic Log with Caliper from 200 feet above Muddy to total depth;

(d) Three (3) field copies and three (3) final copies of any other survey which you may run in said test well;

(e) One (1) typewritten or photocopy of detail sample log, well history, core and drill stem test description;

(f) Two (2) complete copies of plugging report if said test well is plugged and abandoned.

3. Upon completion of each test well, deliver samples of all formations between a depth at the base of surface casing to total depth to American Stratigraphic Company, Casper, Wyoming, furnishing Terra with receipts showing delivery of such samples and receipts showing payment of the processing and storage charges for same.

4. All notices, reports, logs, samples, and other information herein provided for to be given Terra are to be made or delivered to:

Terra Resources, Inc.
900 Security Life Building
Denver, Colorado 80202

ATTENTION: Mr. W. W. Bell
Office Telephone (303) 222-3671
Home Telephone (303) 771-0424

EXHIBIT "B"

(Attached to and made a part of Letter)
(Agreement dated March 9, 1973, between)
(Terra Resources, Inc. and Dalport Oil)
(Corporation, Chaves County, New Mexico)

INSURANCE

Operator, or its contractors, shall have the following insurance limits in effect:

(a) Workmen's Compensation Insurance and Employer's Liability Insurance to cover full liability under the relevant laws of the State where working, and

(b) Comprehensive General Liability Insurance with bodily injury or death limits of not less than $100,000 for injuries to, or death of, any one person, not less than $300,000 for injuries to, or death of, more than one person resulting from any one accident, and property damage limits of not less than $100,000 for each accident; and

(c) Automobile Liability Insurance covering owned and non-owned automobiles with bodily injury or death limits of not less than $100,000 for injuries to or death of, any one person, not less than $300,000 for injuries to, or death of more than one person resulting from any one accident and property damage limits of not less than $100,000 for damage to property for each accident.

LAW OFFICES OF

JENNINGS, CHRISTY & COPPLE

1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-6432
AREA CODE 505

JAMES T. JENNINGS
SIM B. CHRISTY IV
ROGER L. COPPLE
BRIAN W. COPPLE

ROBERT G. ARMSTRONG

May 14, 1973

Case 4986

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

Attention: Mr. A. L. Porter, Jr.

Re: Southeast Chaves Area
Chaves County, New Mexico

Gentlemen:

We enclose herewith in triplicate Application of Dalport Oil Corporation for compulsory pooling, Southeast Chaves Area, Chaves County, New Mexico, and request that it be placed upon the next available Examiner's Docket.

Respectfully,

JENNINGS, CHRISTY & COPPLE

By _____
S. B. Christy IV

SBC:pv
Encl.
cc: Dalport Oil Corporation

DALPORT OIL CORPORATION
1134 THE 600 BUILDING
CORPUS CHRISTI, TEXAS 78401

April 10, 1973

CODE 512-882-7863

Mr. Jim Nelson
Terra Resources, Inc.
900 Security Life Building
Denver, Colorado 80202

Re: Farmout Agreement
West Caprock Area (1402)
Chaves County, New Mexico

Dear Sir:

Pursuant to our telephone conversation of April 9th concerning revisions in your farmout agreement of March 9, 1973, we agree to the following changes:

(1) Page 2, paragraph I-A. The commencement date will be June 10, 1973.

(2) Page 9, paragraph XI. The words "gas" and "casinghead gas" will be deleted from this paragraph.

If these changes are acceptable, please indicate your agreement by executing in the space below and returning two copies to this office.

Very truly yours,

Leon M. Lampert

AGREED AND ACCEPTED THIS
16th DAY OF APRIL, 1973

TERRA RESOURCES, INC.
By James D. Nelson

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4
CASE NO. 4986
Submitted by
Hearing Date

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF DALPORT OIL CORPORATION FOR COMPULSORY POOLING IN SOUTHEAST CHAVES AREA, CHAVES COUNTY, NEW MEXICO.

CASE NO. 4986

APPLICATION

COMES NOW Dalport Oil Corporation (Dalport) and states:

1. Dalport, under a Farmout and Assignment of Operating Rights from Terra Resources, Inc., is the proposed operator of a well to be drilled in Unit G, Section 17, Township 12 South, Range 31 East, N.M.P.M., Chaves County, New Mexico, within the Southeast Chaves Area, as defined by the Commission; the well is projected to the Queen Formation, and it is proposed that there will be dedicated thereto the E½ of said Section 17.

2. Upon information and belief, Reading & Bates, Inc., a corporation, is the owner of certain operating rights in the N½NE¼, N½SE¼ of said Section 17 from the surface to the top of the Glorieta Formation which includes the Queen Formation.

3. The entire E½ of said Section 17 is embraced in United States Oil and Gas Lease NM-0314228, dated October 1, 1962, presently held by production on other lands, and the record title thereto is owned by Terra Resources, Inc.

4. Dalport and Reading & Bates, Inc., each having a right to drill in the proposed area and to the proposed formation, have been unable to agree to pool their interests for said Unit to the Queen Formation being a common source of supply. Therefore, in order to avoid the drilling of unnecessary wells and to protect the correlative rights, and to prevent waste, it is advisable that the Commission, after notice and hearing, pool all of the E½ of said Section 17 for the Queen Formation as a spacing or proration unit and to allocate the respective tracts within the Unit in proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire Unit. That such order effecting pooling should be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the Unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas or both, underlying the pooled Unit, and that such pooling order should make definitive provision as to any owner, or owners, who elect not to pay their proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the cost of development and operations, together with an appropriate risk factor. That such order should otherwise be entered in conformity to N.M.S.A. 65-3-14, 1953 Comp.

WHEREFORE, Dalport prays, after notice and hearing, that the Commission pool all mineral interests whatever they may be in the E½ of Section 17, Township 12 South, Range 31 East, N.M.P.M., for

the production of gas and associated hydrocarbons producible from the Queen Formation, and to enter an appropriate order in conformity with N.M.S.A. 65-3-14, 1953 Comp., including appropriate provisions for risk factors in the event the various owners do not advance estimated drilling, completion and development costs; and for all proper relief.

DALPORT OIL CORPORATION

By _____
S. B. Christy IV, as a
Member of the Firm of
Jennings, Christy & Copple
P. O. Box 1180
Roswell, New Mexico 88201

cc: Reading & Bates, Inc.

cc: J. Frank Stringer

cc: Terra Resources, Inc.

DRAFT

dr/

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. 4986

Order No. R-4553

APPLICATION OF DALPORT OIL CORPORATION
FOR COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 6, , 1973 at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 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, Dalport Oil Corporation ,

seeks an order pooling all mineral interests in the

Queen formation underlying the E/2

of Section 17, Township 12 South, Range 31 East,

NMPM, Southeast Chaves Queen Gas Area, Chaves County, New

Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in Unit J of said Section 17.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $75.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject wells which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, NMPM, Southeast Chaves Queen Gas Area, Chaves County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to a well to be drilled in Unit J of said Section 17.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Dalport Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and at least 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 100 % percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That $ 75.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Chaves County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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