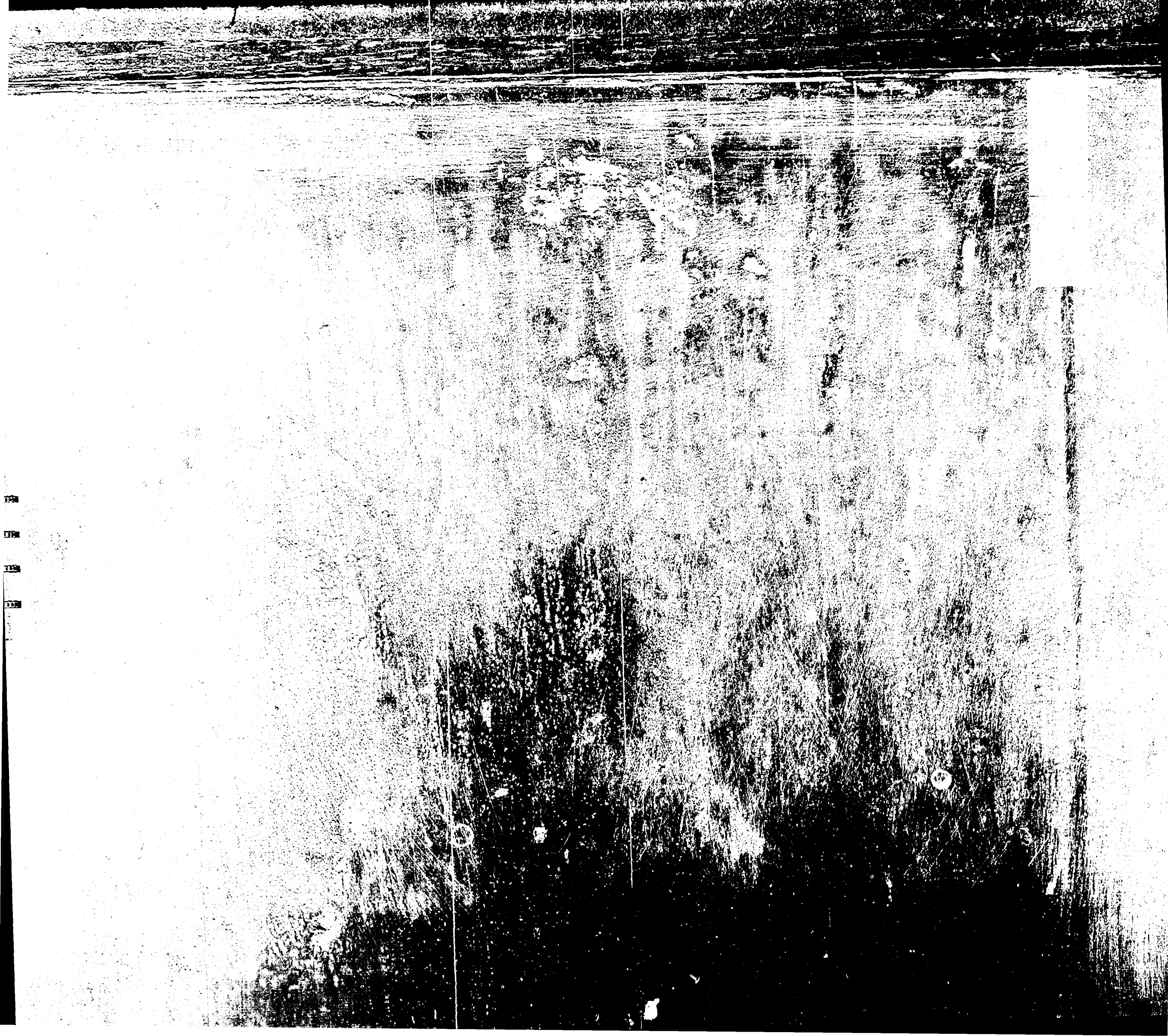
CASE 7513: MESA PETROLEUM COMPANY FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO



DOCKET MAILED

Date 3/5/82

CASE NO.

7513

APPLICATION,

TRANSCRIPTS,

SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

April 6, 1982

Re: CASE NO. 7513
ORDER NO. R-6230

Mr. William F. Carr
Campbell, Byrd & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Applicant:

Mesa Petroleum Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Frank Mathew

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7513
Order No. R-6930

APPLICATION OF MESA PETROLEUM COMPANY
FOR COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of April, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That on February 22, 1982, the applicant, Mesa Petroleum Company, filed an application seeking an order pooling all mineral interests in the Abo Formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) That as of December 31, 1981, Jack J. Grynberg had filed an application also seeking an order pooling all mineral interests in the Abo formation underlying the SE/4 of said Section 12.

(4) That the Jack J. Grynberg application was set as Case No. 7476 and was consolidated for purposes of testimony with the subject case.

(5) That by its Order No. R-6925 dated April 2, 1982, the Division approved the application of Jack J. Grynberg in said Case No. 7476.

(6) That the application of Mesa Petroleum Company in this concomitant case should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Mesa Petroleum Company for an order pooling all mineral interests, whatever they may be, in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, to form a standard 160-acre gas spacing and proration unit is hereby denied.

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

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

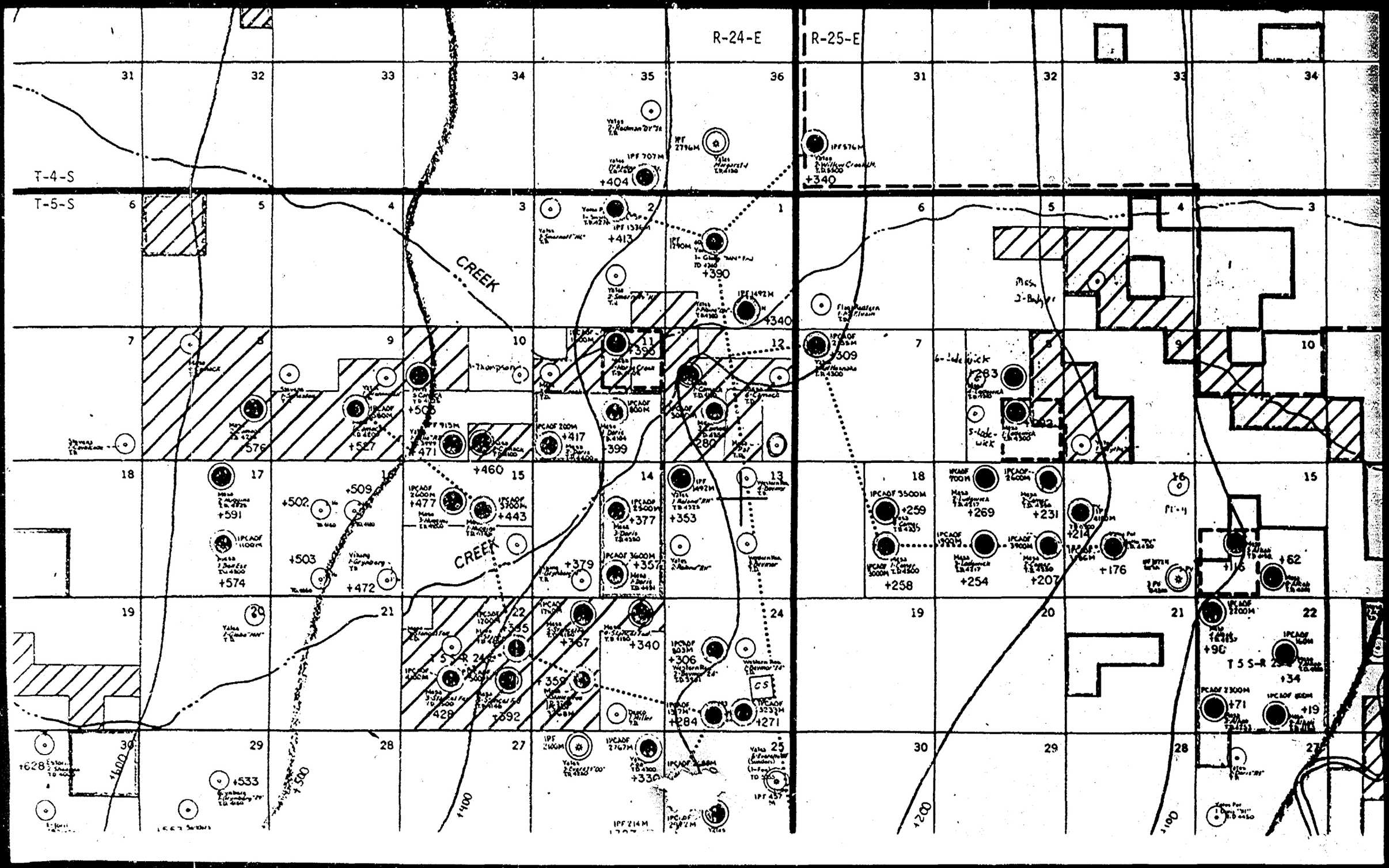
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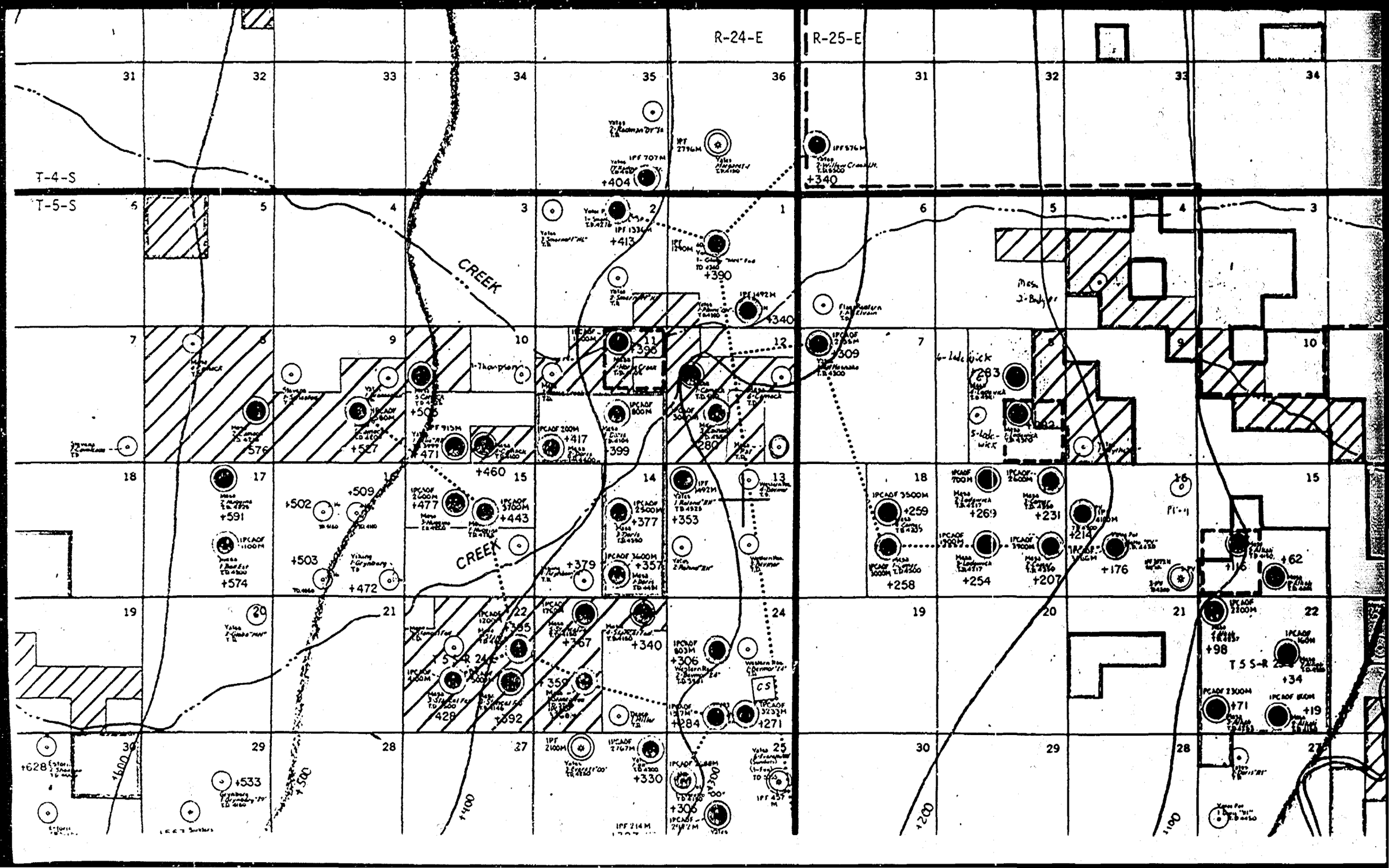
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

LAND MAP SUBMITTED BY
MESA PETROLEUM CO.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82


R-24-E
R-25-E
T-4-S
T-5-S
CREEK
CREEK


R-24-E
R-25-E
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T-5-S
CREEK
CREEK
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T 5 S-R 25 E

SCHEDULE OF ACREAGE

NAME	ACRES	WORKING INTEREST
Mesa Petroleum Co.	40	25% } 50%
Corona Oil Company	40	25% }
Jack J. Grynberg	80	50%

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
_____ EXHIBIT NO. 2
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

October 6, 1981

Mr. Mark Hanifan
Mesa Petroleum Company
1000 Vaughan Bldg.
Midland, TX 79701

RE: Proposed drilling and communitization
Township 5 South-Range 24 East
Section 12: SE/4
Chaves County, New Mexico

Dear Mark:

Pursuant to our conversation of September 25, 1981, I am writing this letter to request that Mesa Petroleum Company drill the proposed well before the end of this year. We are in a position such that greatly need deductible expenses before the end of the year. It would certainly be appreciated if you would prosecute your drilling operations on the captioned lands in accordance with our request. Thank you for your consideration on this matter.

Sincerely,
JACK GRYNBERG AND ASSOCIATES

Randy Keough
Landman

WRK:gh

P.S. I have enclosed our title information regarding the captioned lands

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

RECEIVED
DEC 16 1981
MES

MESA
PETROLEUM CO.

December 11, 1981

Paul Creson
Corona Oil Company
4835 LBJ Freeway, Suite 635
Dallas, TX 75234

Dear Mr. Creson:

Subject: Well Proposals
#1 Pat State Com. - OP 05-NM-0138-168
#2 Milner Federal - OP 05-NM-0138-176
#6 Stancel Federal - OP 05-NM-0138-165
Pecos Slope Prospect
Chaves County, New Mexico

Pursuant to that certain Letter Agreement and Operating Agreement dated July 20, 1979, by and between Mesa Petroleum Co., and Public Lands Exploration, Inc., Mesa as Operator hereby proposes the drilling of the captioned wells. Please indicate your intentions to join or go non-consent under the terms of the Operating Agreement by executing and returning a copy of this letter along with executed AFE's for the wells you desire to join in.

Yours very truly,

Mark Hannifin

sl

Enclosures

Mesa #1 Pat State Com.	1 Join	____Go Non-Consent
Mesa #2 Milner Federal	1 Join	____Go Non-Consent
Mesa #6 Stancel Federal	1 Join	____Go Non-Consent

CORONA OIL COMPANY

By: P D Creson

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

BXC: MAH, AGREEMENT FILE (2)
C-U 12-15-81

December 10, 1981

MESA PETROLEUM CO.

Jack Grynberg and Associates
1050 17th Street, Suite 1950
Denver CO 80265

Attention Jack Grynberg

Subject: Operating Agreement dated
December 4, 1981 covering
NE/4 Section 12-5S-24E
#6 Camack Fed. Com.
Operating Agreement dated
December 5, 1981 covering
SE/4 Section 12-5S-24E
#1 Pat State Com.
Chaves County, New Mexico
Pecos Slope Prospect
Mesa OP 05-NM-0138

Enclosed herewith for your approval are Operating Agreements dated December 4, 1981 and December 5, 1981 covering the wells set out above.

Please review and advise verbally at your earliest possible convenience if these are acceptable without modification.

We will forward signature pages executed on behalf of Mesa as soon as we receive them from our Amarillo office.

Also, enclosed for your execution are two extra sets of signature pages for each agreement. Once executed on your behalf, please return two original sets to this office for further handling.

If you have any questions please contact me.

Yours very truly,

Mark Hannifin

pjr

Enclosures

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 5
CASE NO. 7513
Submitted by Mesa Petroleum Co
Hearing Date 3-16-82

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455
TELEX: 45-4497, ENERGY DVR
TELECOPIER: 303-623-5224

DO NOT SIGN
COUNTERED W/ LETTER
DATED 12-17-81

December 15, 1981

RECEIVED
DEC 17 1981
MES

Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, TX 79701

ATTN: Mr. Mark Hannifin

RE: Joint Operation Agreements for
Pat State Com#1 and #6 Camack Fed. Com.
covering the NE/4 and SE/4, respectively,
5S-24E, Section 12, Chaves County, NM

DO NOT USE

Dear Mr. Hannifin:

We are returning two (2) sets of signature pages for each of the captioned Operating Agreements. Pursuant to our phone conversation of December 11, 1981, our execution of said agreements is expressly conditioned on the following:

1. That the following language be stricken from said agreements:

   a. Delete the language on page 14, lines 57 through 66 regarding payment bonds;

   b. Delete the first paragraph on page 15 regarding forfeiture of interest upon default.

2. That Jack Grynberg's obligation to pay for operations prior to their commencement as set out in Article XV, lines 53 through 55 of the subject agreements shall be enforceable if, and only if, Mesa Petroleum Company and Corona Oil Company hereby agree to the inclusion of an identical provision in joint Operating Agreements between the parties wherein Jack J. Grynberg, or his assigns, are designated as Operator.

3. That Article VII.E, line 43 be amended to read "18.75% of 88."

Also included herewith are copies of our "Schedule 1" setting forth our geological requirements and persons to whom to relay drilling reports.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

December 15, 1981

Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, TX 79701

Attn: Mr. Mark Hannifin

If the foregoing meets with your approval, please execute both copies of this Letter Agreement and return one copy for our files.

Thank you for your attention to this matter.

Sincerely,

JACK GRYNBERG & ASSOCIATES

Randy Keough

Randy Keough
Landman

AGREED TO AND ACCEPTED this _____ day of _____, 19____.

MESA PETROLEUM COMPANY

BY: _____

CORONA OIL COMPANY

BY: _____

AGREEMENT FILE
PAT STATE COAL
NM-0138-168
DO NOT USE

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

* Jack Grynberg and Associates hereby agrees to pay its share of approved expenditures for initial or subsequent operations hereunder prior to the commencement of each such operation.

~~In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, furnish payment bonds as security for the prompt and faithful payment of its additional obligations for each such operation. Such bonds shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such sureties as are acceptable to the Operator. Jack Grynberg and Associates shall also furnish such new payment bonds as Operator may from time to time require in order to further secure payment of Jack Grynberg and Associates' obligations hereunder.~~

* See conditional letter of acceptance dated 12-14-81 & 12-17-81

DO NOT USE

~~Upon default of any of Jack Grynberg and Associates' obligations hereunder, and without further notice from Operator, Jack Grynberg and Associates shall forthwith proportionately assign to the other parties hereto all of its right, title and interest, as of the date of this Operating Agreement, in and to the Contract Area hereunder, all wells and equipment thereon, and all subsequent production therefrom, free and clear of all liens and encumbrances and Jack Grynberg and Associates shall no longer be a party to this Operating Agreement. This remedy shall be in addition to and not exclusive of Jack Grynberg and Associates payment obligations hereunder, which obligations shall be continuing despite Jack Grynberg and Associates no longer being a party to this Operating Agreement.~~

The terms and conditions of the hereinabove special provisions shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Without otherwise affecting the responsibilities and liabilities of Jack Grynberg and Associates, its successors or assigns, for its obligations hereunder, Jack Grynberg hereby agrees to be individually responsible and liable for each and every obligation hereunder of Jack Grynberg and Associates, its successors or assigns. Upon default by Jack Grynberg and Associates, its successors or assigns, of any of its obligations hereunder, Operator shall have the right, in accordance herewith and without prejudice to Operator's other rights or remedies, to enforce such obligations against Jack Grynberg, individually, or Jack Grynberg and Associates, its successors or assigns, or both.

DO NOT USE

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as

as _____

of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

(#1 Pat State Com.)

EXECUTED SUBJECT TO LETTER DATED 12-15-81 (AND 12-17-81)

DO NOT USE

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg individually and as

as _____

of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

(#1 Pat State Com.)

EXECUTED

BXC: MAH, AGREEMENT FILES, C-U 12-23-81

MESA
PETROLEUM CO.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 7
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

December 17, 1981

Jack Grynberg and Associates
1050 17th Street, Suite 1950
Denver CO 80265

Attention Randy Keough

Gentlemen:

Subject: Conditional Letter Of Acceptance
Operating Agreements dated December 4, 1981
and December 5, 1981
Pecos Slope Prospect
Chaves County, New Mexico
Mesa OP 05-NM-0138-149 and 168

This is to acknowledge receipt of your conditional letter of acceptance dated December 15, 1981 along with exeucted signature pages for the captioned Operating Agreements.

With reference to our subsequent telephone conversations, please find below the language to be inserted in lieu of that language beginning on page 14, line 53-55 of the captioned Operating Agreements.

> In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, either pay its share of approved expenditures therefore prior to the commencement of each such operation or furnish an irrevocable letter of credit in favor of Operator to secure the prompt and faithful payment of its obligations for each such operation. Said letter of credit shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such issuers as are acceptable to the Operator. Jack Grynberg and Associates shall also so furnish such new letters of credit as Operator may from time to time require with reference to further payment of Jack Grynberg and Associates obligations hereunder. This special provision shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Conditioned upon this modification, Mesa Petroleum Co., accepts the remaining changes set out in the above said December 15, 1981 letter.

If the foregoing meets with your approval, please have two copies of this letter executed on behalf of Jack Grynberg and Associates, retaining one for your files and

returning one to this office for further handling.

Yours very truly,

Mark Hannifin

ACCEPTED AND AGREED TO THIS the _____ day of _____, 1981.

JACK GRYNBERG AND ASSOCIATES

BY: _____

BXC: CORONA OIL COMPANY
ATTENTION DON WILLIAMS
4835 LBJ FREEWAY, SUITE 635
DALLAS TX 75234

CONDITIONAL LETTER OF ACCEPTANCE REGARDING
OPERATING AGREEMENTS DATED DECEMBER 4, 1981
AND DECEMBER 5, 1981
MESA OP 05-NM-0138-149 and 168

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

Mesa Petroleum Co., as Operator, Corona Oil Company
and Jack Grynberg as Non-Operators

Spud 10-14 days

#1 Pat State Com.

OPERATING AGREEMENT

DATED

December 5 , 1981 ,

OPERATOR MESA PETROLEUM CO.

CONTRACT AREA SE/4 Section 12, Township 5 South, Range 24 East,

N.M.P.M.

COUNTY OR ~~PARISH~~ OF Chaves STATE OF New Mexico

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS. BOX 800, TULSA, OK 74101

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 8
CASE NO. 7513
Submitted by Mesa Petroleum Co
Hearing Date 3-16-82

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

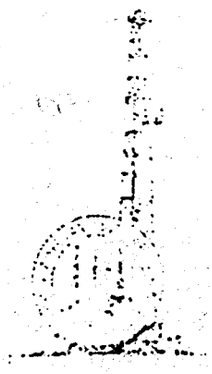


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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Mesa Petroleum Co., 1000 Vaughn Building, Midland TX 79701, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

[X] A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

[ ] ~~B. Exhibit "B", Form of Lease.~~

[X] C. Exhibit "C", Accounting Procedure. Schedule I Attached.

[X] D. Exhibit "D", Insurance.

[X] E. Exhibit "E", Gas Balancing Agreement.

[X] F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the exten that it owns the lessee interest.

B. *Interest of Parties in Costs and Production:*

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and 'or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

Mesa Petroleum Co. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 31 day of December, 1981, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FSL & 660' FEL Section 12, Township 5 South, Range 24 East

and shall thereafter continue the drilling of the well with due diligence to 4,100 feet or a depth sufficient to test the Abo Formation, whichever is lesser

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

...

Gas production attributable to any Non-Consenting Party's relinquished interest shall be sold, at the election of the Consenting Party, either to the Consenting Party's purchaser or to the Non-Consenting Party's purchaser. If any sale is made to the Non-Consenting Party's purchaser, such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall ~~have the right to~~ take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars ($25,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen Thousand Dollars ($15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 20% of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

G. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Seven Thousand Five Hundred Dollars ($ 7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

_____ _____

NON-OPERATORS

_____ _____

_____ _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated December 5, 1981, by and between Mesa Petroleum Co., as Operator, Corona Oil Company and Jack Grynberg and Associates as Non-Operators

PART I. Unit Area is described as the SE/4 Section 12, T-5-S,R-24-E, N.M.P.M. Chaves County, New Mexico

PART II. Working Interest Participants:

Mesa Petroleum Co.	25%
Corona Oil Company	25%
Jack Grynberg and Associates	50%

PART III. Leases included in unitized area:

A. State of New Mexico LG-0565-0
Lessor: State of New Mexico
Lessee: Jack J. Grynberg
Dated: September 1, 1972
Description: Only as to the E/2 SE/4 Section 12, T-5-S, R-24-E, N.M.P.M. Chaves County, New Mexico

B. United States of America NM-22615
Mesa OP 05-NM-0138-0003-000-0
Lessor: United States of America
Lessee: B. J. Bradshaw
Dated: October 1, 1974
Description: Only as to the W/2 SE/4 Section 12, T-5-S, R-24-E, N.M.P.M. Chaves County, New Mexico

ADDRESS LIST:

Corona Oil Company
4835 LBJ Freeway
Suite 635
Dallas, TX 75234

Mesa Petroleum Co.
1000 Vaughn Building
Midland, TX 79701

Jack J. Grynberg
1050 17th Street
Suite 1950
Denver, CO 80265

EXHIBIT " "

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

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

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

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 a rate equal to the higher of 120% of the prime rate of interest of the Continental Illinois Bank & Trust Company or 18% per annum; provided, however, in no event shall the Non-Operator Parties be required to pay interest in excess of the federal or state statutory ceiling applicable in the jurisdiction in which the joint property is located. Non-Operators shall also be liable for attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

Adjustments

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

Audits

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

Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

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

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

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

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. Material

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

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

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

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

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

   Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matter before governmental bodies and agencies and costs and expenses incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

10. Taxes

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

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or (See Schedule I attached.)
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3,700.00
Producing Well Rate $ 370.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date the contractual rig charges begin ~~xxxx

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000 :

A. 5 % of total costs if such costs are more than $ 25,000* but less than $ 100,000 ; plus

B. 3 % of total costs in excess of $ 100,000 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

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

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead

charge on projects in excess of $25,000 shall be 1% of total cost.

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

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

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D" ONSHORE

Attached to and made a part of Operating Agreement dated December 4, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

INSURANCE

The Operator shall carry for the benefit of the joint account insurance to cover drilling operations and producing operations on the jointly owned acreage as follows:

I. Workmen's Compensation and Employer's Liability covering the employees of Operator engaged in operations hereunder in compliance with all applicable Federal Laws and the laws of the State of New Mexico, with Employers Liability limit of not less than $100,000 per person and $100,000 per occurrence.

II. Operator shall carry of its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:

(A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

(B) Automobile Liability covering all vehicles owned, non-owned, or hired and used in connection with operations conducted hereunder by Operator for the joint account with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

The premiums for all such insurance so carried in paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect to participate to the extent that their interest is insured.

EXHIBIT "E"

GAS BALANCING AGREEMENT

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as "Operator", and Jack Grynberg and Associates, et al, as "Non-Operator"

The parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

Each Party shall have the right to take in kind its share of the gas produced from the Unit Area. However, there may be periods when one or more of the Parties have no market for, or its purchaser is unable to take, or for any other reason, it may not dispose of its interest, or a portion thereof, in the gas production. Therefore, to permit each Party to produce and dispose of its interest in the gas production from the Unit Area with as much flexibility as possible, the Parties hereto agree to this Gas Balancing Agreement as hereinafter set forth:

1. DEFINITIONS:

For the purposes of this Agreement, the following terms shall be defined as hereafter set out:

(a) "Operating Agreement" shall mean the Operating Agreement to which this Gas Balancing Agreement is attached.

(b) "Gas" shall mean natural gas or oil well gas obtained from primary field separation.

(c) "Liquid Hydrocarbons" are those liquids obtained from primary field separation.

(d) "Percentage Ownership" is the percentage interest of each party as set forth in the Operating Agreement.

(e) "Over-produced Party" is a party who has utilized or sold a greater volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(f) "Under-produced Party" is a party who has utilized or sold a lesser volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(g) "MER" is the total daily maximum efficient rate of hydrocarbon withdrawal from each separately produced proration unit, which, if exceeded for a sustained period of time, would lead to underground waste in the form of reduced ultimate recovery from the proration unit, after deducting the gas used in operations on the Unit Area or vented or lost.

2. OWNERSHIP OF PRODUCTION:

(a) SALE BY LESS THAN ALL OWNERS: All gas produced from the Unit Area shall be produced and utilized or sold by those parties having a use or market for such gas. If fewer than all the parties are producing gas, the parties so producing shall have the right and option, but not the obligation, to produce and dispose of all or any part of such gas that may be produced up to the MER. The parties hereto shall share in and own the liquid hydrocarbons, as produced, in accordance with their respective interests, as set forth in and subject to the terms of the Operating Agreement. It is agreed that the gas attributable to the interest of each non-producing party shall remain in the reservoir for production at a later date.

(b) SALE BY UNDER-PRODUCED OWNERS: Each Under-produced Party shall, upon commencing the sale of gas, have the right to take a greater percentage of the current gas production than such Under-produced Party's Percentage Ownership, subject to the following limitations:

(1) For the purposes of balancing gas production accounts, as soon as practical, any Over-produced Party or Parties will make available to any Under-produced Party or

Parties a portion of the Over-produced Party's or Parties' share of gas production at the current MER, but Over-produced Parties shall not be liable to Under-produced Parties under this paragraph except as provided in Section 4 hereof. In no event will any Over-produced Party be required to reduce the volume of gas which it is entitled to take from a proration unit during any calendar month to less than 50% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the under-production of each Under-produced Party bears to the total under-production of all Under-produced Parties currently taking gas.

(2) For the purpose of balancing in the event of price increases as provided in Section 3 hereof and for the purpose of balancing production accounts as provided in Section 4 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over-production by the Over-produced Party on a last in, first out basis.

(3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from a proration unit as such party's Percentage Ownership.

(4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This

Balancing Agreement shall not provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.

(5) Only produced gas actually utilized or sold by a party shall be owned by it and charged against its share of the total recoverable reserves.

3. BALANCING IN THE EVENT OF PRICE INCREASES:

In the event the price received by the Under-produced Party for gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account is greater than the price received by the Over-produced Party for the equivalent volume of gas, then the Under-produced Party shall pay to the Over-produced Party in cash, on a monthly basis, the product of the volume of gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account and the difference between the lawful price which the Under-produced Party currently is collecting for the gas described above (but in no event higher than the price received by the Over-produced Party at the time such production is sold by the Under-produced Party) and the lawful price which the Over-produced Party actually collected for the volume of gas described above.

4. BALANCING OF PRODUCTION ACCOUNTS:

When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the amount actually received, less applicable taxes, royalty, and the cost of dehydration and compression if not participated in by the Under-produced Party, by any Over-produced Party from the sale of that part of the total cumulative volume of gas produced from the proration unit to which any Under-produced Party was entitled, but which was utilized or sold by the Over-produced Parties. For the purposes of this paragraph, the "amount actually received" shall be the dollar amount

received for the quantity of gas remaining after subtracting the quantity of any periodic under-production by an Over-produced Party from the unbalanced over-production of such party. If a portion of a party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if none, the weighted average price received simultaneously by all parties for gas sold from the proration unit. If gas is processed for the recovery of liquefiable hydrocarbons, the gas value will be based on the amount which would have been received for the sale of such gas without processing.

5. STATEMENTS:

During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other parties a statement showing the volume and value of gas utilized and the volume and proceeds if sold. The Operator under the Operating Agreement shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.

6. PRODUCTION TAXES:

Each Party taking gas shall pay any and all production taxes due on such gas.

7. PAYMENT OF ROYALTY:

At all times while gas is produced from the Unit Area, each party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by

royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

8. OPERATING EXPENSES:

The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership.

9. SCOPE AND TERM:

This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

10. INDEMNITY:

Each party hereby indemnifies the other parties hereto against all liability for and agrees to defend the parties hereto against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provisions, and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

11. OPERATOR'S LIABILITY:

The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent operator in the same or similar circumstances.

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR

MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. (41 CFR 60-1.40)

D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS
OF REQUIREMENT FOR CERTIFICATIONS
OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $10,000 or more.)

2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $2,500 or more.)

2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

SCHEDULE I

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS-1974 Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

Salaries, Benefits and Related Costs of Field, Area and/or District:
- Managers and/or Superintendents
- Foreman - Superintendent
  - Drilling - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
  - Production - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
  - Construction - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
- Production Engineers - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
- Production Geologists - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
- Other Technical Employees - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
- Office Stenographers
- Office Clerks
  - Time Keeping
  - Preparation of Boat, Automotive and Other Vehicle Reports
  - Local Purchasing (Field Orders)
  - Preparation and coding of Invoices
  - Preparation of Material Requisitions
  - Preparation of Field Transfers
  - Preparation of Field Receiving Reports
  - Posting of Production Reports
  - Preparation of Over and Short Reports
  - Reading and Integration of Charts
  - Preparation of Field Gas Production and Consumption Report
  - Preparation of Field Office Reports to State and Federal Regulatory Bodies
  - Miscellaneous Routine Field Office Clerical Duties
  - Field Office Inventory Men
    - Conducting Physical Inventories
    - Preparation of Field Inventory Records
  - Warehousemen and/or Clerks

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general District Use.

Rentals
- Rentals paid for buildings, office and storage space used by District employees.

Rentals paid in connection with sites for District production offices, camps, warehouses and other facilities used specifically for District purposes.

Ad Valorem Taxes
Taxes paid on buildings and equipment charged to Operator's Field, Area, and/or District investment accounts.

Insurance
Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to the District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contract services performed by third parties.

General Management

General Operating Administration
Drilling Managers and/or Superintendents and Office Staffs
Production Managers and/or Superintendents and Office Staffs
Civil Engineers - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
Reservoir Analysis and Engineering
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
Negotiation of Production and Residue Gas Sales
Negotiation of Major Gas Sales
Preparation and Negotiation of Joint Operation Agreements
Preparation of General Production Records
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

General Accounting and Services
Checking of invoices
Preparation of Paychecks
Responsibility of Account Distribution or Coding
Payment of Vendor's Invoices
Maintaining Property Investment Records
Maintaining Joint Interest Cost Records
Preparation of Joint Interest Billing
Preparation of Royalty Checks
Machine Accounting and Data Processing Functions
Photostat and Other Reproduction Service
Ad Valorem Tax Service and/or Counsel
Systems and Procedures
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be a direct charge to the joint property.

Area and/or District Office Utility Services

Local Field, Area and/or District Recreational Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil shows, API meetings, and company training schools, etc., which are for the primary benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing costs, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned
- Depreciation
- Operating and Maintenance Expense
- Cost of Storing and Handling Material

Title Record and Division Order Administration
- Landmen and Titlemen
- Maintenance of Division of Interest Records
- Obtaining Royalty Signatures

Exploration Administration
- Geologists - (Except when permitted as a direct charge under Para. 1.11, Sec. 111)
- General Research
- Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration
- Employee Relation Counselor
- Safety Engineer
- Industrial Nurse and/or Doctor
- Dinners, Parties, etc.
- Safety Awards
- Incentive Awards
- Thanksgiving Turkeys or Christmas Baskets
- Contributions to Charity and/or Civic Organizations
- Special Investigators
- Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration
- Preparation of Reports to and Representation before Governmental Agencies

General Legal Counsel
- Preparation of Contracts
- Claims and Litigation
- Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

MESA PETROLEUM CO.

Orig to MEC

AFE/COST ESTIMATE

01/05/ OPERATIONS
Co./Div./Subsid./Dept.

AFE # 81-479
ID # 01-05-NM-0138-0073-001-0
Code General Account # _____
Exploratory _____ Development X

ASE, WELL NAME, AND LOCATION PAT STATE COM #1
660' FSL & 660' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO
SCRIPTION Cost estimate to drill and complete a 4,100' flowing Abo gas well, including production equipment.

o Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/ Other
01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
02	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000		20,000
	(A) DAY WORK 9/6 DAYS At $ 6000/1250 /DAY	54,000	7,500	61,500
03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
04	CEMENTING SERVICES, CEMENT & ACCESSORIES	27,000	10,000	37,000
05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	8,000		8,000
	(B) WATER	10,000	3,000	13,000
06	LOGS, TESTING & MUD LOGGING UNIT	8,000	3,000	11,000
07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
08	PERFORATING, WELL STIMULATION SERVICES		50,000	50,000
09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	1,000	16,000
0	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,000
1	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,000
2	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	8,000		8,000
3	HAULING & FREIGHT	7,000	4,000	11,000
4	MOBILIZATION - INSTALLATION			
5	DEMOBILIZATION - DISMANTLING & SALVAGE			
6	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
7	FUEL, LUBES, POWER	5,000		5,000
8	SHOREBASE, OFFICE, DOCK FEE & CRANES			
9	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
0	DIVERS AND RELATED EQUIPMENT			
1	MISCELLANEOUS	7,000	3,000	10,000
2	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	*8,000		
3	MUD ENGINEER DAYS At $ /DAY			
4	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
5	GEOLOGICAL CONSULTANT2 DAYS At $ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	$ 198,500	$ 86,500	$ 277,000*
1	BUOYS AND MARKERS	$	$	$
2	CASING/TUBULARS			
	(A) 900 FT. OF 13 3/8 " OD $ 27.00 /FT.	24,300		24,300
	(B) 1750 FT. OF 8 5/8 " OD $ 13.50 /FT.	23,600		23,600
	(C) 4100 FT. OF 4 1/2 " OD $ 6.50 /FT.		26,700	26,700
	(D) 3550 FT. OF 2 3/8 " OD $ 4.00 /FT.		14,200	14,200
	(E) FT. OF " OD $ /FT.			
3	WELL HEAD & GUIDE STRUCTURE	3,600	4,100	7,700
4	SUB-SURFACE WELL EQUIPMENT			
5	SURFACE WELL EQUIPMENT			
6	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
7	BUILDINGS			
8	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
9	INSTALLATION, MATERIALS, & SERVICES		3,500	3,500
	Total Tangible Controllable & Non-Controllable Costs	$ 51,500	$ 59,500	$ 111,000
	Total Costs	$ 250,000	$ 146,000	$ 388,000*

Prepared by _____ Title DIV DRLG SPVR Date 11-10-81 Mesa WI
Approved _____ Title OPS MGR Date 11-10-81 Others WI Corona Oil Company 25.00
_____ Title _____ Date _____
_____ Title _____ Date _____
Corona Oil Company By _____ Title President Date 12-15-81

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 9

CASE NO. 7513

Submitted by Mesa Petroleum Co.

Hearing Date 3-16-82

OP# 05-NM-0138-168

EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED 11-10-81

WELL NAME PAT STATE COM #1

LOCATION 660' FSL & 660' FEL, SEC 12, T5S, R24E

COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981

JACK GRYNBERG AND ASSOCIATES
DEBTOR IN POSSESSION GENERAL ACCOUNT
1050 Seventeenth Street #1950
Denver, Colorado 80202

No 3351

Central Bank of Denver
Denver, Colorado 80201
23-53/1020

PAY THE SUM 368 DOLLARS 54 CENTS

DATE	AMOUNT
1/29/82	$ 368.54

TO THE ORDER OF

Mesa Petroleum Company
P.O. Box 1432
Amarillo, Texas 79101

GRY583

Jeanette L Sawyer

⑈003351⑈ ⑆102000539⑆ ⑈504⑈615⑈

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 10
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAR 24 1981
BRADFORD L. BOLTON, Clerk
DEPUTY CLERK

In re:

JACK J. GRYNBERG
aka Jack Jakob Grynberg
aka Jack Grynberg
dba Jack Grynberg and Associates
dba Jack Grynberg & Associates
SSN: 523-38-2422

Debtor.

Case No. 80-B-00821 M

NOTICE FOR MEETING OF CREDITORS
WITH NOTICE OF AUTOMATIC STAY

To the debtor, his creditors, and other parties in interest:

An order for relief under 11 U.S.C., Chapter 11 having been entered on a petition filed by JACK J. GRYNBERG dba Jack Grynberg and Associates of 1950 Prudential Plaza - 1050 Seventeenth Street - Denver, Colorado 80265 on February 20, 1981, notice is hereby given, that:

1. A meeting of creditors pursuant to 11 U.S.C. § 341(a) shall be held at 1845 Sherman Street - Room 301, Third Floor - Denver, Colorado 80203 on Friday, May 1, 1981 at 1:30 P.M.

2. The debtor shall appear in person at that time and place for the purpose of being examined.

You are further notified that:

The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to creditors.

At the meeting the creditors may file their claims, examine the debtor, and transact such other business as may properly come before the meeting.

As a result of the filing of the petition, certain acts and proceedings against the debtor and his property are stayed as provided in 11 U.S.C. § 362(a).

The debtor has filed, or will file, a list of creditors and equity security holders pursuant to Rule 1007. Any creditor holding a listed claim which is not listed as disputed, contingent, or unliquidated as to amount, may, but need not, file a proof of claim in this case. Creditors whose claims are not listed or whose claims are listed as disputed, contingent, or unliquidated as to amount and who desire to participate in the case or share in any distribution must file their proof of claim. Any creditor who desires to rely on the list has the responsibility for determining that he is accurately listed. Proof of claims should be filed with the Clerk of the Bankruptcy Court, 1845 Sherman Street - Fourth Floor, Denver, Colorado 80203. Notice of the last date for filing claims will be sent at a later time.

DATED: March 24, 1981

Adam B. Kabel
United States Trustee

The debtor's attorney is:

Ernest W. Lohf
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
(303) 623-5224

UST-7
11 Individual

RECEIVED
LEGAL DEPT.
JUL 2 1981

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

MESA PETROLEUM CO.

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUN 26 1981
BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

In re	
JACK J. GRYNBERG, a/k/a JACK JAKOB GRYNBERG, a/k/a JACK GRYNBERG, d/b/a JACK GRYNBERG AND ASSOCIATES, d/b/a JACK GRYNBERG & ASSOCIATES, Debtor.	Case No. 81 B 00821 M

NOTICE TO CREDITORS

YOU ARE HEREBY NOTIFIED that the Court has fixed July 31, 1981 as the last day for filing with the Court proof of claim by creditors whose debts are scheduled as disputed, contingent, or unliquidated by the Debtor. If you fail to file your claim on or before July 31, 1981, the Court has ordered you shall be barred from participating in this proceeding as well as in distributions under any plan filed by the Debtor and confirmed by the Court

DATED: June 26, 1981

BY ORDER OF THE COURT:

BRADFORD L. BOLTON, Clerk
By: Diane D. Carney, Deputy Clerk
United States Bankruptcy Court
400 Columbine Building
1845 Sherman Street
Denver, Colorado 80203

Attorney for the Debtor:
Ernest W. Lohf, Esq.
LOHF & BARNHILL
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
Telephone: (303) 623-5224

Model Unit File
OP05 NM-0138-211

Grynberg File

COLORADO NATIONAL BANK

SEVENTEENTH STREET AT CHAMPA • DENVER 80202 • (303) 893-1862
MAILING ADDRESS: P.O. BOX 5168 T.A. • DENVER, CO 80217

RECEIVED
FEB 24 1982

MES

February 22, 1982

Account No. 15692-00

Mr. Mark Hannifin
Mesa Petroleum Company
Vaughn Building #1000
Midland, Texas 79701

Re: Grynberg-Mesa Petroleum Escrow
Account No. 15692-00

Dear Mr. Hannifin:

Enclosed is a signed original of the $184,300.00 Escrow Agreement. The $95,700.00 Escrow Agreement was forwarded to Lynn Waterman as explained in the enclosed copy of my 2-22-82 letter to Jack Grynberg & Assoc.

Sincerely,

Edward T. Able, Jr.
Trust Officer

ETA:ap

Enclosure

cc: Grynberg & Assoc.
Atten: Steve Smith

Lynn Waterman
CNB Energy Division

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 11
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

CNB INC

COLORADO NATIONAL BANK

SEVENTEENTH STREET AT CHAMPA • DENVER 80202 • (303) 893-1862
MAILING ADDRESS: P.O. BOX 5168 T.A. • DENVER, CO 80217

February 22, 1982

Account No. 15692-00

JACK GRYNBERG & ASSOC.
1050-17th Street, #1950
Denver, CO 80265
Atten: Steve Smith

Re: Grynberg-Mesa Petroleum Escrow
CNB Escrow Acct. No. 15692-00

Dear Mr. Smith:

This letter is to confirm that the $184,300 wire transfer was received on 2-22-82 from Mesa Petroleum to fund the Escrow.

We also received originals of the Drilling Escrow Agreement. Enclosed is an executed original for your records. We have assigned this Escrow Number 15692-00. In communications concerning it, please refer to this number.

We also received originals of another Escrow Agreement concerning $95,700.00. I have forwarded these to Lynn Waterman in the Bank's Energy Division. I understand they will be handling that Escrow.

Sincerely,

Edward T. Able, Jr.
Trust Officer

ETA:ap

Enclosures

cc: Mark Hannifin
Mesa Petroleum Company

Lynn Waterman
CNB Energy Division

MESA COPY

DRILLING ESCROW AGREEMENT

Denver, Colorado 2-22-82 Number 15692-00

SECTION I - DEPOSITS

The undersigned hereby appoint The Colorado National Bank of Denver, as Escrow Agent, and deposit the items set forth below to be held by said Escrow Agent subject to the terms and conditions set forth in Section II (Instructions) and in Section III (General Provisions) hereof.

1. Cash or check deposited for collection in the amount of One hundred eighty-four thousand three hundred Dollars ($184,300.00).

2. A copy of a "Certificate of Performance" to be executed by Jack Grynberg & Associates before a notary public and Delivered to the Escrow Agent in accordance with instructions set forth in Section II.

SECTION II - INSTRUCTIONS

The subject matter of this escrow is the Non-Operators' share of approved completion expenditures as further specified in the Authority for Expenditure which is attached and incorporated as an exhibit to this agreement. Escrow Agent shall verbally notify Operator when Escrow Agent has the subject matter in hand and shall confirm such notice by letter to Operator. Until distribution funds in the Escrow Account shall be invested in $1,000 increments in Federated Master Trust Note. Interest will accrue to Non-Operator.

With respect to the subject matter of the escrow, the Escrow Agent is directed to distribute the same, or a portion of the same, to Operator, upon receipt from Operator of an affidavit sworn to by Operator itemizing the costs, or portion thereof, actually incurred in the operations for which such expenditures were authorized and supported by
ached paid receipts for those tangible expenditures incurred pursuant to such authorization. The affidavit shall be signed and sworn to by an officer or attorney-in-fact of the Operator. Escrow Agent shall also notify the non-operator(s) in writing on all requests for payment submitted by the Operator.

Escrow Agent shall return any excess in such escrow account to Non-Operator(s) upon receipt of a written instruction to that effect from Operator. The escrow agreement will then be deemed to have terminated.

The Escrow Agent is entitled to rely on the certificate referred to in Section I and Section II for all purposes hereof when the same has been executed by the party named in Section I and a notary public and to assume the genuineness of all signatures thereon; and the undersigned hereby jointly and severally agree to indemnify the Bank against and to hold it harmless from any claims, damages, or suits asserted or filed against it in connection with its reliance upon said certificate.

SECTION III - GENERAL PROVISIONS

1. The Escrow Agent shall have no duty to know or determine the performance or non-performance of any provision of any agreement between the other parties hereto, and the original, or a copy, of any such agreement deposited with the Escrow Agent shall not bind said agent in any manner whatsoever. The Escrow Agent assumes no responsibility for the validity or sufficiency of any documents or papers or payments deposited or called for hereunder except as may be specifically set forth in this agreement in clear and unambiguous language, and the duties and responsibilities of the Escrow Agent are limited to those expressly and specifically stated in this agreement in such language.

2. This agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto, and approved by the Escrow Agent, upon payment of all fees, costs and expenses incident thereto.

3. No assignment, transfer, conveyance or hypothecation of any right, title or interest in and to the subject matter of this Escrow shall be binding upon the Escrow Agent unless written notice thereof shall be served upon the Escrow Agent and all fees, costs and expenses incident thereto shall have been paid and then only upon the Escrow Agent's assent thereto in writing.

4. Any notice required or desired to be given by the Escrow Agent to any party to this Escrow may be given by mailing the same addressed to such party at the address noted herein, or the most recent address of such party shown on the records of the Escrow Agent, or believed by Escrow Agent to be proper, and notice so mailed shall be as effectual as though served upon such party in person at the time of depositing such notice in the mail.

5. The Escrow Agent may receive any payment of performance called for hereunder after the due date thereof unless subsequent to the due date of such payment or performance and prior to the receipt thereof the Escrow Agent shall have been instructed in writing by the proper parties to refuse any such payment or performance.

6. The Escrow Agent shall not be personally liable for any act it may do or omit to do hereunder as such agent while acting in good faith and in the exercise of its own best judgment, and any act done or omitted by it pursuant to the advice of its own attorneys shall be conclusive evidence of such good faith. The Escrow Agent shall have the right at any time to consult with counsel upon any question arising hereunder and shall incur no liability for any delay reasonably required to obtain the advice of counsel.

7. The Escrow Agent is hereby expressly authorized to disregard any and all notices or warnings given by any of the parties hereto, or by any other person, firm or corporation, excepting only orders or process of court, and is hereby expressly authorized to comply with and obey any and all process, orders, judgments or decrees of any court, and in the case the Escrow Agent obeys or complies with any such process, order, judgment or decree of any court it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such process, order, judgment or decree by subsequently reversed, modified, annulled, set aside or vacated, or found to have been issued or entered without jurisdiction.

8. In consideration of the acceptance of this escrow by the Escrow Agent, the undersigned agree, jointly and severally, for themselves, their heirs, legal representatives, successors and assigns, to pay the Escrow Agent its charges and fees hereunder and to indemnify and hold it harmless as to any liability by it incurred to any other person, firm or corporation by reason of its having accepted the same, or in connection herewith, and under such circumstances, or in the event of a dispute, whether or not resulting in litigation, between the parties hereto, or between the parties hereto and the Escrow Agent, to reimburse the Escrow Agent for all its expenses, including, among other things, court costs and reasonable attorneys' fees incurred in connection therewith; and that the Escrow Agent shall have a first and prior lien upon all deposits made hereunder to secure the performance of said agreement of indemnity and the payment of all of its fees, charges and expenses, hereby expressly authorizing the Escrow Agent in the event payment is not received promptly from the undersigned, to deduct such fees, charges and expenses without previous notice from any funds deposited hereunder. Escrow fees or charges, as distinguished from other expenses hereunder, shall be as written above the Escrow Agent's signature at the time of the acceptance hereof, and are intended as compensation for the Escrow Agent's ordinary services as contemplated by this agreement. In the event the conditions of this escrow are not promptly fulfilled, or any dispute arises hereunder, or if for any other reason the Escrow Agent renders services not provided for in this agreement, the parties hereto jointly and severally agree to pay reasonable compensation for such extraordinary services. In the event of any action to recover the Escrow Agent's fees, expenses or charges from any party hereto, the Escrow Agent shall be entitled to reasonable attorneys' fees and costs incurred with respect to any such action. No provision in any attached special instructions by which one or more of the other parties hereto shall undertake to pay such fees, charges and expenses, or any portion thereof, shall, except as between such other parties only, alter their joint and several liability to the Escrow Agent for such fees, charges and expenses.

9. The Escrow Agent shall be under no duty or obligation to ascertain the indentity, authority or rights of the parties (or their agents) executing or delivering or purporting to execute or deliver these instructions or any documents or papers or payments deposited or called for hereunder.

10. The Escrow Agent shall not be liable for the outlawing of any rights under an Statute of Limitations or by reason of laches in respect to the Instructions or any documents or papers deposited.

11. In the event of any dispute between the parties hereto as to the facts of default, the validity or meaning of this agreement or any other fact or matter relating to the transaction between the parties, the Escrow Agent is instructed as follows:

(a) That it shall be under no obligation to act, except under process or order of court, or until it has been adequately indemnified to its full satisfaction, and shall sustain no liability for its failure to act pending such process or court order or indemnification;

(b) That it may in its sole and absolute discretion, deposit the property described herein or so much thereof as remains in its hands with the then Clerk, or acting Clerk, of the District Court of the City and County of Denver, State of Colorado, and interplead the parties hereto, and upon so depositing such property and filing its complaint in interpleader it shall be relieved of all liability under the terms hereof as to the property so deposited and shall be entitled to recover in such interpleader action, from the other parties hereto, its reasonable attorney fees and related costs and expenses incurred in commencing such action and furthermore, the parties hereto for themselves, their heirs, legal representatives, successors and assigns do hereby submit themselves to the jurisdiction of said court and do hereby appoint the then Clerk, or acting Clerk, of said court as their Agent for the Service of all process in connection with such proceedings. The institution of any such interpleader action shall not impair the rights of the Escrow Agent under paragraph numbered 8, above.

12. If the instruments deposited hereunder do not bear the necessary documentary stamps the Escrow Agent is authorized to deduct an amount from the last payment or other payments received under their agreement sufficient to purchase such stamps as may be required; to affix and cancel the same; and to withhold the amount from the party otherwise entitled thereto.

13. This agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which shall be deemed to be one and the same instrument.

14. The Instructions shall bind and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF the undersigned have hereunto affixed their signatures as of the date first above written.

Operator: Jack Grynberg & Assoc.

Address: 1050 17th St., Suite 1950

Denver, CO 80265

BY: _____

Non-Operators: Mesa Petroleum Co.

Address: Vaughn Bldg., Suite 1000

Midland, TX 79701

BY: Marion E. Casey *14

Vice President

Operator: _____

Address: _____

_____

_____

Non-Operators: ~~Corona Oil Co~~

Address: ~~4035 LBJ Freeway, Suite 635~~

~~Dallas, TX 75234~~

_____

Number of copies signed 3

Fees charged by Escrow Agent are payable upon acceptance of this agreement as follows:

Base Escrow Fee Initial Set-up fee ..... $ 500.00

Additional Fees Annual fee pble annually, in advance $ 500.00

Total Escrow Fees ..... $ _____

Fees to paid by: Non-Operator

ACCEPTED BY

THE COLORADO NATIONAL BANK OF DENVER
Escrow Agent.

Date: 2-22-82

By: Edward T. Ada, J.
Bank Officer

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-4
REVISION # 12-14-81
DATE ~~December 9, 1981~~

LEASE NAME #1 McDermett 30 "COM" LOCATION 30-6S-25E: 990'/N 660'/E

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE,Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage @	--	--
Drilling, Daywork 12 Days @ $5500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	--	--
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	--	--
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental,Trucking,Welding	5500	8000
Supervision & Overhead	3700	4400
Coring, Tools & Services	--	--
Completion Unit 5 Days @ 1150 / Day		5800
Stimulation	---	35000
Contingency	8400	11200
Moving In, Rigging Up, Rigging Down	20000	20000
TOTAL INTANGIBLES	179100	237600

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'		25200
Tubing: 2-3/8" 4.7 #J-55 @ 4000'	-	16200
Packer & Special Equipment		4000
Contingency - Intermediate casing string : 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT	42000	99000

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	-	-
Storage	-	7900
Separation Eq., Flowlines,Valves & Fittings	-	19800
Trucking & Construction Costs	-	4300
TOTAL LEASE & BATTERY EQUIP.		32000

TOTALS	$ 221,100	$ 368,600

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

JACK J. GRYNBERG

BY _____ DATE _____

SHARE
50%

Signature page for Authority for Expenditure, Grynberg #1 McDermett 30 "COM"

Non-Operators

Mesa Petroleum Company: 50% W.I.

BY: Maria E. Gang

~~Corona Oil Company: 25% W.I.~~

BY: _____

JACK GRYNBERG AND ABBOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

March 5, 1982

RECEIVED
MAR 10 1982
MES

Mr. Mark Hannifin
Mesa Petroleum Company
Vaughn Building
Suite 1000
Midland, TX
79701-4497

RE: Supplemental Authority for Expenditure
#1 McDermett 30 'COM"
Township 6 South - Range 25 East
Section 30, NE¼

Mark,

I must inform you that our operator has run into major problems in the drilling of #1 McDermett 30 "COM'. We have lost circulation in the well and have lost several drilling days trying to correct this with cement plugging.

Therefor I must ask that you execute the three (3) copies of the Supplemental Authority for Expenditure and return two to us and the other to your escrow account at the Colorado National Bank along with a letter amending your accout to reflect the new total. We shall return one copy to you.

The new well expenditure total is $498,100.00. Your 50% share equals $249,050.00. The amount you should add to the escrow account is $64,750.00.

Thank you for your cooperation in this matter. Please contact me if you have any questions.

Very truly yours,

Stephen G. Smith

Stephen G. Smith
Petroleum Landman

3 enclosures

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 12
CASE NO. 7513
Submitted by Mesa Petroleum Co.
Hearing Date 3-16-82

AUTHORITY FOR EXPENDITURES

AFE# 81-NM-4
REVISION #
DATE 3/5/82

LEASE NAME #1 McDermott 30 "COM" LOCATION 30-6S-25E: 990'/N 660"/E

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300" EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ____ OIL ____ GAS ____ OIL and/or G.

PURPOSE: ____ DRILLING - NEW ____ RECOMPLETION X OTHER (SUPPLEMENT, AFE, ETC.)

TYPE WELL: ____ DEVELOPMENT ____ EXPLORATORY Supplement

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$	$
Location, Right-of-Way		
Drilling, Footage		
Drilling, Daywork 15 Days @ $ 5,500 /Day	82,000	
Moving In, Rigging Up, Rigging Down		
Bits, Tools & Supplies	10,000	
Drilling Water		
Drilling Mud & Additives		
Mud Logging Unit		
Cement, Tools & Services, Temp. Surveys	30,000	
Drill Stem Testing		
Electric Logs & Perforating		
Tool & Equip. Rental, Trucking, Welding		
Supervision & Overhead	7,500	
Coring, Tools & Services		
Completion Unit ____ Days @ ____ /Day		
Stimulation		
Contingency		
TOTAL INTANGIBLES:	129,500	

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head		
Casing:		
Tubing:		
Packer & Special Equipment		
Contingency - Intermediate Casing String		
TOTAL WELL EQUIPMENT:		

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment		
Storage		
Separation Eq., Flowlines, Valves & Fittings		
Trucking & Construction Costs		
TOTAL LEASE & BATTERY EQUIP:		
TOTALS:	$129,500	$

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

JACK J. GRYNBERG SHARE 50.00%

BY: _____ DATE

NON-OPERATOR	SHARE
MESA PETROLEUM COMPANY	50.00%

BY: _____

Dockets Nos. 9-82 and 10-82 are tentatively set for March 31, and April 14, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - MARCH 16, 1982

9 A.M. - OIL CONSERVATION DIVISION 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 April, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7502: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 760 feet from the South line and 960 feet from the East line of Section 6, Township 24 South, Range 37 East, Jalmat Gas Pool, and a 160-acre non-standard proration unit comprising the SE/4 of said Section 6.

CASE 7503: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the North line and 1400 feet from the East line of Section 22, Township 22 South, Range 36 East, Jalmat Gas Pool, and a 120-acre non-standard proration unit comprising the W/2 NE/4 and SE/4 NE/4 of said Section 22.

CASE 7504: Application of Cities Service Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a subsurface depth of 3416 feet underlying the NW/4 of Section 19, Township 24 South, Range 37 East.

CASE 7505: Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lybrook-Gallup and Basin-Dakota production in the wellbores of wells drilled and to be drilled in Section 2, 3, 4, 9 and 10, Township 23 North, Range 7 West.

CASE 7506: Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Abo formation in the perforated interval from 8900 feet to 9300 feet in its State "P" Well No. 1, located in Unit P, Section 32, Township 16 South, Range 37 East, Lovington-Abo Pool.

CASE 7507: Application of Sonny's Oilfield Service, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.

CASE 7508: Application of P & O Oilfield Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

CASE 7459: (Continued from February 17, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

CASE 7457: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4; Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

CASE 7509: Application of Supron Energy Corporation for a non-standard proration unit or compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit for the Dakota and Mesaverde formations comprising the SW/4 of Section 2, Township 21 North, Range 8 West, or in the alternative, an order pooling all mineral interests from the surface down through the Dakota formation underlying the S/2 of said Section 2, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7510: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Penn formations underlying the N/2 of Section 10, Township 22 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7511: (This Case will be continued to March 31, 1982)
Application of Buffton Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 35, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7496: (Continued from March 3, 1982, Examiner Hearing)

Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1934 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.

CASE 7512: Application of Viking Petroleum, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well located in Unit H of Section 31, Township 13 South, Range 34 East, Nonombre-Penn Pool, said well being a recompleted Morrow test and located in the SE/4 of the quarter section whereas the pool rules require wells to be located in the NE/4 or SW/4 of the quarter section.

CASE 7476: (Continued from March 3, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7513: Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7514: Application of Santa Fe Exploration Co. for compulsory pooling, or in the alternative a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Permo-Penn, Strawn, Atoka and Morrow formations underlying the W/2 of Section 2, Township 20 South, Range 25 East to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200 percent charge for risk involved in drilling said well. In the event said 200 percent risk factor is not approved, applicant seeks a non-standard unit excluding the lands of owners not participating in the well.

CASE 7515: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12, and 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7445: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in theabove-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collier Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

CASE 7492: (Continued and Readvertised)

Application of Harvey E. Yates Company for a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 28, 29, 30 and 31 East, containing 161,280 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7500: (Continued from March 3, 1982, Examiner Hearing)

Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7513

APPLICATION OF MESA PETROLEUM COMPANY

ENTRY OF APPEARANCE

COMES NOW Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico, by and through the undersigned counsel, and requestes of the Oil Conservation Division that he be allowed to enter this Appearance as a party of record in the aforesaid proceeding.

The Commissioner states further that oil and gas lands owned by the State of New Mexico are involved in this proceeding that may or may not be adversely affected by the order or decision of the Division in this matter.

Respectfully submitted,

J. SCOTT HALL
Attorney for Alex J. Armijo
Commissioner of Public Lands
for the State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501
505/827-2743

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7513

APPLICATION OF MESA PETROLEUM COMPANY

ENTRY OF APPEARANCE

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The Commissioner states further that he may or may not be adversely affected by the order or decision of the Division in this matter.

Respectfully submitted,

JAMES W. LAW
Petroleum Engineer for Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501
505/827-2743

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

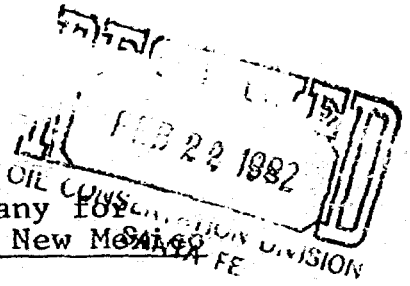
JACK M. CAMPBELL
MARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 22, 1982

Case 7513

Mr. Joe D. Ramey
Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501



Re: Application of Mesa Petroleum Company for Compulsory Pooling, Chaves County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Mesa Petroleum Company for an order pooling the SE/4 of Section 12, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico. This application involves the same lands which Jack J. Grynberg seeks to pool in Case ~~7477~~ 7476.

Mesa Petroleum requests that Case ~~7477~~ 7476 be continued until the March 16, 1982 examiner hearing and that these two cases affecting the SE/4 of said Section 12 be consolidated for purposes of hearing at that time.

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

WFC:lr

Enclosures

cc: Francis Matthew, Esq.
Mr. Mark Hannifin

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF MESA PETROLEUM COMPANY FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

CASE 7513

APPLICATION

Comes now, MESA PETROLEUM COMPANY, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests from the surface through the ~~Pennsylvanian~~ Abo formation in and under the SE/4 of Section 12, Township 5 South, Range 24 East, N.M.P.M. Chaves County, New Mexico, and in support thereof would show the Division:

Amended by Pleading filed by phone 2/25

1. Applicant owns or controls 50% of the working interest in and under the SE/4 of said Section 12 and applicant has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Pat State Com Well No. 1 to be drilled at an orthodox location 660 feet from the South and East lines of said Section 12.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the SE/4 of said Section 12 except Jack J. Grynberg, owner of a 50% working interest.

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

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

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, on March 16, 1982, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and assessing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By William F. Carr

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

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7513

Order No. R-6930

APPLICATION OF MESA PETROLEUM COMPANY
FOR COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of ~~March~~ April, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That on February 22, 1982, the applicant, Mesa Petroleum Company, filed an application seeking ~~seeks~~ an order pooling all mineral interests in the Abo Formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) That as of December 31, 1981, Jack J. Grynberg had filed an application also seeking an order pooling all mineral interests in the Abo formation underlying the SE/4 of said Section 12.

(4) That the Jack J. Grynberg application was ~~designated~~ set as Case No. 7476 and was consolidated for purposes of testimony with the subject case.

(5) That by its Order No R-6925 dated April 2, 1982, the Division approved the application of Jack J. Grynberg in said Case No 7476.

(6) That the ~~the~~ application of Mesa Petroleum Company in this ~~case~~ concomitant case ~~should~~ should be denied.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional _____ 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 who 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 $_____ per month while drilling and $_____ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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 well 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 _____, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

That the application of Meso Petroleum Company for an order pooling

(1) ~~That~~ all mineral interests, whatever they may be, in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, ~~are hereby pooled to~~ form a standard 160 -acre gas spacing and proration unit is hereby denied. ~~to be dedicated to a well to be drilled at a standard location thereon.~~

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the _____ day of _____, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good

cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division 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 Division 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 Division and the Division 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 Division 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 who 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, _____ 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 $_____ per month while drilling and $_____ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold

from production the proportionate share of such supervision charges 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 interest's 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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

CASE 7513: MESA PETROLEUM COMPANY FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO DE NOVO MAY 17, 1982

Smead
No. 153C
HASTINGS, MN
LOS ANGELES-CHICAGO-LOGAN, OH
McGREGOR, TX-LOCUST GROVE, GA
U.S.A.

DOCKET MAILED
Date 4/30/82

CASE NO.

7513 De Novo

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

MESA
PETROLEUM CO.

July 12, 1982

Case 7513

Oil Conservation Commission
P. O. Box 1148
Santa Fe NM 87504-1148

Attention: Emery C. Arnold

Gentlemen:

Subject: NMOCD Order No. R-6930-A
Mesa #9 Camack Federal Com.
Chaves County, New Mexico
Pecos Slope Prospect
Mesa OP 05-NM-0138-295

Mesa Petroleum Co. submits herewith for your approval, one photostatic copy of the AFE/Cost Estimate for the captioned well.

It is requested that you acknowledge receipt of this letter and advise if further information is necessary for your files.

Yours very truly,

Mark Hannifin
cs
Enclosure

Ok

MESA PETROLEUM CO.

AFE/COST ESTIMATE

01/05/OPERATIONS
Co./Div./Subsid./Dept.

AFE # 82-480
ID # 01-05-NM-0138-0014-009-0
Code General Account # _____
Exploratory _____ Development X

LEASE, WELL NAME, AND LOCATION CAMACK FED COM #9
660' FSL & 1980' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4300' FLOWING ABO GAS WELL, INCLUDING PRODUCTION EQUIPMENT.

Sub Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/ Other
X01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000		20,000
	(A) DAY WORK 10/5 DAYS At $ 6000/1200 /DAY	60,000	6,000	66,000
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	18,000	7,000	25,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	11,000		11,000
	(B) WATER	8,000	3,000	11,000
X06	LOGS, TESTING & MUD LOGGING UNIT	10,000	3,000	13,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
X08	PERFORATING, WELL STIMULATION SERVICES		60,000	60,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	20,000	3,000	23,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,500	2,000	5,500
X11	RENTAL EQUIPMENT & TOOLS	6,000	3,000	9,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	10,000		10,000
X13	HAULING & FREIGHT	6,000	4,000	10,000
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER	5,000		5,000
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	6,000	2,000	8,000
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	* 8,000		
X23	MUD ENGINEER 4 DAYS At $ 250 /DAY	1,000		1,000
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
X25	GEOLOGICAL CONSULTANT 2 DAYS At $ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	$ 193,000	$ 93,000	$ 278,000 *
X41	BUOYS AND MARKERS	$	$	$
X42	CASING/TUBULARS			
	(A) 900 FT. OF 10 3/4 " OD $ 21.00 /FT.	18,900		18,900
	(B) 1,750 FT. OF 7 5/8 " OD $ 14.00 /FT.	24,500		24,500
	(C) 4,300 FT. OF 4 1/2 " OD $ 7.50 /FT.		32,000	32,000
	(D) 4,150 FT. OF 2 3/8 " OD $ 4.00 /FT.		16,600	16,600
	(E) FT. OF " OD $ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE	2,300	5,200	7,500
X44	SUB-SURFACE WELL EQUIPMENT			
X45	SURFACE WELL EQUIPMENT			
X46	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		3,000	3,000
	Total Tangible Controllable & Non-Controllable Costs	$ 45,700	$ 67,800	$ 113,500
	Total Costs	$ 238,700	$ 160,800	$ 391,500 *

Prepared by A. Arnold Hall Title PETR ENGR Date 6-28-82 Mesa WI _____ %
Mesa Approved Michael P. Houston Title OPS MGR Date 6-28-82 Others WI _____ %
Mesa Approved _____ Title _____ Date _____ _____ %
Mesa Approved _____ Title _____ Date _____ _____ %
WI Approval Company _____ By: _____ Title _____ Date _____ _____ %

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date MAY 17, 1982 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Joseph W Jeffer	Mesa Petroleum Co	Midland Tx
William R. Hunterdin	MESA PETROLEUM CO.	MIDLAND, TEX
William F. Carr	Campbell, Byrd & Black, P.A.	Santa Fe
Bill Huber	Byram Co	Santa Fe
Jerry Hoover	Gen, Hoover, Swad & Wellman	Santa Fe
Steven C James	Mesa Petroleum Co.	Midland TX

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 May 1982

COMMISSION HEARING

IN THE MATTER OF:

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico.	CASE 7476
and	
Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico.	CASE 7513

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:
Jack J. Grynberg: J. E. Gallegos, Esq.
JONES, GALLEGOS, SNEAD, & WERTHEIM
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Santa Fe, New Mexico 87501

A P P E A R A N C E S

For Mesa Petroleum:

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MESA PETROLEUM CO.
Permian Basin Division
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Midland, Texas 79701

and

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK P.A.
Jefferson Place,
Santa Fe, New Mexico 87501

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MR. RAMEY: We'll call Cases 7476 and 7513 at this time.

MR. PEARCE: Case 7476 is the application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico, and Case 7513 is the application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico.

MR. RAMEY: Those cases will be consolidated for the purposes of testimony and there will be two orders written.

I'll ask for appearances at this time.

MR. GALLEGOS: Appearing in behalf of the applicant, Jack J. Grynberg, in Case 7476, J. E. Gallegos, Jones, Gallegos, Snead, and Wertheim, P. O. Box 2228, Santa Fe, New Mexico.

MR. RAMEY: How many witnesses do you have, Mr. Gallegos?

MR. GALLEGOS: We have two witnesses.

MR. CARR: May it please the Commission, my name is William F. Carr, with the law firm Campbell, Byrd, and Black, P. A., Santa Fe.

I am appearing in association with Steven C. James, a member of the Texas Bar and a regional attorney for Mesa Petroleum Company.

We appear for the applicant in Case 7513.

We have three witnesses.

MR. PEARCE: Could I ask all of the witnesses to rise, please?

(Witnesses sworn.)

MR. RAMEY: Okay, Mr. Gallegos, you may proceed.

MR. GALLEGOS: We call Jack Grynberg.

JACK J. GRYNBERG

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. GALLEGOS:

Q State your name, please.

A My name is Jack J. Grynberg.

Q Where do you live, Mr. Grynberg?

A I live at 4661 South Dasa, D-A-S-A, Drive, Englewood, Colorado, 80111.

Q Where is your place of business?

A 1057 King Street, Denver, Colorado, 80265.

Q What is your business?

A. I'm an independent oil and gas operator.

Q. Mr. Grynberg, you testified before this Commission previously, but would you please for this record just summarize your experience, education and training in the field of oil and gas?

A. All right. I'm a graduate of Colorado School of Mines; first degree was a professional engineer's degree in petroleum refining and chemical engineering; second degree was a petroleum -- a professional engineer's degree in petroleum production engineering. I have two years of graduate work in geophysical engineering for my doctorate, completed all the course work except a thesis; was a member of the Board of Trustees of Colorado School of Mines for six years until a year ago. I'm a Trustee Emeritus.

I have an honorary degree from Colorado School of Mines given to me in 1976.

I was a member of the Committed on Nuclear and Alternate Energy Systems, appointed by President Ford, reappointed by President Carter.

I'm a member of a number of professional organizations. I'm a Registered Professional Engineer in the State of Texas, Registration Number 14578.

Q. What is your employment experience in the industry?

A. I started with Continental Oil Company as a research engineer; worked for Continental in '53, '54. I then became a consultant and was consulting geophysicist and petroleum engineer until 1962, with the exception of the United States Army service in '56 and '57, Army Corps of Engineers and Armey Research and Development Command.

In '62 I became an independent oil and gas operator. In '68 I embarked on foreign operations as well as domestic operations, and have been in that capacity ever since.

Q. The named applicant in this proceedings is Jack Grynberg and Associates. Who or what does that name refer to?

A. Same thing as Jack J. Grynberg. It's just doing business as, it's a dba registered in the city and county of Denver.

Q. Is Jack Grynberg and Associates active in its business in the State of New Mexico?

A. Yes.

Q. Where?

A. Chaves County, Eddy County, Lea County; also in northwestern New Mexico.

Q. What are the general activities of Grynberg and Associates as far as Chaves County is concerned?

A. We're actively developing the Abo production in the Abo trend, or the Pecos Slope trend, and have drilled so far approximately 34 wells, of which 18 we operate and 16 we're participants with others who are operators.

Q. What is your --.

A. And presently have three rigs running.

Q. All right, sir. And what -- what is your program or plan for the future in that area?

A. We hope to have approximately 60 wells in that area.

Q. In what span of time have you been operating and do you foresee as a continuation of your operations in that Abo play?

A. We started operations in November of 1981 and we feel we'll be through with our drilling sometimes August or September of this year.

Q. Mr. Grynberg, with the use of the map that has previously been marked Exhibit Number One in this hearing, I'd like to call your attention to the southeast quarter of Section 12, in 5 South, 24 East, and ask you to describe to the Commission the application, what is sought by it, and the circumstances related to the application.

A. Well, we're a 50 percent owner in the southeast quarter of Section 12, Township 5 South, Range 24

East. We tried to resolve in an amicable fashion for us to become the operator and drill the proposed well in the southeast quarter. After negotiations that commenced sometimes in October of 1981 we are not successful. We filed a compulsory pooling order -- I'm sorry, compulsory pooling procedure with the Commission. The hearing was held, I believe, the end of March, and the Examiner nominated us as the operator for the southeast quarter of Section 12.

Q. Who are the other interest holders in that 160 acres?

A. 25 percent is held by Corona and 25 percent is held by Mesa, or any of their partnerships, we're not sure.

Q. Under the designation of Grynberg and Associates as the operator and if that designation is to continue, do you have exhibits that reflect the operating agreement that was proposed previously and the Authority for Expenditure?

A. Yes, I do.

Q. Would you point those out to the Commission and just state generally what they show?

A. I have the operating agreement, which is our Exhibit Number Two, which was sent out in January of 1982, and-- bear with me --

Q. I think the AFE is Exhibit Number Three

is the AFE with letters distributing it?

A. Apparently in this package that was given to me I do not have -- there is Number Three, no, that's Number Four. I don't have Number Three.

Okay, I do have Number Three -- it should be crossed out Number Four. Yes, I do.

Q. Okay, what are Exhibits Number Two and Number Three?

A. These are letters and -- to Mr. Nutter and to Mr. Hannifin with Mesa Petroleum and to Mr. Williams with Corona Petroleum, with an attached AFE, that was sent out to them.

Q. What is the objective or the formation of the 160 acres as a drilling unit?

A. Well, the objective is to develop in the most efficient, economical way the Abo production in this area.

Q. And how would that be done?

A. It would be done by --

Q. How is that being done, let's say?

A. Well, it's being done by communitizing on a voluntary or on a Commission order basis the 160 acres comprising the tract where the well is drilled.

Q. Now at this time, Mr. Grynberg, although

you transmitted or circulated an operating agreement, are you in fact proceeding in the operations of your Order R-6925, issued by the Oil Conservation Division on April 5, 1982?

A. Yes, we are.

Q And is that before the Commission as Exhibit Number Four?

A. Are you referring to the electric log -- to the density log?

Q I'm referring to the order of the Commission.

A. Yes, it is, okay.

Q It should be in order there.

A. Yes.

Q What steps were taken under that order insofar as the opportunity for the other working interest owners to consent, to participate on a consent basis in the drilling of the well?

A. Contact was made by me via telephone with Mr. Jack Larson, I believe, a Senior Vice President of Mesa, urging him to pay his share and to join us in the drilling. Similar contact was made with John Williams, Vice President for Corona Petroleum, urging that Corona make the payment as required by the order so we may proceed with the drilling of the subject well.

Corona indicated to me that they are out of money and that they would have to go non-consent. Mr. Larson indicated to me that he wanted to study the matter with his people in Midland. Mr. Larson is located in Amarillo, and was going to let us know. When we didn't hear from Mr. Larson, Ms. Stozall (sic) contacted him again and he indicated that Mesa is not going to pay its share and they're going to proceed and obtain whatever necessary protection they could get from the courts.

We sent them a telegram, which I believe was on Wednesday, the 5th of May, that we are going to move in a rig on the 9th of May. We sent a similar telegram to Corona, and we sent copy of the telegrams that we have sent to the Commission, notified the Commission that these telegrams have been sent to both Mesa and Corona, and in fact, on the 9th of -- I'm sorry, and on the 7th of May, on Friday in the morning -- no, I'm sorry, on the 6th of May, on Thursday in the afternoon, we were notified that there's going to be a hearing in the courthouse in Roswell, New Mexico, in front of Judge Snyder, I believe, the following morning at 9:00 o'clock, whereupon Mesa was seeking a restraining order and an injunction to prevent us from moving a drilling rig.

Mr. Gallegos chartered a plane, flew to Roswell, the hearing was held, the judge threw it out.

Q. Mr. Grynberg, let me interrupt you a minute. I don't think it's necessary to go through that in total detail. If you would state for the Commission the status as far as Mesa's participation in the drilling of the well on a consent basis.

A. On the 9th, on Sunday, we moved the drilling rig and on Sunday the 16th, seven days later, we logged the hole. The logs have arrived here an hour and a half ago, which I have in front of me. Mesa was being appraised of the daily drilling report. They were called daily, indicating what was being done. They had full access to all the information and we gave Mesa an extension until Monday, the 10th, to make payment for their share of the well, and no payment was tendered.

Q. All right, Mr. Grynberg, would you identify for the Commission Exhibit Five and Six? What are those?

A. Exhibit Five is a proposed operating agreement of Mesa's and Exhibit Six is Mesa's AFE.

Q. Now, sir, do you have any comment or analysis of the provisions of the operating agreement proposed by Mesa as it would act upon other working interest owners, such as Grynberg & Associates, as opposed to the provisions of the operating agreement that you proposed?

A. Our operating agreement is cheaper, cheaper

on a monthly basis, cheaper on the operation of the drilling well basis. Our AFE is lower than Mesa's by about -- I'll tell you precisely here -- our AFE is $338,000 for the completed well. Mesa's is $388,000 for a completed well. With the exception of one well, all the wells without problems, we've completed them for right at about $300,000 per well. This one here we seem to have set a record, drilled it in seven days, probably be less than that.

Q All right, sir. With -- employing the map that's Exhibit Number One, and with reference to Exhibit Number Seven, which is an operating cost chart --

A Yep.

Q -- and also refer to Exhibit Eight, if it's helpful, would you just describe to the Commission what your activities have been in this area, your experience, your costs, and what drilling rig, or rigs, you've been employing?

A Our activities have been here with originally obtaining an acreage position approximately ten years ago on the basis of a dry hole drilled in Section 24 of Township 5 South, Range 24 East, which in my opinion was not a dry hole, it was a bypassed well drilled by Western Reserve.

So we started there a long time ago. We subsequently made a series of seven farmouts, six to Yates, and one to Fred Pool, that resulted in the discoveries of, two

years ago, in the Abo trend, and we participated with Yates; we participated with Mesa, and of course, drilled our own wells, as well as have Mesa and Pool and -- and Western Drilling, and Dove Oil and Yates, of course, participate in drilling with us.

We've been in approximately 34 wells; we have three wells drilling now, and we intend to continue the drilling operations to --

Q. Does this map -- excuse me.

A. Sure.

Q. Does this map entitled Pecos Slope show the wells in which your firm has been participant or substantially all the wells in the Abo gas play?

A. It does whenever you look at the units, 160-acre units, where we have dotted or dashed or diagonal or straight checkerboard lines, indicating various acreage holdings.

Q. All right, sir, with the use of the map and of the exhibit, the operating cost chart, will you just point out to the Commission the wells that you've done and what costs have been incurred in order to drill and complete those wells?

A. Well, Exhibit Seven has the actual completed costs with the exception of the surface equipment, such as

separators and storage tanks and hook-up costs. Probably about $10,000 more should be added.

The only other exception here is that we don't have the final cost on a joint well with Mesa, called the McDermett.

Exhibit Eight deals specifically with partnership wells that we have operated, and there are four of them, and again, similar provisions, the final costs of surface equipment are not included.

Q. Okay. How do your costs compare to the costs of other wells that are being drilled in the Pecos Slope area?

A. Well, two things. We think that our wells have very good drilling procedures, very good cement jobs. We've never had any problem with our cementing. Many operators, including Mesa, have had as many as one out of two cement jobs go bad for them. We've been able to cut costs by buying our casing on the most competitive basis and still sticking with API; by using services whereupon we pay within a ten day period from the time we get the invoice so we get discounts anywhere from 2 percent to 10 percent by paying promptly. We've designed a fracturing technique where we've had some very good successes, probably the best success is the one most publicized, a 27-1/2 million cubic foot well in 35-1, and we attribute it

to good drilling procedure, good completion procedure, and we've been able to have a very efficient operation and make decisions when decisions are necessary to correct any flaws or any mistakes that always happen when you take a risk and drill a well.

One of them is something that happened this morning, and that's why I'm sorry I was late here. We run the logs. We decided to use Gearhart to run the logs because they are $5000 cheaper than Schlumberger, and we did not want to be accused on a well with Mesa we're using more expensive, and I think we made a mistake. I was able, as the logs were delivered, to pick up the fact that the repeat section was about 30 percent off from the original logging section, and I have ordered a Schlumberger truck to location to rerun the gamma ray neutron density so we can make an intelligent decision as soon as that log is available in a few hours.

Q We'll go into that a little bit more later, Mr. Grynberg, but as far as the drilling company that you use, have you established continuity as far as the rig or rigs and the crews?

A Yes.

Q Would you describe that and why you believe that that adds to the speed and cost savings you've been able to achieve in your drilling operations?

A. During the winter and the fall, winter of this year and the fall of last year, you could not always get the best rig that you wanted. We even used a company that was in the uranium business that entered the oil and gas business. We're finally able to get a very good rig, a very good crew, from Aztec Drilling. They moved the rig from Farmington for us. That's Jerry Sandel's company, and they've done a superb job; we got a very good deal, a very economical deal. I think this proves, they moved the rig from the previous location to the present one, approximately seven miles as the crow flies, rigged it up and drilled the well and run logs in seven days, and I think that just demonstrates the kind of people we're dealing with, and if we wouldn't have moved to this location, we did not have another location because there are other cases in front of the Commission for forced pooling, we would have lost the rig and would have lost as far as the price that we negotiated for a multiple drilling operation, and would have had to wait for either another rig or the same rig to come back at a higher price.

So we had no choice but to move this rig when it became available; we simply did not have another location to go to.

Q. Because of the multiple drilling that you're doing with the Aztec Drilling rig, what price have you obtained

from that company?

A. Well, the price is a turnkey teardown, move, and rig up price, without the trucking cost of $2750 a day -- $2750 total. In other words, they teardown from the previous location, the time that the rig is moving and the time that the rig is being rigged up, all of it is for $2750, just trucking, and that's cheaper than anything else. The day work price is $5500 per day, fuel included. They pay for the fuel and the most important thing is that the crew has been with this rig for about two years and I have not been able to find a drilling rig with a crew that has been with the rig for more than two or three months in this particular area.

So it's a superb crew. It's very well trained, excellent toolpusher, and very good contractor. The past five, six bills from the contractor in question, and we checked, there wasn't one correction, there wasn't one dispute, the bills are precise, they're correct. It's just a very good working relationship and a very efficient relationship, and at the same time we've also been able to use the mud supplied by a division of this company and the mud bill on this particular well, we estimate, will be running $4000. And that's less, anywhere from half to a third than any previous mud bills.

Q While your company is based in Denver, do

you have the presence of personnel in Roswell, or the Roswell vicinity, to oversee the drilling activities in the Pecos Slope?

A. Yes. We have -- we have three people. We have Chris Bennels, who is a coordinator, and lives in Roswell all the time. We have Sonny Longo, who is -- runs the day to day drilling operations, and we have Jim McWilliams, who's been my drilling and production manager for the past, approximately, ten years, supervising all the completion and coordinating everything.

And then we have a consulting geologist, Jack Allen, who analyzes samples on the spot, transmits the logs to us; we make the decisions.

Q. Even with the methodology that you've described and the personnel that you have, has there been an instance, or instances, where there has been difficulty with a well and the cost has gone over what you had projected in your AFE?

A. Yes. We had one problem. We had lost circulation, water flows combined, everything that can happen in one well, and that's the McDermott No. 1 Well that Mesa Drilling -- I'm sorry, Mesa --

Q. Where is that well located?

A. That well is located in the northeast

quarter of Section 30, of Township 6 South, Range 25 East. Mesa had a 25 percent interest and Corona had a 25 percent interest. Well, that's an area with water flows and lost circulation. It took us longer than most people and we feel one reason it took us longer is because we complied very strictly to the requirements of the Oil and Gas Commission.

We run 10-3/4 inch surface pipe. We had problems cementing it; we had to one-inch it. We didn't dump all kinds of junk behind it. We followed exact the regulations and it took several days to get the cement with a 1-inch pipe behind it.

We thereafter drilled and found additional lost circulation and water flows, but we set 7-5/8ths inch casing instead of 8-5/8ths because that's what the Commission requires, and we cemented it. Accordingly, when we drilled out from under it we had to use a 6-1/2 inch bit instead of 7-7/8ths and it took us longer to get to TD.

Now two wells adjacent to it, both by Mesa, they used 8-5/8ths inch casing so they could drill with 7-7/8ths inch bit, but they didn't get much cement behind 8-5/8ths inch casing when they went right into the 10-3/4.

So we feel we complied with the regulations and that's why it was more expensive, and we feel Mesa did not comply with the regulations, and that's why it was cheaper.

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So we feel we complied with the regulations and that's why it was more expensive, and we feel Mesa did not comply with the regulations, and that's why it was cheaper.

Q. In your opinion, Mr. Grynberg, was the difficulty and the over expense of the well the result of your drilling methods and operations or the peculiarity of the geology in that area?

A. There was no question that it had to do with it, with the fracture systems that we have encountered in drilling the well, plus the fact that we complied strictly with the regulations of the Oil and Gas Commission in cementing the surface pipe, cementing the intermediate string of casing, 7-5/8ths, to get cement behind it, because 8-5/8ths wouldn't have had enough space for the cement, and thereafter, of course, had to drill with a smaller bit that took us longer, but nevertheless, we did drill and it's -- and completed successfully the subject well, but it was more expensive because of all the problems we encountered, the problems associated with being in the oil and gas business.

Q. Other than the McDermett Well, which you've just referred to, how have the actual costs of drilling and completion on all of your other Pecos Slope wells compared to the estimates made in your Authority for Expenditures?

A. They've been anywhere from 60 to $100,000 less.

Q. Other than what you've described to the Commission about your method, is there anything that you feel

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A They've been anywhere from 60 to $100,000 less.

Q Other than what you've described to the Commission about your method, is there anything that you feel

is -- in your well drilling or completion strategy that makes for a better producing well, expected to be a better, longer production from the wells that you drill?

A. I think there are several aspects. I think we pioneered the 10-3/4 surface casing. Nobody else used it before; cemented surface casing all the way to the surface to protect the fresh water sands behind it. We then proceed, using the appropriate bit and we've been successful in using just the right type of bit, to have only one bit for 7-7/8ths inch hole all the way from the base of the surface casing to total depth. We use good supervision constantly on a well, constantly in contact with me or Mr. Morris Ettinger, who appeared in front of this Commission, so that we have very close control of what's happening. We use a good mud control and we use a very low water loss when we go through the Abo formation. Our water loss is 10 cc or less when we go through the Abo formation, making sure the formation is not invaded and not damaged. When we cement it, we cement a pipe usually to TD -- I mean the long string all the way to the surface to prevent any corrosion problems in the future. We've had experience with salt strata in North Dakota and off-shore Greece, where unless you do cement it all the way to the surface you're taking a chance that the salt may be moving and shearing your pipe in half, creating problems down the line,

or if that doesn't happen, you could create an electrolytic cell where current flows from the less saline -- from the most saline to the less saline reservoirs, creating pitting in the casing, and with holes in the casing all kinds of salt water would get mixed in with the gas formation and damage your gas production. All that is being prevented.

When we perforate, we perforate selectively. We perforate all the producing zones on the basis of not only the compensated density neutron log but also the dualatero log micro SFL. We insist on running both logs because we feel that in cases of deeper invasion we need the electrical surveys to tell us what the invasion is and what the saturation of porosities are. We understand Mesa is running only one log, just the density neutron log, without running the electrical surveys.

So in spite of the fact that it might cost a little extra, we try to get all the necessary information to tell us where all the producing horizons are so we can complete them.

When we perforate, we frac it by using double or triple the amount of mud acid to clean it, also with a much higher strength than the other operators. This cleans the perforations, cleans the formation. We then go in with a very gradual increase of sand with the fracing fluid

and subsequently follow it up with a much lower mesh or higher sand diameter in order to be sure that the frac is propped and stays.

Our injection pressure usually varies no more than two, three pounds from the initial to the final one, and we think that's very critical and it's very important to have just a gradual, steady injection pressure, and in spite of the fact that we increase our ratio of sand and subsequently change the mesh from 40 to as low as 20 mesh, at the end of the frac job, this indicates a very successful frac, and that, of course, has shown up in the wells that we have been able to complete in the area to date.

Q In your opinion, Mr. Grynberg, does the pooling of this unit and going forward with the drilling of a well on it serve to protect correlative rights of interest holders in that 160 acres?

A It protects everyone's correlative rights by virtue of the fact that to the north, to the west, the south, and to the northeast, there are existing producing wells and in order to protect those rights a producing well should be drilled as expeditiously as possible, and this was done.

It also protects the correlative rights of everyone because we are able to drill the well cheaper.

As an example, our well will probably run less than $300,000 completed and the Mesa well, which we are a 25 percent participant, just adjacent to the north in the northeast quarter, ran about $400,000 completed.

Q Is the -- or did the presence of the -- those offset wells have any bearing on your opinion that it was prudent and reasonable to go forward as expeditiously as possible with the development of this quarter section?

A That had a great deal of influence, plus the other factor, and mainly the fact that we are entering a period of an over-supply of energy and it is very critical to get the wells developed, get them hooked up to a pipeline to protect the market, specifically the market of San Francisco, which has competition, a great deal of competition, not only the gas from New Mexico that's going to California; there's gas from Canada coming into California; there's gas from Indonesia coming to California, and it is imperative in our opinion to get these wells drilled as quickly as possible, hooked up on a pipeline and get the gas supply to the California markets before we lose those markets.

Q You mentioned, I think, two Mesa wells as having some offset influence on this quarter section. Are there other wells?

A Yes, there's a Yates well to the northeast,

I believe. There's a Yates well to the southwest. There are, of course, two Mesa wells to the west and there's a Mesa well of which we have 25 percent interest to the north, and there's a Western Reserve well to the south.

Q. In your opinion under the present circumstances in this southeast quarter of Section 12 being drained by the offset wells?

A. Well, with all this type of direct offset, you know, with just a few hundred feet, there's no question but there's a certain amount of drainage, and we felt that we should protect that as quickly as possible.

Q. Of the -- the Commission Order Number R-6925 under which you're proceeding provides in the case of non-consenting working interest owners that they will bear an additional 200 percent risk charge. What is your view as to the propriety of that risk factor?

A. I think that's a very applicable risk. These sands come and go. The porosity within the reservoir varies. The reservoirs vary themselves. The permeability varies, and I think the purpose in including the log which we have just obtained, which was delivered this morning, and I believe that's Exhibit Fifteen, is it?

Q. Yes, sir.

A. Pardon me?

Q. Yes, it is.

A. Indicates that this is going to be a marginal well unless one horizon, specifically the horizon at 3980 to 4000, can be successfully fraced and completed to generate adequate gas production and supplies to make it a fair well.

The horizon in question is quite shaley and it might not contribute anything, and if it doesn't, it's going to be a marginal well, and in fact might never pay out.

Q. Mr. Grynberg, since you've gone to the log, I planned to treat that a little later, but let's go ahead and deal with that, and in that context, identify for the Commission also the Exhibit Thirteen and Exhibit Fourteen. We'll talk about that and Exhibit Fifteen.

Exhibit Thirteen is a drilling report. Do you have your copy of that, Mr. Grynberg?

A. Yes, I do. Just one second. Yes, Exhibit Thirteen is a drilling report, which was called in daily to both Corona and Mesa Petroleum. I notice the last day, Friday, is not on this report. The person who was doing it was ill that day, but it might have been called anyway, I don't know.

Q. All right, and what is Exhibit Fourteen?

A. Exhibit Fourteen are the daily reports that were being sent to Mesa, together with sundry notice,

a letter from the Conservation Commission, permit to drill, and all the necessary information was sent to both Mesa and a carbon copy of the same thing was sent Corona, and then at the end of the third sheet is the record of phone calls made to different people at Mesa and Corona, reporting the daily reports. That's --

Q. Why was this --

A. -- a lot more than we ever got from Mesa.

Q. Why was this information being provided to Mesa and Corona?

A. Well --

MR. JAMES: I'm getting confused now. Are we supposed to have an Exhibit Fourteen here that has all of those documents attached to it?

A. Well, Thirteen. You're looking at Fourteen. It's the one before that.

MR. JAMES: Thirteen is a drilling report, now, and Fourteen is a May 10th letter?

A. That's correct.

MR. GALLEGOS: And it's those three pages. May 13th letter and then a legal sized sheet.

A. Mr. James is right. Apparently the permit to drill does not have. Mr. James is right.

MR. GALLEGOS: Could we have those? Are we

intending to enter them as exhibits?

A. I guess they were not attached when they were prepared. They were mailed to Mesa. This merely indicates that it was sent to Mesa.

MR. GALLEGOS: Oh, I see the question. The four items in the letter of May 10th are not attached. No, they were not intended to be attached. The purpose was to show that those things were sent.

A. Were sent. They obviously have an interest in it by virtue of their ownership in the leases and in spite of the fact that they are non-consent, they're still entitled to all the information, and all the information will be given to them as we receive it, promptly.

Q. All right. Just in your own words describe what has occurred as far as the drilling of the well on the quarter section that's in question.

A. We drilled it, which we feel is the most economical way, seven days. We've been able to save on everything. We tried to save on running the electric log and the gamma ray density neutron log, and we tried to save $5000, and we made a mistake. For the first time in all our operations we used Gearhart, and when the logs arrived in here I started analyzing the repeat section of the density gamma ray neutron log with the original section, and I'd like to

call the Commission's attention, and if by any chance you have two of those logs on the table -- do you have two, by any chance, or just one?

(There followed discussion off the record.)

A. If you will lay that next to -- if you will take the repeated section from total depth of 4100 feet to about 3600 feet, and then take the original section from the same depth and lay it next to each other, and if you will look on the original at 3738 feet, you will see the solid line on the extreme righthand side, that's the density curve, registering approximately nine, and neutron registering about the same, and if you will move over to the repeat section at exactly the same point, 3738, you will see the neutron registered about the same but the solid line, the density has moved to seven. From nine to seven, that's roughly a 30 percent discrepancy. If in a matter of about fifteen, twenty minutes you get a 30 percent discrepancy between the repeat section and the regular section, you simply can't trust the log, and accordingly, that's the reason I was late here, I made arrangements with Schlumberger to go to the well immediately and run a Schlumberger gamma ray density neutron log through this well in question. I mean through the zone in question, the bottom 1000 feet, basically, with a repeated section.

Q With the understanding, Mr. Grynberg, that you are going to run a repeat log as you have described, would you give us your view, though, of what this log tells you?

A Well, this log tells me that there are a number of thin zones in the upper part of the Abo where we have the crossover but still fairly low porosity; that if the frac is successful, then in fact, we will have a well, but the most important thing is the zone from 3980 to 4000, where unfortunately we only have the first field print because Mr. Pennels had to leave and get here with the logs from Roswell, but indicates that there is invasion in approximately twenty feet, twenty feet of shaley sand in the Abo, and if the frac is successful there could be a fair well, maybe even good, depending on how successful the frac is.

But if it isn't, then I question if the well is ever going to pay out.

And in that case, we took the risk and, of course, will end up eating it.

Q In that case, the non-consenting interest holders would have no expense.

A They would have no expense and no risk and, of course, they would never recover the cost of the well.

Q What is your plan in regard to going forward with this well at this time?

A. Well, the plan is that, depending what we see from the Schlumberger gamma ray density neutron, is to set pipe, perforate, acid clean it, and frac the well, probably in two stages. But obviously we want to do some more thinking and then just this morning's review, complete the well as successfully as possible and put it on production.

Q. Even with the repeat logging of the well that you're undertaking, approximately where do you stand with regard to the expense projection up to this point?

A. So far the well has been seven days; the whole thing will take eight days, so the increase is minimal. It will still be less than $300,000 for a completed well.

Unless, of course, we decide to give it like a super giant frac, and that might be a little bit more.

Q. Now, Mr. Grynberg, there's been some discussion in prior hearings before the Division and the Commission concerning your finances, and I would like for you to address that matter, beginning with Exhibit Number Nine, which is a statement of financial position. Do you have that on the stand before you?

A. Yes, I do.

Q. Would you state what exhibit number?

A. That's Exhibit Number Nine.

Q. What does it show, sir?

A. It shows assets, liabilities, of Jack and Celeste Grynberg. Celeste is my wife.

Q. And from what source is this information compiled?

A. This is prepared by a comptroller of my company, who is a CPA, and --

Q. Is that taken from the books and records of financial matters and transactions of you and Celeste Grynberg?

A. Yes, it is. It's also the same records that have been filed with the Federal Court in Denver under oath.

Q. All right, is it true and accurate?

A. True and accurate.

Q. Do you also rely on this statement for such matters as presentation to financing sources, banks --

A. Yes.

Q. -- or whatever?

A. Yes.

Q. Is this the most current statement that you have made?

A. Yes, I do.

Q. All right. Is your financial position as good presently as reflected by Exhibit Number Nine?

A. Yes, it is at least as good.

Q. What is Exhibit Number Ten, sir?

A. Exhibit Number Ten is the Notice of Order confirming the plan of discharge, and of the discharge of my wife and myself from Chapter 11 proceedings in the Federal Bankruptcy Court in Denver, Bankruptcy and Reorganization Court in Denver. As a matter of fact, the discharge was, I believe, as of the 21st of April and there was a ten day waiting period to see if anyone appeals. There was no appeal. Thereafter it is a ten -- ten business days waiting period for the order to be final and it is final today, May 17th.

Q. Although you previously described this in the Examiner hearing in this case, since this matter is on a de novo basis I would like for you, Mr. Grynberg, to describe to the Commission the circumstances and considerations by which you entered into this Chapter 11 reorganization.

A. It was not a financial problem situation as such. It was a preservation of assets and it was specifically with assets overseas, assets involving off-shore Greece, which were in litigation for some five years in a Delaware Court that really had no jurisdiction over any foreign assets. It was a state court, and the only way to get it quickly resolved, because time was of the essence, specifically the Greek elections were coming last fall, and it was my opinion,

which subsequently was proven to be right, that a socialist government was going to get elected in Greece.

When the Colonels were thrown out in Greece and the Democratic government came in, I was accused of col-laboration with the Colonels, and they called it renegotiation but called it expropriation, 65 percent of my assets were by their version renegotiated, by my version expropriated. As the Federal judge in the bankruptcy proceedings -- reorganization proceedings remarked to me, "Beware Greeks bearing concessions."

And it was a very important time situation and by filing for reorganization under Chapter 11 on the 20th of February, 1981, all the proceedings were moved to the Federal Court. Everything was resolved in a three months period. I sold in July of last year my interest off-shore Greece for $22,000,000 in cash. The Socialist government came into effect on the 18th of October. Sixty days ago Exxon was nationalized in Greece. I think the people who bought my interest are going to be facing the same problem.

So that it was a very proper decision. Everybody was paid. Everybody that we could reach was paid with cashier's checks before we entered into the reorganization. We are out of the reorganization successfully and I think probably the best example is -- is the fact that effective

today, the check was given a week ago, I donated to the Colorado School of Mines $100,000 to start an American Indian educational program for American Indian kids from the resource tribes to educate them in petroleum, geological, geophysical mineral engineering and use the $100,000 as an endowment fund for the Indian kids.

And a copy of that letter is Exhibit Eleven presenting that check.

Q What is Exhibit Number Twelve, Mr. Grynberg?

A Exhibit Number Twelve shows the money we have spent through April 15, the bills outstanding, disputed bills, and the total amount runs at about $4,000,000. I might add that the disputed bills are for practical purposes settled, or very close to being settled. The only amount of dispute would be about $20,000.

MR. GALLEGOS: We move the admission of Exhibits One through Fifteen and pass the witness for cross examination.

MR. RAMEY: Exhibits One through Fifteen will be admitted.

Are there any questions of Mr. Grynberg.

MR. JAMES: I have a few questions.

CROSS EXAMINATION

BY MR. JAMES:

Q. Mr. Grynberg, are you operator of the well in question?

A. Yes, I am.

Q. And you first filed your application to force pool this unit back in January, didn't you, of this year?

A. Yes.

Q. And you stated in the operating agreement that you submitted today as Exhibit Number Two that you would be the operator, is that correct?

A. I believe so. Let me check the agreement.

Q. Page 15-A.

A. Yes.

Q. I believe, Mr. Grynberg, if you flip to Exhibit A to that agreement --

A. Uh-huh.

Q. -- under percentage interest of parties under agreement I believe you note Jack J. Grynberg with 50 percent working interest in the unit.

A. What page are you on?

Q. On the Exhibit A.

A. Yes.

Q. It does note that Jack J. Grynberg is the owner of a 50 percent working interest.

If you'll turn in the blue file, please, to Exhibits Four-A, B, C.

MR. JAMES: We would submit these Abstracts of Title, under the evidentiary rules in the State of New Mexico, Section 38-7-3 of your statutes, -- Exhibits Four-A, Four-B, and Four-C.

MR. GALLEGOS: May it please the Commission, there is no question there is no question that the statute provides for authenticity of abstracts of title. That's not disputed, but since they're rather bulky, I can't possibly take a look at them now.

Could we ask for what purpose they are being offered for?

MR. JAMES: They're being offered to -- with respect to the title in Mr. Grynberg's east half of the southeast quarter of the section.

MR. GALLEGOS: Well, I'll just have to have an opportunity to look at them before I can object or know whether we have any objection, so I'd ask that the ruling be withheld until we have a break and I could have that and look at them. That doesn't mean that counsel --

MR. JAMES: Mr. Ramey --

MR. GALLEGOS: -- couldn't go ahead with his cross examination.

MR. RAMEY: Are you going to have somebody testify on these, Mr. James?

MR. JAMES: Yes. We're going to begin with Mr. Grynberg testifying to those.

The statute here in New Mexico clearly provides that those abstracts, if properly certified, and they are, may be admitted for any purpose in any forum of the State.

MR. GALLEGOS: That statute doesn't make an abstract material or relevant, Mr. Chairman. It goes to the authenticity of it.

We're simply saying we may have no objection once we have a chance to look at them. When you're handed something completely out of the blue and it's bulky like this, we want that opportunity so we may frame an objection if we have it.

MR. JAMES: Mr. Grynberg has stated that he owns an interest in this property and these abstracts are relevant, they are material to the ownership of that interest.

MR. RAMEY: We'll take a fifteen minute recess so Mr. Gallegos may look at them. Is that long enough?

(Thereupon a recess was taken.)

MR. RAMEY: The hearing will come to order. Mr. Gallegos, have you had a chance to look at the exhibits, Mesa's Exhibits Four-A, B, and C?

MR. GALLEGOS: Yes, I have, Mr. Chairman. I have no objection.

MR. RAMEY: Mesa's Exhibits Four-A, Four-B, and Four-C will be admitted.

Q Mr. Grynberg, would you please turn in Exhibit Four-A to page 10 and tell me what that is?

Please identify the document shown therein.

A That's an oil and gas lease, State of New Mexico, issued September '82 to Jack J. Grynberg.

Q Does it cover the -- your acreage in this spacing unit?

A Yes, it does.

Q If you'd please flip to page eleven, I believe that's the second page of that lease, is it not?

A Yes, it is.

Q Would you read for us, please, paragraph 7?

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

Q. So if you -- if you assigned this lease to someone, clearly one of the rights and privileges they would succeed to would be the right to drill on that acreage, is that correct?

A. Well, it's correct if you just read the assignment, but if you also look at the --

Q. Mr. Grynberg, I just asked you to answer my question, please.

MR. GALLEGOS: Let the witness --

MR. JAMES: He has answered the question.

A. No, I have not answered the question.

MR. RAMEY: Would you rephrase the question please?

Q. One of the rights and privileges the assignee can succeed to under this lease is the right to drill on that tract, is that correct?

A. Well, that's only part of the document. Your question is only part and part of the answer.

The full question should be, who has the right to do it under a Federal Court order, and I have operated until May 17 from -- from May of 1981, under the jurisdiction of the Federal Court in Denver, Colorado, and if you'd ask me that question, then the answer was that I was appointed by the Federal Judge, the Honorable John P. Moore, as Debtor in Possession, or as Trustee for my wife and my own estates, and as such have operated under the Court order as Jack J. Grynberg.

Q. Mr. Grynberg, would you please turn to page sixteen -- page sixteen of that same Abstract of Title, and identify that instrument for us, please?

A. It's an assignment from me to my wife.

Q. And that transfers the entire interest and title in and to Oil and Gas Lease 0565?

A. On this document it does, but not under Federal jurisdiction it doesn't.

Q. Mr. Grynberg, you transferred a large number of similar interests to your wife, didn't you?

A. Yes.

Q. In January of this year, when you filed the application your wife owned the entire leasehold interest in this lease, didn't she?

A. Owned as of record but not as of Court order.

What you should have done is looked for the Federal Court proceedings in Denver and then you would have had the complete answer. I'll be happy to give it to you.

Q. Mr. Grynberg, if you would please turn to Exhibit Four-B, to page seventeen, would you identify that instrument for us, please?

A. Pursuant to another Court order, that lease, and many others, have been assigned to JJ-CC Limited, a partnership, a Colorado limited partnership, of which I am the general partner.

Q. And that instrument assigned the entire interest in title into that certain oil and gas lease, LG-0565.

A. That's correct.

Q. Mr. Grynberg, I'd show you a copy of Mesa's

Exhibit Number Forty-four, and would ask you to identify it and read it to the Commission, please.

A. It says Secretary of State, I, Shirley Hooper, Secretary of State, State of New Mexico, DO HEREBY CERTIFY that our records have been reviewed and JJ-CC Limited, a Colorado Limited Partnership, has not been registered in the State of New Mexico as a Foreign Limited Partnership.

MR. JAMES: Mr. Commissioner, Mesa would offer Exhibit Forty-four into evidence.

MR. RAMEY: Mesa Exhibit Forty-four will be admitted.

MR. GALLEGOS: Do you have any other exhibits, Mr. James, that haven't been supplied to us?

MR. JAMES: We would ask the Commission, of course, to take note of the statutes of the State applicable to these matters, Section 70-2-17, Sub-Paragraph (c), about halfway through the paragraph, a sentence beginning with Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill, has drilled, or proposes to drill a well, on said unit to a common source of supply, the Division, to avoid the drilling of unnecessary wells or protect correlative rights, prevent waste, shall pool all or any part of such lands or interests, or both, in spacing a proration unit

as a unit.

We'd ask the Commission to take note of New Mexico Statutes with regard to Foreign Limited Partnerships, in Section 54-3-2, Mr. Chairman, a Foreign Limited Partnership is defined to include limited partnerships organized under laws of the states of the United States other than New Mexico.

Section 54-3-2 very clearly states --

MR. GALLEGOS: This is not the time for argument, I don't think, Mr. Ramey.

MR. JAMES: Yes, I am ready for --

MR. GALLEGOS: I think we will have opportunity for argument at a proper time in this hearing --

MR. JAMES: In the interest of time --

MR. RAMEY: Gentlemen. Gentlemen, one of you is going to have to talk and then the other one talk.

MR. GALLEGOS: Well, I'm stating an objection that at this point I believe we're putting on evidence. I think there will be a proper time for legal argument in this case, and this is not it.

MR. JAMES: Mr. Ramey, as we intend to move to dismiss the application filed by Jack Grynberg and proceed further with the application filed by Mesa Petroleum Co., that is the purpose of bringing the statute to your attention in

order to save the time of this Commission in hearing.

They are not an owner of interest that has the right to drill in this state. The Foreign Limited Partnership is not registered and cannot transact business and it's very clear on that point in the statutes.

At no time has Mr. Grynberg ever represented to this Commission that he had any ownership other than that vested in himself.

MR. GALLEGOS: Mr. Chairman, you want to hear this matter now, I guess?

MR. RAMEY: I think we should.

MR. GALLEGOS: I think so. First of all, the matter of raising points of law in these issues, I think, ordinarily takes on fair notice to the parties.

We started out here with exhibits being produced just one at a time, no opportunity on our part to even know what was coming, and finally a rather unpleasant exchange had to take place at the recess in order to have the exhibits.

If a motion was to be made with regard to a dismissal of Application 7476 on a legal point, then the procedure for doing that would have been to file a motion in this proceeding to give Grynberg and Associates the opportunity to read the law and examine into the matter and address the

matter. And if Counsel wants to proceed on legal motion, that's well and good, then we ask the opportunity to look at the law, look at the circumstances, to present that to the Commission in a proper form, brief the question, so that if we're going to deal with the legal issues, we deal with it, not as a matter of ambush or surprise, here it is, it's tossed in your lap now to dismiss, but on the basis where we have the opportunity to look at the law, find the provisions, which I'm confident that we can concerning the appropriate operations by Mr. Grynberg or his partnership in this state, and let's do it in an orderly way for a correct and proper decision to be made.

On that basis, if that's what we want to stand on, then I say the matter should be adjourned. Let's set a briefing schedule. We'll present the law and this Commission can consider this and its counsel could consider it appropriately.

And I ask that that be set, the matter be adjourned until this motion to dismiss can be disposed of and we know whether we proceed on the facts in this case or it goes off on legal issue. That's the way something like this should be handled.

MR. JAMES: Mr. Commissioner, it's a very simple issue of doing business in a state in accordance with the laws of that state.

When you come into a state such as this, you should do this as in accordance with the laws.

We come before you today on a de novo hearing. It is clearly the proper forum to hear issues of this nature. They've been presented properly.

I would even turn your attention to Section 54-3-6, which says a foreign limited partnership transacting business in New Mexico may not maintain any action, suit, or proceeding in any court in the state until it's registered in the state.

It's very clear that they cannot even propound their arguments. They have no standing to appear before the Commission today except with respect to Mesa Petroleum Co.'s application.

MR. GALLEGOS: That is not the way that the law operates, Mr. Chairman. There may be sanctions or there may be provided in the law that a non-admitted partnersip or corporation may through certain action of the Attorney General or whatnot be stopped from doing business.

But the law is that in fact the business that's been transacted is effective, and that's what I'm saying, that is not a simple, first blush, here's the statute, it's all over matter. And I'm more than happy to address this issue, but I say let's address it appropriately. I think the

matter should be adjourned. There should be a motion filed, whatever law Mesa Petroleum wants to bring forward can be brought forward. We'll brief it; we'll give them a law for it, and let's decide it on a full presentation.

MR. RAMEY: Let's take about a ten minute recess.

(Thereupon a recess was taken.)

MR. RAMEY: The hearing will come to order. Mr. James, we're not going to rule on your motion at this time. We are going to ask both attorneys to brief the Commission on this within ten days of the end of this hearing, and we are going to continue with the hearing.

We'll certainly be happy to read the briefs submitted and we may call you back again.

So you may proceed, if you wish.

Q Mr. Grynberg, your wife also lives in Englewood, doesn't she? Does she come into your office very often?

A She does come into my office. I don't know what you call often.

Q What would you call often?

A. I don't know.

Q. During the time that she owned all of this acreage you continued to operate those properties, is that what you're saying?

A. Yes.

Q. You had operating agreements, farm-outs, farm-ins, bonds, drilling permits, sundry notices, gas contracts, Division orders, and all those other things that make up an oil and gas business, is that correct?

Did you take these matters home every evening and discuss them in detail with your wife?

A. I took them home and discussed them with her, yes.

Q. Mr. Grynberg, would you please identify this for the Commission? It's Exhibit Number -- Mr. Commissioner, what exhibit number did I have marked?

MR. RAMEY: I don't think you have it marked.

MR. PEARCE: We did not get the marked one.

MR. JAMES: Okay. Oh, I'm sorry.

MR. RAMEY: This is Exhibit Forty-five.

MR. JAMES: Exhibit Forty-five.

Q. Would you please identify this for the Commission?

A. I can't identify it, I don't know what it

is. I see my wife's signature. I see a sheet out of something consisting of 39 sheets. May I see the other 39 sheets?

Q Mr. Grynberg, what we have here is a certified copy of a document --

MR. PEARCE: Let's slow down here a minute to allow counsel to find that.

MR. GALLEGOS: If you would, please, and also I'd like to say that if the witness can't identify it, I don't -- Mr. James is not on the stand and under oath, and his identification doesn't establish anything on the exhibit.

MR. JAMES: This is not the proper time to object.

Q Mr. Grynberg, can you state that that is your wife's signature on that page?

A It looks like my wife's signature.

Q And you've lived with your wife for 22 or 23 years?

A Right.

Q Well, now I ask you, Mr. Grynberg, please turn in Mesa's Exhibit Four-A to page sixteen of that exhibit. Mr. Grynberg, on the signature line for Celeste C. Grynberg, is that also her signature?

A Yes.

Q You're stating under oath that that is --

that this instrument was signed by Celeste C. Grynberg?

A. My wife does sign differently at different times, and she goes through all signatures. She signs it a lot quicker.

Q. Do you ever sign your wife's name --

A. Never.

Q. -- to these instruments?

A. Never.

Q. Do you ever direct someone to sign her name?

A. No.

Q. Do you know D. O. Nelson?

A. Yes.

Q. Who is Mr. Nelson?

A. Well, I believe he's a 1951 graduate of Colorado School of Mines. He was with Chevron until 1980. For the last --

Q. Who is he presently with, --

A. For the last twelve years --

Q. -- Mr. Grynberg?

A. For the last twelve years -- if you will let me answer, Mr. James, I will answer. Did you hear the word "civilized" in this world? It exists. If you behave --

MR. PEARCE: Gentleman, excuse me, gentlemen. I think the Commission would be well served if everyone

would calm down. And I think if the witness would rely upon counsel to make arguments in this matter, we might proceed a little more through the testimony.

MR. GALLEGOS: And by that same token, Counsel won't interrupt the witness.

MR. PEARCE: That might be a much more orderly procedure; let's try it.

A. For the last twelve years, from 1968 until 1980, Mr. Nelson was President and Chief Executive Officer of Chevron overseas. He retired in 1980 and thereafter was with Viking and Berrick Petroleum B-E-R-R-I-C-K.

Q. In Mesa's Exhibit Number Four-B, I would ask you to please turn to page twenty, and identify that instrument for us, please.

A. Oil Conservation Division, Santa Fe, New Mexico.

Q. Is that a drilling permit?

A. Yes.

Q. Filed by you?

A. Filed by my office, yes, and subsequently, on May 7th, 1982, changed to Jack J. Grynberg.

Q. Mr. Grynberg, who does that drilling permit show as the operator?

A. It shows Viking Petroleum and on May 7th,

1982, it was changed to show Jack J. Grynberg, and I have a copy of the change, approved on May 7th, 1982.

Q Does Viking Petroleum owe you a large sum of money?

A Would you define "large"?

Q Do they owe you over a million dollars?

A No.

Q Do they owe you under a million dollars?

A Yes.

Q And how are they repaying that debt?

A I guess by cash.

Q If you would please turn to page nineteen in that same Mesa Exhibit Number Four-B, is that your application for permit to drill on this property?

A I believe so.

Q Mr. Grynberg, down under proposed casing and cement program does it not state that you will cement to 500 feet above the top of the pay?

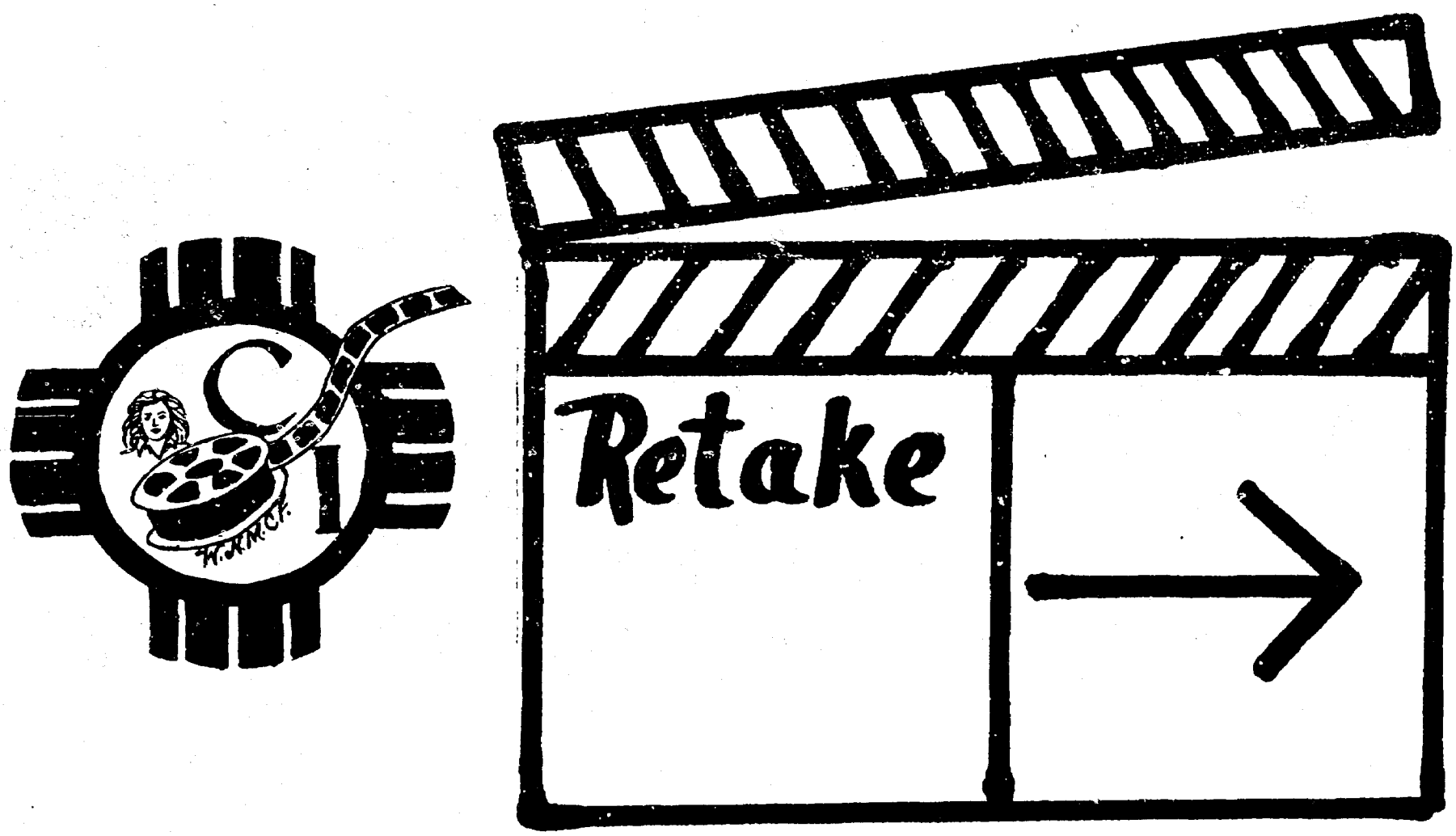
A Yes.

Q Didn't you just tell us you would cement the long string from the total depth to the surface?

A No.

Q What did you tell us?

A What I said, that that has been the practice.


Retake

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A. Yes.

Q. Didn't you just tell us you would cement the long string from the total depth to the surface?

A. No.

Q. What did you tell us?

A. What I said, that that has been the practice.

On this particular well we intend to cement about 800 feet from total depth to 800 feet above it, so it will be approximately 400 feet, or so, 500 feet, above the top of the pay.

Q. I note in that section under the proposed casing and cement program your permit states something to the effect that in the event that circulation is lost. Why did you put such a comment in your drilling permit?

A. Because we think it's prudent to keep the Commission apprised of everything we're going to do.

Q. Has your experience in the area been that you frequently lose circulation in your wells?

A. I wouldn't say frequently, but I've said on a number of occasions we -- everybody loses some circulation, so one should take the necessary precautions and one should inform the Commission what one intends to do.

Q. Mr. Grynberg, you took this lease in 1972, I believe, is that correct?

A. That's what the record shows.

Q. And it would expire, then, in 1982, this year, is that correct?

A. Well, that's unless it is held by production, but I believe it is held by production right now, because if you take a look at the description of the lease, it covers the northeast northwest of 14 and the east half southwest of 14,

and we have completed a well there several months ago and it's hooked up and is producing about 1,300,000 cubic feet day.

Q. Have you had a number of your leases for that lengthy period of time?

A. Yes.

Q. And yet you're just now getting around to producing and developing those leases.

A. No, not just now. I started last November.

Q. November of 1981?

A. '81, that's correct. But I also got $22,000,000 in September of 1981.

Q. So for the first nine years of the lease you apparently did nothing on this lease.

A. That's not true. I acquired more leases. The whole area was way out, 30-40 million -- 30-40 miles from production. In convinced Yates and Pool to take seven farm-outs from me that opened up the Abo Reef that it is today, the Pecos Slope production. I think I made a very original contribution. I interpreted quantitatively the electric log of a dry hole that was drilled about mid-fifties, got the leases, came to the conclusion based strictly on log interpretation that I believed three zones were bypassed in that well. I consider that an original contribution that I'm proud of.

You went and bought in some leases from

Public -- what do you call it -- from Public Lands Company on --

Q. You're aware, are you not, Mr. Grynberg, that hundreds of wells were drilled prior to your drilling of one well in the area. You're not aware of that?

A. Not hundreds.

Q. Turning to your Exhibit -- your Exhibit Number Three, April 7, 1982 letter to Mr. Mark Hannifin with Mesa, I'm talking about the second letter, which is a letter to Mr. Hannifin.

A. Yes.

Q. Would you please read that letter for us?

A. Enclosed are two copies of Authority for Expenditure for the above captioned well. As you know, New Mexico Oil Conservation Commission for pooling order so-and-so, 6925, named Jack Grynberg and Associates operator of this well. Under the terms of the order unless timely appeal -- it's misspelled -- appeal is filed by Mesa or Corona. a copy of this AFE must be signed and returned within 30 days or you will be considered a non-consenting party subject to the penalties appurtenant thereto.

Your cooperation in this matter will be greatly appreciated. Should you have any questions, please feel free to call me. Signed, Stephen Smith, Petroleum Landman.

Well, it's obviously not written by an attorney. It's written by a landman, and he said Jack Grynberg and Associates. He should have said Jack J. Grynberg, and I think his English choice is not very good; it's not very clear. And his last sentence of his first paragraph, I think what he should have said is that unless you sign it you'll be non-consent and it's not the best English in the world.

Q. Apparently someone in your office was aware that -- that we had the right to file timely appeal in this matter.

A. Well, of course, you have a -- you have the right to do so.

Q. And we appealed this within just a couple of days after the order came out, is that correct?

A. I don't know when you appealed it but I know you have.

Q. And someone in your office is aware that we had a right to a de novo hearing in this matter.

A. Nobody denies it.

Q. And you went ahead and started drilling on this tract in spite of the fact that this letter stated that unless timely appeal is filed.

A. This is a letter written by a landman sending an AFE.

MR. JAMES: We ask the Commission and Mr. Gallegos to turn to Exhibit Twenty. It's the first exhibit in the orange file. I'd like Mr. Gallegos to have a copy to hand to your witness, so here's an additional copy.

There are additional copies available so you will each have one to look at.

Exhibit Number Twenty in the orange file.

MR. PEARCE: Mr. Gallegos, since there are two Commissioners in attendance rather than three, we do have a complete additional set that may be consistent, and you can pass that to the witness.

MR. GALLEGOS: Okay, and I'll -- I'll put these up here so if some of them are referred to Mr. Grynberg can look at those.

MR. PEARCE: Thank you.

Q. Mr. Grynberg, you're familiar with the Second Modified Joint Plan of Reorganization filed in your bankruptcy, are you not?

A. Yes.

Q. And in that instrument you had to make a way to pay undisputed creditors, did you not?

A. Yes.

Q. And have you paid those undisputed creditors?

A. Checks were signed on Friday. They're to

be mailed out today.

Q And do you remember the approximate amount of that?

A No.

Q Mr. Grynberg, if we turn to -- to that instrument past page fourteen and past the exhibit, there is a Schedule II to Joint Plan of Reorganization.

A Yes.

Q And are you familiar with that instrument?

A Well, I'll find it. I'll -- what page are you on?

Q It's on Schedule II and you have to go past your Exhibit Properties.

A Schedule II, yes.

Q And does it show at the bottom of the final page of that schedule the total payable?

A $41,000 --

Q No, at the bottom of the entire schedule.

A What page are you on?

Q It's page -- it has two marks on it. It's either page five or page ten, depending on who marked it.

A Yes.

Q And how much is the total payable?

A It's $588,312.62.

Q Mr. Grynberg, on those undisputed creditors, these were people you didn't dispute the debt to, is that correct?

A That's correct.

Q And they had these undisputed debts prior to your bankruptcy filing.

A This was a normal course of business. The way the bankruptcy works, that when you file to the bankruptcy, like we did on the 20th, bankruptcy and reorganization, we filed under the Chapter 11 reorganization. Any checks that had been issued are stopped and returned and you will notice a number of those checks here have been returned, or any bills that have not arrived but been accrued prior to February 20th, 1981, cannot be paid.

So under the Federal charter I could not pay even if I wanted to. I paid as many as I knew, like about $300,000, and sent cashier's checks to people so they would not be hurt, but many of them kept their checks and they didn't cash them in time and by the time the check came to the bank was after the 20th of February and the bank under the Court order rejected it.

That's just normal course of business.

Q So these debts that you did not dispute were delayed from February 20th, 1981, until you just wrote

a check for them on Friday.

A. I had no choice. That was the Court order. I could not pay it. I wanted to pay it.

Q. And did you have a choice with respect to filing bankruptcy? You said it was voluntary, I believe.

A. That's my constitutional right given to me by the Congress of the United States, and if you'd like to question it, I'd suggest you talk to other authorities.

Q. Mr. Grynberg, turning just past the end there where it says $588,000, and going to Schedule III of that joint plan, are you familiar with that schedule?

A. I am.

Q. Now, would you please explain about that schedule, what it shows?

A. It shows disputed claims that have been filed.

Q. These are disputed claims that have actually been filed in the bankruptcy?

A. Yes.

Q. And these are claims that arose before the bankruptcy was filed?

A. People might have claims. They have the Constitutional right to file.

Q. And have you written checks to these people

that have disputed claims?

A. Of course not.

Q. And now, if they did not have a dispute in another court they had to dispute that in the bankruptcy court, did they not?

A. Correct.

Q. The bankruptcy court has continuing jurisdiction of these -- of these disputes, does it not?

A. The majority of them have been all resolved and dismissed.

Q. I asked you just awhile ago if you had paid these disputed debts and you said you had not.

A. That's correct, and I answered your question that there were some settlements. The majority of them have been dismissed, and if you'd like to take a look, specifically on page twelve at claim number forty, a $35,000,000 claim was thrown out by the Court.

That's the whole purpose of Chapter 11 proceedings, that it's a cleansing factor. It cleans everything up. Everybody can have a claim, but if they have a claim they have to come quickly and get it dissolved or get it -- get it approved, and the fact is the $35,000,000 claim, which is out there, was thrown out by the Court.

Q. Some people who had legitimate claims

against you were barred by this law, were they not?

A. No, sir. Not -- you are barred according to the bankruptcy law. Now you ask me to practice law for you, but let me teach you something. If you pay all your bills, you're not barred. Only those that don't pay the bills, who go into Chapter 7 are barred. Anyone who has claims can still proceed against me if he has not done so.

Q. And if he has not done so to this date, he is now barred?

A. No, sir, not if you're a solvent debtor. I was a solvent debtor. Your attorney to your left, who knows more about it, is nodding his head that I'm right.

Q. In other words, what you're saying is that you can give validity to those claims if they present you a valid claim.

A. No, sir. What I'm saying is, is that these claims that are here have been litigated, have been either dismissed or have been settled or, in fact, have been paid whatever the agreement was to pay, or are under appeal.

Q. Do you have an idea as to the total of these disputed claims shown on this schedule?

A. No, but it's quite a bit, over $50,000,000.

Q. I note on your Exhibit Nine --

A. Uh-huh.

Q -- you show contingent liabilities of $10,000,000.

A Correct.

Q Can you explain the discrepancy?

A Well, if you started with $35,000,000 being thrown out by the judge, you can get there very quickly.

Q Mr. Grynberg, was the claim by Albert Mayutin was on a summary judgment, refused to a claim of $4.2 million, and that's part of the $10,000,000.

And that's in litigation.

Q Mr. Grynberg, I note from this schedule that you apparently have a disputed claim with the United States Treasury, Internal Revenue Service.

A Yes.

Q Can you explain that claim to us?

A Very proud of it, too. Based on my CPA's advice, outside firm, Cordell and Associates, I claimed depletion allowance on oil and gas leases sold for the years '74, '75, '76 on the basis that the law provides that if there is a potential for oil and gas income, a depletion on the profits from a sale of oil and gas leases can be claimed.

The big eight accounting firms, that's the Arthur Young, Arthur Anderson, and so forth, jointly said that this is not the IRS interpretation. There was a lawyer --

lower case, Tax Court decision, of a couple years ago, agreeing with the big eight accounting firms.

Last Thursday the 7th District Court of Appeals overruled the tax court, claiming that one can in fact take depletion allowance on oil and gas leases sold, even if there is no production, if there is an anticipation of production; ruled against the opinion of big eight accounting firms in the United States, and confirmed by accounting firm's decision, but more so my tax attorney, happens to be a brilliant attorney, good friend of mine, Carl Folski, who is the professor of tax law at Wharton School of Finance, and he was right.

Q Mr. Grynberg, I note from your schedule --

A I'm not trying to lecture, but let me just ask a pointblank question.

Why am I being interrogated on something that's public information and has nothing absolutely to do --

MR. RAMEY: Mr. Grynberg, will you please restrain yourself?

MR. GRYNBERG: I'm sorry, Mr. Ramey.

Q Mr. Gryn berg, I notice from your schedule of undisputed claims that Muslow Oil and Gas, Inc., is apparently now going to receive a check for about $68,000, is that correct?

A Yes.

Q And those were proceeds due a non-operator that were tied up in the bankruptcy, is that correct?

A No.

Q Sir?

A No.

Q Would you explain the circumstances surrounding Muslow's claim?

A There was a tie-up by the pipeline because of a dispute that had to be resolved, which dispute had been resolved. It had to do with the pipeline as well as another operator, and they were tied up by virtue of -- of the bankruptcy proceedings. All the distribution of oil and gas income was paid continuously except for those checks that have been stopped by the bankruptcy proceedings. None whatsoever has been tied up because of the bankruptcy proceedings.

Q Was this the AmCan lawsuit, Mr. Grynberg?

A Yes, sir, it was.

Q And did AmCan sue Muslow?

A No, AmCan tied up Muslow's income from wells that AmCan claimed an interest in.

Q And AmCan did sue you, however.

A Yes.

MR. GALLEGOS: I object to the relevancy. This is getting a little far afield, I think, to go --

MR. JAMES: It's clear --

MR. GALLEGOS: -- into individual claims.

MR. JAMES: It's clear that a non-operator's proceeds were held up by a lawsuit that he admits was filed against him, and that is exactly the point we are making here today; exactly the point, is that lawsuits that he will become involved in will affect non-operators to their detriment.

MR. GALLEGOS: The point is that we have to deal with the status of Mr. Grynberg, Grynberg and Associates, as of May, 1982, also, and not past history.

If we're going to go into every claim in the history of Mr. Grynberg's finances, we're going to be here a long, long time.

MR. JAMES: No doubt about that. We could be here all day.

MR. GALLEGOS: And I don't think it would contribute one iota to the Commission's decision in this matter.

MR. JAMES: Mr. Commissioner, we have a right to a hearing to develop our concerns on your behalf, to develop our concerns that we feel affect the other non-operators in this property, that affect the State's interest, and you can't -- you can't take a photograph on May 17th and say here he is, you have to take a photograph of his past

history and see what he has voluntarily engaged other parties in.

MR. PEARCE: Mr. Commissioner, may I on the record, please, I would refer the Commission and the parties to Rule 1212 of the Rules of the New Mexico Oil Conservation Division, which are applicable to this proceeding. That rule states, and I quote, full opportunity shall be afforded all interested parties in a hearing to present evidence and to cross examine witnesses. In general, the Rules of Evidence applicable to a trial before a court without a jury shall be applicable, provided that such rules may be relaxed where by so doing the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

I further refer the Commission, counsel for parties in these matters, to Rule 403 of the New Mexico Rules of Evidence.

Rule 403 says, and I quote, although relevant evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by consideration of undue delay, waste of time, or needless presentation of cumulative evidence. I would suggest to the Commission, and I beg pardon for doing so on the record, but I think everybody needs to know what my position will be in this matter,

I would suggest that the witness be allowed to answer this question which is apparently leading to the question of whether or not non-operating interest owners in wells which the applicant has an interest has been damaged by previous lawsuits.

I would, however, recommend to the Commission that once evidence has been received in our record as to whether or not that is possible, that subsequent submissions on that question are likely to cause undue delay, waste of time, or needless presentation of cumulative evidence.

I'd like this proceeding to move along without undue burden. On that basis, Mr. Commissioner, I think the witness may be instructed to answer that question, probably after it is repeated.

MR. RAMEY: Okay. I certainly wouldn't go against my attorney after that dissertation.

You may answer the question, Mr. Grynberg, and Mr. James, I think --

A. There are approximately --

MR. RAMEY: I certainly wouldn't think you would have to go over it bill by bill.

A. There are approximately 13 wells involved, Mr. Commissioner, with Muslow Oil and Gas. The income was orderly to every one, on every one of those wells. I believe two wells where title was in dispute and Muslow Oil and Gas

entered into the overall package agreement, knowing there was title in dispute.

The pipeline put the money into a court escrow pending the resolution of the title with interest accruing to the monies received. The agreement with the pipeline was that the operator gets all the income from the wells and distributes the money to the participants.

The agreement with Transwestern Pipeline in the Pecos Slope clearly states that everyone can claim its own income. As a matter of fact, we're in the process of getting it right now from the wells operated by Yates and Mesa is more than free, and we've always consented to the other participants in the other wells, including the one that Mesa has with us right now, that they can get the money directly from the pipeline without going through our office whatsoever. It makes a lot of sense. They get their money one month earlier. Interest is pretty high right now. And also, they get their money directly and there's no problem.

If that's what Mr. James is leading to, the agreement with Transwestern Pipeline is an entirely different agreement than the agreement with Texas Utilities in Parr County, Texas, that allowed the pipeline case, there is a title problem to suspend the payments and put them in court escrow until the title problem is resolved.

I am on friendly terms with Muslow Oil and Gas, with both James Muslow, Senior, James Muslow, Junior. I continue doing business with them in other parts and in other operations, and it was by mutual consent, knowledge of both parties that this thing was done, and that was the only one that was suspended.

Nothing of this applies to Mesa. They can get their money freely, directly from Transwestern Pipeline. And they know it.

MR. JAMES: Mr. Commissioner, since it is about ten minutes before lunch, if you would like to take a recess at this time, we'd certainly be agreeable to that.

MR. RAMEY: Let's do take a recess.

A. And I'm sorry that I got excited before, Mr. Commissioner.

MR. RAMEY: We'll be in recess until 1:00 o'clock.

(Thereupon the noon recess was taken.)

MR. RAMEY: The hearing will come to order.

Mr. James, do you still have questions of the witness?

MR. JAMES: Yes, we do. We would, however, in the interest of time, the Commission's time, I'd state that we do intend to limit our further questions to just a few of the liens that we think are different and relevant and then wrap up our cross examination of this witness.

MR. GALLEGOS: If I may, before Counsel proceeds, Mr. Chairman, I would like to state at this time in behalf of Jack Grynberg, that Mr. Grynberg is willing to consent to the entry of an order of the Commission in these consolidated proceedings that would designate Mesa Petroleum Company as the operator of the well in question from this time forward, that would provide that Mesa be in a consent position, entitled and permitted to pay its working interest share of the expenses of the well without risk penalty, and that in addition, if Mesa is in a position to act in the matter for Corona Petroleum Company, that Corona also be allowed to participate in the well as a consenting party without its share being subject to a risk penalty.

And this matter could be concluded on that basis.

MR. JAMES: Let me just ask Mr. Grynberg's

counsel first off what -- what he intends to do with respect to the obligations incurred by Mr. Grynberg with his contractors, and such, in this well.

MR. GALLEGOS: Certainly the parties would pay those bills in their working interest shares. Many of them are already paid but those that are pending, the operator would pay them and Mr. Grynberg would pay in advance his share on those expenses to Mesa as the designated operator.

Mesa can proceed from this point forward to operate this well.

MR. JAMES: May it please the Commission, we do have one final question before we take a recess. I was wondering if Mr. Grynberg had received the final log.

A. No, I don't. And I don't know any more than you do. Everything I know, you know.

MR. JAMES: Mr. Examiner, we would like to have a few minutes, please, to discuss this.

MR. RAMEY: I think that would be appropriate. Let's take about a ten minute recess.

(Thereupon a recess was taken.)

MR. RAMEY: The hearing will come to order.

Mr. James?

MR. JAMES: Mr. Commissioner, it's -- it's too bad that this offer could not have come at an earlier time when the parties had previously agreed to Mesa as operator and were simply unable to reach an agreement on payment terms.

Mesa's location, proposed location, for this well is different and Mesa is still interested in its proposed location for the well and is simply not interested in stepping into Mr. Grynberg's shoes on the hole he's drilled.

MR. GALLEGOS: Well, maybe counsel would be so kind as to inform the Commission of what are the issues, then.

I thought the issues were that it is sought by Mesa Petroleum Company to be designated the operator of this well and we are now offering that they be the operator of the well, and if there is something else at issue, we can narrow the issues and I think that would certainly be profitable for everybody, if there is an issue. We can try that.

MR. JAMES: Our application is fairly clear as to what it seeks, to pool the lands and name Mesa as operator of that proration unit and Mesa could then, of course, go out and drill a well that Mesa believes would be a profitable venture for all parties involved.

Mr. Commissioner, clearly if Mr. Grynberg

wishes to withdraw his application, Mesa will proceed on its application.

MR. RAMEY: I take it that Mesa would like to be designated operator but they would not then utilize the well that Mr. Grynberg has drilled.

MR. JAMES: That is correct, sir.

MR. RAMEY: And whether Mr. Grynberg wishes to withdraw his application and leave a hole in the ground out there that he would probably have to plug, it appears to me.

MR. GALLEGOS: Well, of course, I think that would be a wasteful process and we're really here on a de novo notice by Mesa, that's why we're proceeding.

We'll stand in the position of having an order designating as operator and the matter comes to an end. That's where we stand today and, of course, Mr. Grynberg will proceed with the operation of the well.

And if Mesa wants to be operator we say an order can be entered naming the operator, but we're certainly not withdrawing and just backing off and leaving a well drilled and the expenses of it. That would not serve any useful purpose.

MR. JAMES: Mr. Grynberg was clearly advised last week by you, I believe, that he was drilling a hole at his own risk and that if -- if an order was entered naming

Mesa as operator on this property, that he would probably then have to plug his hole and then Mesa could proceed with its proposed operations under a validly entered forced pooling order.

(There followed conversation off the record.)

MR. RAMEY: Mr. James, are you through cross examining Mr. Grynberg?

MR. JAMES: No, sir, we're not.

MR. RAMEY: You will please proceed then.

Q. Mr. Grynberg, I would again direct your attention to Exhibit Number Twenty, again direct your attention to your Schedulte III to Joint Plan of Reorganization attached thereto, on the page numbered six of that schedule. You apparently have not as of this date paid Colorado State Board of Land Commissioners the amount it seeks for rents and royalties, is that correct?

A. No, I have not. Do you know why? The reason is they withdrew it. The Colorado State lease provides payments in lieu of royalties for coal leases and the young attorney of the Colorado State Land Office didn't understand what he has to do in order to protect the State of Colorado in Chapter 11 proceedings.

So while the rental payments were current

he added up every one of the future payments for the next six years on a group of coal leases and filed a claim. Once he realized, he withdrew it.

These are copies of the original claims that were filed originally. You're simply wasting your time.

Q Mr. Grynberg, we'll let the Commission be the judge of that, but I would ask you now to turn, if you would, in this Exhibit Number Twenty to the instrument, First Modified Joint Disclosure Statement.

A What page are you on?

Q If you'll turn over just one page from the end of Schedule III there you'll find First Modified Joint Disclosure.

A All right.

Q Are you familiar with that?

A Yes.

Q That was something that you issued to your creditors in your bankruptcy.

A No. This was something we proposed.

Q Now, Mr. Grynberg, turning past the index there, the table of contents, excuse me, to the first page that is entitled The Debtors and Their Business. Do you see that page?

A Yes.

Q Down where it says background of the Chapter 11 Proceedings, it says the filings by you of separate petitions under Chapter 11 were immediately precipitated by the recordation of transcripts of judgments in all counties of California, Colorado, and Wyoming in which the Grynbergs held numerous oil and gas or other interests, does it not?

A I believe that I testified the Greek situation, there were several other situations that prompted it, but that was not the only thing.

Q This is not the Greek situation?

A No, that's what I just said, the Greek plus others, but that was not the only thing, namely, the California situation was not the only thing.

Q Mr. Grynberg, does this disclosure statement mention the Greek situation?

A The Greek situation was a business decision. It had nothing to do with a legal decision. This deals with a legal decision.

Q You did not disclose your Greek situation, then, to your creditors?

A I fully disclosed it. It was litigated in the bankruptcy court.

Q Mr. Grynberg, reading on down in that same paragraph, it states that a judgment was entered against Mr.

and Mrs. Grynberg --

A. Yes.

Q. -- in that case shown there by the Superior Court of California in and for the County of Alameda in favor of almost 60 claims.

A. That's correct.

Q. And that was based primarily on the trial court's finding that certain activities of Mr. Grynberg before 1975 in connection with a publicly offered, tax-shelter drilling partnership had involved fraudulent and other wrongful conduct justifying rescission of the partnership, and this was your -- this was in your disclosure statement to your creditors.

A. That was the finding and it is under appeal.

Q. Mr. Grynberg, did Broom Water Haulers place of lien of record in March of this year in the Chaves County records against your interests?

A. And they are today or tomorrow removing all those liens.

Q. Mr. Grynberg, apparently there was a dispute over some --

A. Yes, there was.

Q. -- Fifteen or Twenty Thousand --

A. $15,000.

Q. -- and the lien was for approximately

$100,000.

A. And I withheld the payments until the dispute got resolved.

Q. You withheld the payment of the entire amount --

A. That is correct.

Q. -- while resolving a smaller dispute.

A. That is correct. That was a business decision and I think it was the right one.

Q. And these liens clearly affected the interest of all parties --

A. No --

Q. -- in those properties.

A. These were the wells that we had 100 percent ownership, so it didn't affect anybody else.

Q. Liens, such as the lien filed by Dowell previous to your bankruptcy in Rio Blanco County, Colorado, affected interests of other parties in those properties, didn't it?

A. And it was -- and it was by joint and mutual decision not to pay Dowell at the time that decision was made, so partners were consulted and we did not pay for a --

Q. You were another --

A. Let me finish, please. For a fracing job

performed by Dowell without anyone being present during the fracing procedure; they simply drove up, performed it, and drove away. Nobody knew.

Q. Mr. Grynberg, prior to filing your bankruptcy, there were a number of liens filed against your interests in Rio Blanco County, Colorado, property, were there not?

A. I believe two liens.

Q. Mr. Grynberg, you stated to this Commission that you had a well test at 27,546 Mcf --

A. We filed --

Q. -- in Chaves County?

A. We filed the open flow tests with the Commission. They were performed by a third party interest -- by a third party company that did the independent testing. We did not do the testing.

Q. Did you state to a reporter for the Roswell newspaper that 27.5 million figure, which has been reported to the State is not a realistic report and the State understands that?

A. That's correct, it is not. It's an open flow calculation.

Q. Mr. Grynberg --

A. Every engineer understands that.

Q. Mr. Grynberg, you say in your disclosure

statements that you have 36,000 acres, approximately, in Chaves County, New Mexico.

A. Whatever the record shows, that's what the computer printout shows.

Q. And these -- and this acreage is --

A. And I don't know if I said that because I didn't prepare it; my attorney did.

Q. This stuff is entered in your bankruptcy.

A. On my behalf, sure.

Q. Yes.

A. Whatever the computer printout showed.

Q. And those properties in Chaves County are dedicated to a custodian appointed in the bankruptcy proceedings to manage those properties?

A. No, that was the proposal. There was no need to appoint a custodian and in fact there is a motion in the process of being signed by Judge Moore dismissing the proposal for a custodian.

Q. There will be no custodian then.

A. There will be no custodian.

Q. So you will manage this without a custodian.

A. That is correct.

Q. Now, the Bank of America has what is called senior debt, does it not, --

A. No.

Q. -- in that bankruptcy? Would you tell us what happened to the senior debt?

A. I have an offer from Bank of American to loan me $5,000,000, just standby credit. I have not drawn anything from the Bank of America standby credit.

Q. Do you propose to draw from that credit in the future?

A. At the present time, no, but in the future I might.

Q. And it would have a prior lien on these properties?

A. If I draw the money, they would have. That's standard banking procedure.

Q. So now how does the bankruptcy protect these disputed creditors who have yet to be paid?

A. Well, first of all, there are very few, because the majority have been litigated or dismissed, and that's why there's no need for a custodian. There are -- there are probably less than a half dozen or so, and I will simply pay from ordinary cash flow. They have the same rights they had before.

Q. You will pay it if they're successful in their --

A. If they're successful, sure. The last one being last Friday, Hunt Energy lost their claim for $165,000.

Q. Have they the right to appeal that?

A. They no longer have. That's why I think last Friday was the last day.

Q. Mr. Grynberg, without a doubt you have a large number of acres in Chaves County, New Mexico.

A. I don't know if you'd call 36,000 large. I have acreage.

Q. Then why didn't you have another location to take this rig to?

A. I don't. I simply didn't because the Commission knows that there are about eight other applications for forced pooling and I simply had no other locations. If you'll look at the map I'll be happy to discuss it with you. There was no other location.

Q. Mr. Grynberg, if you don't mind, I'd rather not go into each location, but I would ask you --

A. I'd be happy to.

Q. -- give us a little more information on why you were unable to reach voluntary agreements with some of these people on the acreage that you have interest in.

A. Well, I think if you talk to your counsel, Mr. Carr, we reached a voluntary agreement only last week here

before the Commission even started proceedings on five locations.

Q. And why were you unable to reach voluntary location such that you would not have a location ready for this rig on May the ---

A. Because it apparently took both sides to come here and settle it before the hearing was here, and we reached the agreement, and these are five locations, but we had no other locations when that rig moved on.

Q. Do you plan to file forced pooling applications for the sixty wells you plan to drill in the area?

A. Well, many of them are 100 percent owned, so I don't, but as it stands right now, as you know, there are two locations where you're being force pooled. We're waiting on the results. In Section 33, the well should be logged some time tonight in Section 33 of Township 6 South, Range 24 East, and if the well is successful, we'll immediately proceed with forced pooling of the southeast quarter of the southwest quarter of Section 27, and that's where you're involved.

Q. So you still have some 100 percent locations in the area?

A. No. No, no. We're drilling it jointly with Yates. We're 50-50 in the north half of 33.

Q. 100 percent locations in the Chaves County,

New Mexico area?

A. I have some left in that same township in Sections 11, 14, and 13, that's correct, but --

Q. And you couldn't move the rig to one of those locations?

A. No, I couldn't, because you have to proceed with an orderly development, and I just drilled a dry hole in Section 11 prior to moving to this location. So I had no other locations that I could move to.

Q. Mr. Grynberg, how many wells have you drilled in that area?

A. I believe it's eighteen.

Q. What's your success ratio?

A. Well, together with all the other wells, it's 34 with everyone else, and I believed we drilled 32 out of the 34. Two dry holes.

Q. Mr. Grynberg, in your disclosure statement filed in the bankruptcy court, I believe you stated that you could drill the wells for approximately $350,000 each.

A. If you look at the date of that disclosure, I believe that was in February that it was filed and that was the estimate. And again, we did not complete our accounting, as you can see, until I believe April 15th is what -- the exhibit that was shown to you today.

Q Mr. Grynberg, I would refer your attention to Exhibit Number Forty-nine. It's laid on top of the Commissioners' file.

A copy of Exhibit Forty-nine, which is a letter dated March 12th, 1982, from your company to Mr. Mark Hannifin with Mesa.

A Okay.

Q Would you tell us what you included with that letter?

A It says enclosed are operating agreements and AFE's relating to above mentioned acreage.

Q That's similar to an exhibit that was proposed earlier and without the attachments. I detached all of the operating agreements here and -- but I did attach the AFE's, and Mr. Grynberg, I would have you turn, please, to just the first AFE there.

A Yes, sir.

Q And on March 12, 1982, this was the proposed cost of the well in the area, right.

A Yes.

MR. JAMES: I have no further questions of this witness.

MR. RAMEY: Any further questions?

MR. GALLEGOS: I have a little redirect,

if I may.

REDIRECT EXAMINATION

BY MR. GALLEGOS:

Q. Mr. Grynberg, let's take a look at Exhibit Number One once more, the Pecos Slope map, and in particular Section 12, where the well in question is located.

A. Yes, sir.

Q. In the southeast quarter there is a circle just to the right above the 2-B that is circled. Do you see that?

A. Yes.

Q. Is that the location where the well is being drilled --

A. Yes, it is.

Q. -- or has been drilled, I guess we should say.

A. It's still being logged right now. Yes, it is.

Q. What geological considerations did you and your firm undertake in regard to making the decision as to that specific location in the north half of the east half of the southeast quarter?

A. You mean the northeast southeast.

Q All right.

A Northeast quarter of the southeast quarter.

Q Okay.

A Well, we certainly continuously update our geological maps and our cross sections, but one can just look at this map and make a decision.

It is an offset to a Mesa well which is an initial open flow of 4.6 million, and that's the Mesa well in the southeast of the northeast of the same section.

Immediately to the northeast, specifically the northeast quarter -- I'm sorry, the northwest quarter northwest quarter of Section 7, Township 5 South, Range 25 East, is the Yates well, 2.1 million open flow.

Then if you look at the well in the northeast of the southwest, the Mesa No. 3 tested 3 million, and immediately to the north in the south half of the northwest quarter, a Mesa well that tested 5 million.

Well, if you then look down and in the northwest quarter northwest quarter of Section 13 there is a Mesa well that tested 1.2 million.

We obviously want to be closer to the wells with greater productivities than those with the lower productivity, and less pay.

Q What is -- what is your perception of the

pay formations and the manner of their occurrence in that area?

A. Well, these are lenticular sands. The sands come and go;within a given sand section the permeability varies; the shale content varies; the porosity varies. You are dealing with tight reservoirs that are lenticular, that are not uniform, and as I testified before, in a situation that almost every well is a wildcat.

MR. GALLEGOS: That's all I have on re-direct.

MR. RAMEY: Any other questions of the witness?

MR. JAMES: No questions.

MR. RAMEY: He may be excused.

A. Thank you, Mr. Commissioner, Mr. Chairman.

MR. RAMEY: Do you have another witness, Mr. Gallegos?

MR. GALLEGOS: It will not be necessary, it appears to me, and (inaudible).

MR. RAMEY: Thank you, you may proceed, Mr. James.

MR. JAMES: We would call Mr. Mark Hannifin. Mr. Commissioner, we intend to start using the blue file. These are the exhibits Mr. Hannifin is concerning himself with,

beginning with Exhibit One.

MARK A. HANNIFIN

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JAMES:

Q. Will you please state your name and place of residence?

A. My name is Mark A. Hannifin. I reside in Midland, Texas.

Q. By whom are you employed and in what capacity?

A. Mesa Petroleum Company as a Senior Landman.

Q. Have you previously testified before this Commission or one of its examiners and had your qualifications accepted?

A. Yes, sir, I have.

Q. Are you familiar with the applications filed in these cases?

A. Yes, sir, I am.

MR. JAMES: We would tender the witness' qualifications to the Commission.

MR. RAMEY: He is so qualified.

Q. Would you briefly state what Mesa seeks with this application?

A. Mesa Petroleum Company seeks an order pooling all mineral interests in the Abo formation of the southeast quarter of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon, along with the cost of drilling the well and completing the well, and the allocation of costs thereof, as well as actual operating costs and charges for supervision, designation of Mesa Petroleum Company as the operator of the well, and a charge for risk involved in drilling said well.

Q. Will you please refer to what's been marked for identification as Mesa Exhibit Number One, identify it, and review it for the Commission?

A. This is a land plat shot off of our land map, indicating the proration unit in question in the southeast quarter of Section 12, 5 South, 24, along with the surrounding area.

Q. Would you please refer to what is marked for identification as Mesa Exhibit Two and explain to the Commissioners what it's about?

A. Yes, sir. This is a schedule depicting the working interest ownership of the subject proration unit,

with Mesa Petroleum Company indicated as having 50 percent working interest, with JJ-CC Limited, a Colorado Limited Partnership having the other 50 percent working interest.

Q. Does that mean that out of every dollar risked in any well Mesa drills on the property, that Mesa is taking 50 cents of the risk?

A. Yes, sir, we spend 50 cents out of every dollar.

Q. This is Mesa's interest, is it not? It's not in any way connected to MTS Limited Partnership?

A. Yes, sir, we corrected that at the last hearing.

Q. I now show you -- well, would you please turn to Exhibit Number Three and tell us what it is?

A. Yes, sir, this is a letter of transmittal dated May 5th, 1982, providing operating agreement dated December 5th, 1981, covering the subject proration unit, and it's executed on behalf of Corona Oil Company.

Q. And do the exhibit -- does the exhibit A to that operating agreement reflect the interest of Mesa Petroleum Co. and Corona Oil Company in this proration unit?

A. Yes, sir, similar to the Exhibit Two.

Q. Would you please identify for us what has been marked as Exhibit Number Four of Mesa?

A. Yes, sir. This is a copy of the Mesa AFE for the Pat State Com No. 1 Well to be drilled on the subject proration unit, executed December 15th, 1981 on behalf of Corona Oil Company.

Q. Please identify for us what's been marked as Exhibit Number Five.

A. Yes, sir. This is a letter dated October 6th, 1981, from Jack Grynberg and Associates to myself, requesting Mesa Petroleum Company to drill the well in the subject proration unit.

Q. Would you go ahead and proceed through those exhibits and explain to us what each exhibit is?

A. Yes, sir. Exhibit Number Six, this is a letter dated October 19, 1981, from Jack Grynberg to my -- or Jack Grynberg and Associates to myself, indicating Mr. Grynberg's intention to have Mesa Petroleum Company drill the well in the subject proration unit, as indicated in the last sentence in paragraph one.

This is Exhibit Number Seven. This is a letter --

MR. PEARCE: Please speak up, Mr. Hannifin.

A. I'm sorry, Exhibit Number Seven for Mesa. This is a letter from myself to Jack Grynberg and Associates providing our operating agreement, dated December 5, 1981, for

execution by Mr. Grynberg.

Mesa Exhibit Eight is an AFE Cost Estimate provided to Mr. Grynberg. It's dated November 10, 1981, for his execution. It is unsigned.

Mesa Exhibit Nine is a letter from Jack Grynberg office to myself. It's a conditional letter of acceptance of the joint operating agreement for the Pat State Com No. 1, which is our proposed well in this quarter section.

Mesa Exhibit Number Ten is a letter dated December 19th -- I'm sorry, December 17th, 1981. It's a conditional letter of acceptance from myself to Jack Grynberg and Associates, requesting that he either pay his share of the approved expenditures or furnish an irrevocable letter of credit in favor of the operator, and stipulating that all other conditions of his December 15, 1981, conditional letter of acceptance were acceptable.

Mesa Exhibit Number Eleven, this is a copy of a letter of transmittal, dated December 18, 1981, from Jack Grynberg and Associates to myself, providing their AFE for a well to be drilled on the subject proration unit.

Q Mr. Hannifin, let's pause for a moment with Exhibit Number Eleven, if you would, and on this proration unit, the southeast quarter of Section 12, what is the proposed location for Mr. Grynberg's people?

A. It is proposed to be 660 feet from the south line, 1980 feet from the east line of Section 12, 5 South, 24 East.

Q. So that would place it in the southwest quarter of the southeast quarter, is that correct?

A. Let's see, yes, sir, it would.

Q. Would you please identify for us Exhibit Number Twelve submitted by Mesa?

A. Yes, sir. Mesa Exhibit Number Twelve is a copy of a letter of transmittal dated January 15th, 1982, from Jack Grynberg and Associates to myself, providing their proposed operating agreement for a well to be drilled on the subject proration unit.

Q. Mr. Hannifin, in that operating agreement there is no mention of Celeste C. Grynberg of Viking Petroleum, Inc, is there?

A. No, sir, it was executed by Jack J. Grynberg as operator and Exhibit A, which shows the percentage interests of parties under the agreement, indicates Jack J. Grynberg as having a 50 percent working interest with 80 net acres in the proration unit.

Q. Please identify for us Mesa's Exhibit Number Thirteen.

A. Yes, sir, this is a letter of transmittal

dated April 7th, 1982, from Jack Grynberg and Associates to myself, providing another AFE for a well to be drilled in the subject proration unit.

Q. Would you please tell us now we have this April 7, 1982, AFE, what is the proposed location?

A. It is 1980 from the south and 660 feet from the east line.

Q. If you would please identify Exhibit Number Fourteen submitted by Mesa.

A. Yes, sir, this is a copy of a Mail-o-Gram from Jack Grynberg and Associates to myself, stating that he will move onto the subject proration unit to commence drilling a well on May 9th, 1982, and it's his intention to consider Mesa Petroleum Co. a non-consent partner unless funds are received prior to that date.

Q. Is there any mention of Viking Petroleum, Inc., or JJ-CC Limited, a Colorado Limited Partnership, in that memorandum?

A. No, sir, it says Jack J. Grynberg as operator plans to move a rig in.

MR. JAMES: Mr. Commissioner, we would at this time tender Exhibits One through Fourteen.

MR. RAMEY: Mr. Gallegos?

MR. GALLEGOS: We would like to withhold

admission of Exhibit Eleven pending cross examination, Mr. Chairman.

We don't have objection to the others. I think there's an inadvertent error made in Eleven that needs to be explained.

MR. JAMES: I don't know if he's proposing an inadvertent error made by a Mesa employee or one of Mr. Grynberg's.

MR. GALLEGOS: Well, I think there's just a misstatement by the witness and we'll bring it out on cross examination, but we'll see whether it's admissible then.

MR. JAMES: That's fine with us.

MR. RAMEY: Exhibits One through Twelve and Fourteen will be admitted in evidence -- One through Te and Twelve through Fourteen.

Q. Mr. Hannifin, if you would please turn to the red file. Did you attempt to obtain an escrow agreement or arrangement with Mr. Grynberg for this well?

A. Yes, sir, we did.

Q. And what was Mesa's primary concern for seeking such assurance?

A. We were aware that Mr. Grynberg was involved in a bankruptcy proceeding and did not wish to risk our funds with someone who has a financial reputation such as him.

Q. Now, Mr. Hannifin, let's go into the basis for Mesa's concern a little further, and turning in the red file to what's been marked as Mesa's Exhibit Number Fifteen, would you please identify that for the Commissioners?

A. Yes, sir. This is a Proof of Claim filed in Mr. Grynberg's bankruptcy from the Colorado State Board of Land Commissioners for --

Q. Mr. Hannifin, --

A. Yes, sir.

Q. -- if I might interrupt, I would ask you if this is a compilation of documents?

A. Yes, sir, we've got a number of them. Would you like me to enter them as one?

Q. Well, I would like for you to identify on the -- with respect to the group of documents first, please.

A. Okay, these are all Proofs of Claim filed in -- or not all of the Proofs of Claim, but the ones we brought with us are a random sampling, I suppose, of the Proofs of Claim filed in Mr. Grynberg's bankruptcy proceedings.

Q. Is the certification of the clerk of the bankruptcy court indicated on the first page of that exhibit?

A. Yes, sir, it is.

Q. Mr. Hannifin, I would ask --

A. They are all certified.

Q. I would ask you to turn to Mesa's Exhibit Number Sixteen and identify that compilation for us.

A. Okay, this is again a compilation of Proof of Claims filed in Mr. Grynberg's bankruptcy suit, and it again is a certified copy by the bankruptcy court in Colorado.

Q. I would ask you to similarly identify Exhibit Seventeen submitted by Mesa?

A. Okay, a compilation of Proofs of Claim filed in Mr. Grynberg's bankruptcy proceedings, certified by the bankruptcy court, or the court, the bankruptcy court in Colorado.

Q. I would ask you to similarly identify Exhibit Eighteen and Nineteen submitted by Mesa Petroleum Co.

A. Okay, these are again Proofs of Claim filed in Mr. Grynberg's bankruptcy proceedings. They're both certified by the clerk of the U. S. Bankruptcy Court in Colorado.

Q. Mr. Hannifin, there are a number of other documents throughout these, I believe, Abstract of Judgment, Writs of Garnishment, and such, are there not?

A. Yes, sir, there are quite a large number that we did not bring with us.

MR. JAMES: In the interest of time, Mr. Commissioner, we will not identify each and every exhibit but

we would at this time offer the exhibits into evidence.

MR. GALLEGOS: We object most strenuously to the hearsay. This witness is obviously not prepared to testify as to the truth of the contents of these documents. It's absolutely hearsay and absolutely irrelevant in this proceeding.

We object to the admission of any and all of these documents.

MR. JAMES: Mr. Commissioner, these are not entered to establish the truth of any one claim but are merely entered with respect to showing the Commission the limited -- for the limited purpose of showing you that there are such claims filed in the bankruptcy court. They're certified copies of public records and they're clearly admissible under your evidentiary rules.

MR. GALLEGOS: And that would be a most deceptive purpose because if they're shown to show what the filings are, then the entire filings of the bankruptcy proceedings should be shown, including the dismissal of these items, should be before this Commission, and I don't think this Commission is to sit here and to try to pass on and consider claims that were filed in a bankruptcy matter. That's been handled by that court. It's been disposed of by that court, and that's where it belongs.

MR. RAMEY: Mesa's Exhibits Fifteen through Nineteen will be admitted for what they're worth.

Q. Mr. Hannifin, referring back to the operating agreement submitted by you to Mr. Grynberg on December the 10th, 1981, with your letter of December 10th, do you recall did that operating agreement contain charges for administrative costs while drilling and while producing?

A. Yes, sir, the one we proposed to him did.

Q. What were those figures, Mr. Hannifin?

A. They were set at $3700 a month for drilling overhead expenses; $370 a month for producing.

Q. These were similar to the charges Mr. Grynberg placed in the McDermett 30 operating agreement, were they not?

A. Yes, sir, they were exactly the same.

Q. And you would want those charges incorporated into the order to result from this hearing?

A. Yes, sir, I would.

Q. Would you please turn then to what's been marked Exhibit -- Mesa's Exhibit Number Twenty-one and it's the first exhibit in the orange file. I'm sorry. I'm sorry. Exhibit Number Twenty.

A. Mesa Exhibit Number Twenty is a Second Modified Joint Plan of Reorganization filed in United States

bankruptcy court, District of Colorado, in regard to Jack Grynberg and his various d/b/ 's and a/k/a's, and Celeste Grynberg and her various a/k/a's, Case No. 81 B 00825 M.

Q. I believe above that there's another case number, is there not?

A. Yes, sir, it's 81 B 00821 M.

Q. And is there a certification by the bankruptcy clerk indicated on the front of that exhibit?

A. Yes, sir, there is.

Q. Now, Mr. Hannifin, that exhibit is a compilation of several documents, is it not, from that bankruptcy case?

A. Yes, sir, it is.

Q. Would you please similarly identify Mesa's Exhibit Number Twenty-one?

A. Yes, sir, this is a certified copy of amendments to Second Modified Joint Plan of Reorganization filed in the United States Bankruptcy Court, District of Colorado, in Mr. Jack Grynberg's bankruptcy proceedings.

Q. Let's go back to Exhibit Twenty briefly and read us the introductory paragraph thereon?

A. Yes, sir. It says, Jack J. Grynberg and Celeste C. Grynberg, the above named debtors, propose the following Second Modified Joint Plan of Reorganization, which

supersedes the Joint Plan of Reorganization filed herein on August 31, 1981, as previously modified on October 14, 1981.

MR. JAMES: We would at this time offer Exhibits Twenty and Twenty-one for consideration by the court -- I mean by the Commission.

MR. GALLEGOS: I make the same objection as previously made to Exhibit Fifteen through Nineteen, Mr. Chairman; both grounds previously stated.

MR. JAMES: Well, we make the same determinations on our behalf but we would also have the court note that these are clearly admissions by a party that is here today and if hewishes to speak to those admissions, he may do so.

MR. PEARCE: Excuse me, may I ask one question?

Grynberg Exhibit Number Ten, previously admitted in this proceeding, is the Notice of Order Confirming Plan of Discharge. It refers to the Second Modified Plan for Reorganization Filed by Debtors on December 23rd, 1981, as modified by amendments thereto filed on February 5th, 1982.

These are, am I correct, that those two documents are Exhibits Twenty and Twenty-one now being offered by Mesa?

MR. JAMES: Yes, sir, with the addition,

of course, of the First Disclosure Statement, which is attached to Exhibit Twenty. It's also supplied to creditors by Mr. Grynberg.

MR. RAMEY: Mesa's Exhibits Twenty and Twenty-one will be admitted for what they're worth.

Q. Would you please identify what has been marked as Mesa's Exhibit Number Twenty-two?

And just go through Twenty through Thirty-six.

A. Okay. This is a certified copy of Claim of Lien by the Chaves County Records, Book 19, Page 877, by Broom Transportation, Inc., against Jack Grynberg and Associates and Viking Petroleum, Inc.

Mesa Exhibit Twenty-three is First Claim for Relief by Pollard Contracting Company, filed in the District Court in and for the County of Rio Blanco in the State of California, Civil Action -- and the number is not clear. It's from B & M Service Company versus Jack Grynberg.

Mesa Exhibit Number Twenty-four, filed in the District Court in and for the County of Rio Blanco, State of California, from A. J. Carter, a/k/a Anthony J. Carter, versus Jack Grynberg, Complaint to Foreclose Mechanic's Lien in the amount of it appears to be $3,231.58.

Mesa Exhibit Number Twenty-five, filed in

the District Court in and for the County of Rio Blanco in the State of Colorado, Dowell Division of the Dowell Chemical Company versus Jack Grynberg, et al, Complaint for $64,330.85. It's a first claim.

Exhibit Number Twenty-six filed in the District Court in and for the County of Rio Blanco, State of Colorado, from Colorado Well Service, Inc., versus Jack Grynberg, et al, Complaint in Foreclosure of Mechanic's Lien, in the amount of $28,515.38.

These are all certified copies.

Okay, we have a Plaintiff's Original Petition filed in the District Court, Hood County, Texas, from Paul Gwaltney, d/b/a Lovelace Enterprises, et al, versus Jack Grynberg, d/b/a Jack Grynberg and Associates.

Exhibit Twenty-eight is an Affidavit for Contractors Lien by Paul Gwaltney, filed in the County of Hood, State of Texas, District County Clerk, District County Court, Hood County, Texas.

Exhibit Number Twenty-Nine is a Judgment in the case of Paul Gwaltney versus Jack Grynberg, filed in the District Court of Hood County, Texas, 29th Judicial District, in the amount of -- it looks like $7500.

Exhibit Thirty, filed in the United States District Court in and for the District of Colorado, Vierson

& Cochran Drilling Company versus Jack Grynberg, et al, Complaint, Claim for Relief of Viersen & Cochran Drilling against Jack -- I already went through that.

Mesa Exhibit Thirty is in the District Court in and for the City and County of Denver, State of Colorado, by T.W.T. Exploration, Inc., versus Jack Grynberg and Associates.

Q Mr. Hannifin, isn't that Exhibit Thirty-one?

A Yes, sir, Thirty-one.

Q Thank you.

A All right, Mesa Exhibit Thirty-two filed by Quention Frost in the sum of $572 for replacement of a lost abstract. It's a Small Claims Complaint in the State of Illinois, In the Circuit Court of the Second Judicial District, Crawford County, State of Illinois.

Exhibit -- Mesa Exhibit Number Thirty-three, also filed in the State of Illinois, in the Circuit Court of the Second Judicial Circuit, Crawford County, from Fank J. Weber and Wanda A. Weber versus Olin M. Weaver, Jack Grynberg and Associates, et al, Complaint for excessive surface damages and restoration thereto, I believe.

Exhibit Number Thirty-four is a copy of page 256, 10 Bankruptcy Reporter, in regard to Jack Grynberg,

a/k/a Jack Jakob Grynberg, a/k/a Jack Grynberg, d/b/a Jack Grynberg and Associates, et al, Bankruptcy No. 81 B 00821 M filed in the United States Bankruptcy Court, Denver, Colorado, April 9th, 1981.

Mesa Exhibit Number Thirty-five, copy of page 622 in the 464 Federal Reporter, 2d Series, and it's a matter of L. D. Lloyd, Plaintiff-Appellee versus Jack Grynberg, and filed in the United States Court of Appeals, 10th Circuit, July 12th, 1972.

And Exhibit Thirty-six is a list of the creditors holding security, filed in the Jack Grynberg bankruptcy petition. It's a certified copy given under the seal of the Clerk, U. S. Bankruptcy Court, District of Colorado.

Q. Mr. Hannifin, with the exception, then, of these two cases taken from published editions of reporter services, all of these copies are certified copies, are they not?

A. Yes, sir. I'm sorry, I forgot to mention that.

MR. JAMES: Mr. Commissioner, we would at this time enter these exhibits solely for the purpose of establishing that these claims and disputes of this nature exist, and not at all for the purpose of establishing the validity of any one claim.

MR. GALLEGOS: First of all, Mr. Chairman, there is a total and complete lack of foundation for this documentary evidence.

Mr. Hannifin might as well bring you Life magazine or a copy of the newspaper off the streets as far as his ability to provide a foundation for the force of these things.

And secondly, the fact that you say, well, there's some allegations been made without bringing before this Commission the merit of those or what was the deposition of those, is completely worthless, and examination of these documents will show that these are matters which go back more than ten years in some cases.

This is truly burdening the record with items that will be of no help whatsoever in the Commission's decision and they should be excluded.

MR. JAMES: Mr. Commissioner, these are certified copies of public records and they show the kinds of controversy surrounding this man who asks you today to be operator.

MR. RAMEY: I agree that it will burden the record, but we will admit them for what they're worth.

(Thereupon a recess was

taken.)

Q Mr. Hannifin, approximately how many wells has Mesa drilled in the area?

A 182.

Q Are you aware of any liens filed against Mesa or other parties' interests in those wells?

A There's only one outstanding lawsuit. We filed that against a surface owner to gain access to the land which we had a right to get onto.

Q Did you gain access to that land?

A Yes, sir, we did.

Q But there are no liens?

A No, sir.

Q Mr. Hannifin, I would direct your attention to Mesa's Exhibit Number Thirty-seven and I'd ask you to describe the Exhibits Thirty-seven through Thirty-nine, please.

A Exhibit Thirty-seven is the Annual Report for 1981, published in Mesa's normal course of business, providing general data on our activities in the Permian Basin. It sets out general financial status of Mesa Petroleum Company.

Exhibit Number Thirty-eight is an updated version of that for the first quarter report of 1982, providing

similar information, again published in Mesa's normal course of business.

Exhibit Number Thirty-nine is a copy of the Mesa Message, again published in the normal course of Mesa Petroleum Company's normal course of business.

Q. Mr. Hannifin, Exhibits Thirty-seven and Thirty-eight make reference to the Permian Basin Division and the Pecos Slope Prospect, do they not?

A. Thirty-seven does, I'm sure. Thirty-eight, I do not have a full copy in front of me, but I believe it also references specifically the contribution of the Permian Basin Division to the company as a whole.

Q. Now, in Exhibit Thirty-nine, is the Pecos Slope area referenced?

A. Yes, sir, it is, on page four to about seven, indicates our general level of activity out there, the amount of money we've been spending, among other things.

MR. JAMES: Mr. Commissioner, we would tender these exhibits as compilations of financial data and other data prepared by Mesa in the ordinary course of business.

MR. GALLEGOS: We don't have any objection to those.

Q. Please identify for us Exhibit -- excuse me.

MR. RAMEY: Exhibits Thirty-seven, Thirty-eight, and Thirty-nine will be admitted.

Q. Would you please identify for us Exhibit Number Forty?

A. Yes, sir. This is the May 10, 1982, copy of Forbes magazine.

Q. Would you turn to page 309 in that magazine and give us your analysis of the data on that page as it relates to Mesa Petroleum Co.?

A. Yes, sir, the heading is Ranking the Forbes 500's -- Jobs and Productivity, in which it is indicated that Mesa is ranked 785th in terms of number of employees; per employee rates for sales is 49th; per employee assets, we are ranked 22nd; and per employee profits, we are ranked number two.

Q. What would that ranking of number two with respect to profits indicate to you?

A. For companies on this list, which are among the Fortune 500, we are among the most profitable.

Q. Per employee.

A. Per employee.

Q. Mr. Hannifin, how many of these productive employees does Mesa currently have in the Roswell area?

A. We have a field office in Roswell, New

Mexico, with seventeen full time employees.

Q. Do you have a permanent building there in Roswell?

A. Yes, sir, we do.

Q. Where else does Mesa have offices in New Mexico?

A. In Aztec, New Mexico, and Hobbs, New Mexico.

Q. Are there a number of other permanent employees at those locations?

A. Yes, sir, in total we have forty-six employees in the State of New Mexico.

MR. JAMES: I would tender Exhibit Number Forty as a compilation prepared by an independent source.

MR. RAMEY: Exhibit Forty will be admitted.

MR. GALLEGOS: Is this from Forbes magazine?

MR. JAMES: Yes.

MR. GALLEGOS: I have no objection.

MR. RAMEY: Exhibit Forty will be admitted.

Q. Please identify Exhibit Number Forty-one for us, please.

A. It's a news release provided in the normal course of business by Mesa Petroleum Company, dated April 28th,

1982, indicating that we again have an increase in quarterly earnings for the first quarter of 1982.

MR. JAMES: We tender Exhibit Forty-one to the committee.

MR. GALLEGOS: No objection.

Q Please --

MR. RAMEY: Admit Exhibit Forty-one.

Q Please identify Exhibit Forty-two for us.

A Yes, sir, this is a photostatic copy of a page off the Metropolitan Area News, the Amarillo Globe-Times, dated Friday, November 6, 1981, indicating that T. Boone Pickens, Chairman and President of Mesa Petroleum Company was selected the outstanding chief executive for the year in the nation's oil producing industry.

Q That selection was made by the Wall Street Transcript, is that correct?

A Yes, sir, it was.

Q Would you identify for us Exhibit Number Forty-three?

A Yes, sir, this is the -- out of the -- photostatic copies out of the Petroleum Independent, dated October, 1981. The article is entitled How Boone Pickens directed the development of one of the hottest companies on the New York Stock Exchange.

MR. JAMES: We tender Exhibits Forty-two and Forty-three.

MR. GALLEGOS: No objection.

MR. RAMEY: They will be admitted.

Q. You referred awhile ago, I believe, Mr. Hannifin, to an escrow agreement. Would you please identify for us Exhibit -- Mesa's Exhibit Forty-six?

A. Yes, sir. This is a form similar to the one used on the Mesa No. 6 K-Mac and the Grynberg No. 1 McDermett 30 Com, I believe is how it's properly denoted, and it's an escrow arrangement that provides for payment into the Colorado National Bank of Denver as an independent holding party the procedures by which funds would be extricated from such an escrow arrangement.

Q. And has this agreement worked suitably for the 6 K-Mac and the No. 1-30 McDermett Com?

A. Yes, it has.

Q. Would you propose that the operating agreement submitted by Mesa to Corona, executed by Corona, be incorporated into the Commission's order in this case?

A. Yes, sir.

Q. And would you propose that the drilling escrow agreement that is labeled Mesa's Exhibit Number Forty-six be incorporated into the Commission's order in this case?

A. Yes, sir, we would add our AFE to the appropriate well.

MR. JAMES: Mr. Commissioner, I tender Exhibit Number Forty-six.

MR. GALLEGOS: No objection.

MR. RAMEY: Exhibit Forty-six will be admitted.

Q. Mr. Hannifin, Mesa is asking to be designated as the operator for this proration unit, is it not?

A. Yes, sir, it is.

MR. JAMES: I have no further questions.

MR. RAMEY: Any questions of Mr. Hannifin?

MR. GALLEGOS: A few, Mr. Chairman, and let me clear up one matter. We were moving so rapidly that I just had an opportune moment to glance at Exhibit Eleven and with a little more time to look through it, I'm satisfied with the provisions and I have no objection to the exhibit.

MR. RAMEY: Exhibit Eleven will be admitted.

CROSS EXAMINATION

BY MR. GALLEGOS:

Q. Where is your office, Mr. Hannifin?

A. My office?

Q. Where is your office, Mr. Hannifin?

A. My office is in Midland, Texas.

Q. Just a word about the rather large stack of documents that you've presented, variously identified as Proofs of Claim and Complaints and copies of court opinions, and so forth, were those actually obtained by Mr. James or the personnel of his legal office?

A. They were obtained under my supervision by Mr. James and others in my staff, yes, sir.

Q. We're to understand Mr. James is under your direction?

A. Yes, sir, he is.

Q. I see, and you -- you directed or supervised that Mr. James do that legwork to obtain those various documents?

A. Yes, I did.

Q. In doing so did you instruct him to obtain these to provide the Commission with the latest available judgments, orders, decrees, or what have you, that would reflect the conclusions or dispositions of the various matters that you've brought before the Commission?

A. I'm not sure --.

Q. You have a puzzled look on your face. Maybe I can clarify my question by giving you an example.

When you have here in your stack a Complaint

filed by somebody against Mr. Grynberg, Grynberg and Associates, alleging some sort of cause of action or indebtedness, did you also direct Mr. James to find the documents in the file that would reflect whether or not that claim was dismissed, was adjudicated in favor of Mr. Grynberg or in favor of the Claimant?

A. No, sir.

Q. Do you know what I mean?

A. For the limited purposes of this hearing, we were trying to establish a past pattern of activities and we did not go through and try to litigate each case in front of this Commission.

Q. I wasn't asking you that, sir. I was asking you if an attempt was made to find papers within the Court file or whatever the forum was that would reflect what we might say is the exit of that claim, as opposed to the beginning of it.

A. No, sir.

Q. By the same token, since you displayed considerable interest in Chapter 11 bankruptcy proceedings in the Federal Court in Colorado, did you attempt to obtain the papers which would show the most current status of that proceeding?

A. No, sir.

Q. Do you have anything that will reflect that status to be in any way different than what is shown by Applicant Exhibit Number Ten, a Notice of Order Confirming Plan of Discharge?

A. Run that past me again.

Q. I'm saying do you have knowledge of or in your possession any documents that will show the status of the Grynberg bankruptcy proceeding to be any different than reflected by this order entered on April 21, 1982?

A. No, sir, I don't.

Q. Just a few questions, Mr. Hannifin, about a couple of your exhibits.

Number Two, to begin with, just this one letter-sized page document, do you have that?

A. No, let me get it.

Q. At your hand?

A. Yes, sir, now I do.

Q. All right, first of all, who is Corona Oil Company?

A. Corona Oil Company is Corona Oil Company.

Q. Where is it located?

A. Dallas, Texas.

Q. What is the nature of its business, as you understand it, if you have such understanding?

A. Oil and gas exploration or development.

Q. Is Corona Oil Company indebted to Mesa Petroleum Company?

A. No, sir, not at this point in time. That has been equitably worked out.

Q. Pardon me?

A. That has been equitably worked out so they do not owe us anything at this point in time.

Q. Tell us what that is, that you say has been equitably worked out. What do you mean "that" is? What was it?

A. At one point in time they did owe us money.

Q. What was that sum of money?

A. I do not know.

Q. Well, do you know that it was in the vicinity of some Eight Million Dollars?

A. No.

Q. Well, explain to the Commission what the working out consisted of.

A. Well, not being a lawyer, I think that would be asking me to delve into legal documents and interpret those --

Q. Well, you've presented --

A. -- and I think that's a legal category.

Q. -- about a foot stack of legal documents, Mr. Hannifin, so far, so why don't you just give us the best of your understanding of this?

A. I don't understand that.

Q. You don't understand what was worked out by Mesa Petroleum and Corona?

A. I don't have the technical expertise to dig through that and explain that to you in detail.

Q. Just give it to us in your lay terms, in a layman's understanding of it.

A. Well, as I understand it, they are to pay us out of a certain percentage of their net revenue interest out of future wells drilled and out of some past wells drilled. It varies on a case by case basis.

Q. To pay you, the indebtedness still exists to Mesa Petroleum Company, is that correct?

A. At this point in time with that I would say no, but again you're asking me to interpret something that I informed you I'm not qualified to interpret.

Q. When was this arrangement made, Mr. Hannifin?

A. Well, it depends on which part of it you mean. There were a number of different arrangements. You'ld have to give me a little bit more detail so I can get to a

clear answer.

Q. Well, if you'll tell us about it we can get into some details. Tell us about the different parts.

A. You'll have to be more specific than that.

Q. When was the last act or agreement in connection with this arrangement?

A. Dated April 1, 1982.

Q. And when was the first part?

A. Presumably when we entered into agreement in 1979. There were some parts of that provision that were later incorporated in various and sundry versions after that, so I'd have to say the original operating agreement was probably the inception.

Q. What was the nature of agreement entered into on April 1, 1982?

A. Well, that's what we just went into, how they were to prepay certain costs that they owed us at that time.

Q. And what was the amount of those certain costs?

A. I do not know.

Q. Have you seen the agreement?

A. Yes, sir.

Q. Have you read it?

A. Yes, sir.

Q. Have you forgotten what the numbers were in the agreement as to the indebtedness?

A. The numbers were not in the agreement.

Q. Well, since you read it, tell us over what period of time it is to be paid out.

A. There is no specified period of time.

Q. But we are to understand that as a -- as a liquidation of the debt revenue that would coming to Corona from the production of oil or gas wells in which he held an interest will be paid instead to Mesa Petroleum, is that true?

A. In some cases, yes.

Q. Well, is that the case as to a well to be drilled in the southeast quarter of Section 12 that's in question here?

A. Well, there are a number of variables that could affect whether or not it ever attaches to this particular well.

Q. Okay, what are those variables?

A. It depends on when it's drilled, when various payments schemes are completed. A number of independent factors that could determine whether or not we ever had any claim to their net revenue, other than the fact that they have worked out and gone non-consent to us under an older

operating agreement on this particular well.

Q. Looking at your Exhibit Number Two, it's entitled Schedule. Was this prepared by you, Mr. Hannifin?

A. Yes, sir, it was.

Q. And tell us what documentation you relied on in order to express what amounts to conclusions here as to the ownership of working interests?

A. The abstracts of title entered as Exhibits Four-A, B, and C, and our own land files and abstracts and title opinions.

Q. Well now, the Abstracts of Title that were entered as Exhibits Four-A, B, and C, would pertain to the east half of that quarter which would be Grynberg interest, correct?

A. That's probably right. Yes, sir, that's correct.

Q. All right, so now we're talking about the Mesa and Corona Oil Company interest. You're saying that you looked at some other abstracts of title in that regard?

A. Yes, sir, we rely on title opinions to drill our wells.

Q. And it's within your expertise and experience to be able to look at those abstracts or title opinions and draw conclusions about who owns a working interest, correct?

A. In association with our legal department, yes, sir.

Q. So these are your conclusions, working interest before payout, working interest after payout.

A. Yes, sir, they were prepared under my supervision.

Q. Now explain what you mean by working interest before payout.

A. Before payout of the 300 percent non-consent provision provided for in the original operating agreement with Pecos -- with Public Lands Exploration, now Corona Oil Company, and Mesa Petroleum Company.

Q. As far as ownership of the working interest, the 7/8ths working interest in the 160-acres we're talking about, 25 percent of that is owned by Corona Oil Company. Isn't that true?

A. 7/8ths? It would be 100 percent working interest, is what you're talking about, isn't it?

Q. Yes, working interest.

A. Okay. Not since it's been assigned to us, no.

Q. In other words, there has been a conveyance to Mesa Petroleum Company of that 1/4th of the working interest, is that your testimony?

A. If and when we drill this well, yes.

Q. Well, let's see if we can talk about the same thing. I'm talking to you about ownership status of that interest as it stands today, not if you have an operating agreement and if you drill the well. As it stands today.

A. Well, we do have an operating agreement, to correct one part of your statement. And the second part is that they do at this point in time own 1/4 interest subject to certain legal documents betwixt us and them in the form of prior exhibits.

Q. All right. Okay, and those legal documents of most importance to your schedule here consist of an operating agreement under which if they're non-consenting, then you are entitled to receive the revenue from their interest until payout.

A. Yes, sir.

Q. Now, Mr. Hannifin, Exhibit Number Forty-six, I think that was your last exhibit and it's sort of a specimen escrow agreement.

A. Yes, sir.

Q. Okay, was it your testimony that that agreement or an agreement very similar to it was used by Mesa and Grynberg in connection with wells that were drilled in the northeast of Section 12, 5 South, and the northeast of

Section 30 in 6 South?

A. 24 East or --

Q. Yes, sir, 25 East.

A. Well, there's one in the northeast of 12, 5, 24. The other one's not on this plat. I believe that's correct.

Q. The other one was in 6 South, 25 East, was it not?

A. I will assume you're correct on that.

Q. In any event, the situation --

A. Two wells, yes.

Q. So we can compare for the Commission, the situation was between Grynberg and Mesa, essentially said, you drill that one and we'll drill this one, those two wells.

A. Yes, sir, with those agreements entered.

Q. All right, and it was acceptable to Mesa that Grynberg be the operator, use its selected drilling company and its methods to drill one of those two wells per your agreement.

A. At that point in time, yes, sir.

Q. And at that point in time Mr. Grynberg did not have an order confirming his plan in discharging bankruptcy but in fact was still in the midst of the Chapter 11 procedure, isn't that true?

A. Yes, sir.

Q. In connection with this well in the southeast quarter of Section 12, you have shown as Exhibit Number Five an October 6, 1981, letter from Grynberg and Associates which asks Mesa, or urged Mesa, to drill the well. Isn't that true? Do you find the document?

A. Just a sec here. Yes, sir.

Q. You do not contest, do you, sir, that Grynberg's first attempts at having a well drilled at this location was to seek that Mesa do it and that Mesa be the operator? Is that the case, sir?

A. Well, I do not know. I'm trying to recollect but I don't remember who proposed it first or in what capacity it was.

Q. Well, are you suggesting that before October of 1981 Mesa was proposing that Grynberg drill it and be the operator?

A. I don't know. I don't think so.

Q. So then the state of facts was that last fall Grynberg was trying to get Mesa to drill a well and be the operator, correct?

A. According to this, yes.

Q. All right. Why wouldn't Mesa drill the well?

A. We were unable to reach a workable operating agreement with Mr. Grynberg.

Q. Mr. Grynberg was willing to prepay his share of the expense osn that well, is that true?

A. Conditionally that's true, yes, because he also required that we prepay him.

Q. Yes, he required that on a well that he was drilling that Mesa prepay him.

A. Right.

Q. And Mesa would not proceed on that basis.

A. That is correct.

MR. GALLEGOS: That's all I have.

MR. RAMEY: Any other questions of Mr. Hannifin?

MR. JAMES: No, sir.

MR. RAMEY: He may be excused. Anything further, Mr. James?

MR. JAMES: Yes, we have one further witness if you'd like to hear him at this time.

We call Joe Jeffers.

JOSEPH W. JEFFERS

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JAMES:

Q. Would you state your name, occupation, and employer, please?

A. Joseph W. Jeffers. I live in Midland, Texas. I'm Division Geologist for Mesa Petroleum.

Q. Have you previously testified before the Oil Conservation Division as a geologist?

A. I have.

Q. Are your qualifications a matter of record and were they accepted by the Oil Conservation Division?

A. They were.

Q. Are you familiar with the application of Mesa Petroleum Co. involved in this case?

A. I am.

MR. JAMES: We tender the witness' qualifications to the Commission.

MR. RAMEY: He's qualified as an expert geologist.

Q. Mr. Jeffers, are you familiar with the Abo

tight formation play on the Pecos Slope?

A. Yes. I represented Mesa Petroleum and Yates Petroleum, and others, in the preparation and supervision of geologic testimony before the New Mexico Oil Conservation Division for the Abo Tight Formation Area, Case 7093, heard November the 25th, 1980.

This tight formation information was forwarded to the Federal Energy Regulatory Commission with modifications as to areal extent with a recommendation by the Oil Conservation Division for the Abo formation in the subject area to be designated a tight formation.

The Federal Energy Regulatory so designated the area recommended.

I've been associated with the Abo play in this area since Yates Petroleum discovered Abo production in a re-entry of an oild well in 1977.

Q. Mr. Jeffers, How long has Mesa been active in the Pecos Slope prospect?

A. From 1977 to the present.

Q. How many wells have we drilled during that period of time?

A. We've drilled 182 wells.

Q. In that area?

A. In that area.

Q. Would you please identify what's been marked Exhibit Forty-six and state what it represents?

A. I believe it's Exhibit -- is marked for a map?

Q. Excuse me, Forty-seven.

A. Exhibit Forty-seven is a stratigraphic cross section hung on the top of the Abo formation. The section is made up of logs of the wells surrounding the quarter section in contention. That's Section 12, a quarter section of Section 12, Township 5 South, Range 24 East.

The Abo sandstones are colored yellow in the depth column of the electric logs. Perforated intervals are designated by symbol in the depth column of the neutron density -- the neutron density separation of the logs has been highlighted. At the top of the logs a mapping gas symbol indicate that all of the wells have been successfully completed as gas wells.

The initial potential calculated open flow and the date completed are denoted below each log, except for one, which is waiting on a State potential.

A map plat on the cross section in the lower lefthand corner shows the line of section with the location of the well Mr. Grynberg is drilling.

The map also shows the proposed location

of the Mesa No. 1 Pat State at a location 660 from the south and east of Section 12, 5 South, 24 East.

Mr. Grynberg and Associates' location, 1980 from the south and 660 from the east of Section 12, 5 South, 24 East, was spudded at 8:00 p. m. May the 9th, 1982, as close to Mesa's No. 6 Camack as you could legally drill without violating State spacing rules, giving no consideration to effectively draining the quarter section.

The Mesa 6 Camack well offsetting was completed April 4th, 1982, for an IPCAOF of 4600 Mcf of gas per day.

The map also shows all the locations and completions for a radius of two miles around the subject location and also shows the completions and locations over an area of almost two townships.

I have been unable at this time to find a reported dry hole of a well that has penetrated the Abo formation on the map shown, indicating a success rate of 100 percent completions for Abo -- for the Abo formation in the area.

Mesa was a pioneer wildcatter in the area. We drilled three wildcats which aided the expansion of production to the area under discussion. They were the No. 1-6 Camack in Section 9 of 5, 24, completed 3-10-1981; the No. 3 Camack, Section 12, 5 South, 24 East, completed March the

10th, 1981; and the Stansill No. 1 in Section 23, 5 South, 24 East, completed July the 12th, 1980.

Other wildcatters in the area were Yates Petroleum and Fred Pool.

Q. Would you please identify for the Commission what's been marked as Mesa Exhibit Forty-eight and state what it represents?

A. Exhibit Forty-eight is a tabulation for the convenience of the Examiners of the wells surrounding the contended southeast quarter of Section 12, showing operator, well name and location, with spud and completion date, initial potential, date of first production, cumulative production, rate per day in April of 1982.

Q. Mr. Jeffers, were these exhibits prepared by you or under your supervision?

A. They were.

Q. And what conclusions do you draw from the discussed exhibits and the testimony here today?

A. The conclusions I can draw from the preceding testimony and exhibits are the following:

First, the original location submitted by Mr. Grynberg that accompanied his official AFE submitted to Mesa, was for a well to be drilled to test the Abo formation in the southwest of the southeast of Section 12. Now that's

the southwest quarter of the southeast quarter of Section 12, 5, 24.

Grynberg spudded his -- the well that he drilled didn't turn out to be in that location, and Mr. Grynberg spudded his well in spite of the fact that a de novo hearing had been requested and granted for the compulsory pooling of the subject proration unit. This well was spudded after Mesa had completed on April the 7th, 1982, their No. 6 Camack Well for an IPCAOF of 4500 Mcf per day. This well has been located as a direct offset to the north of the presently drilling Grynberg well.

Of the 120 Abo reported completions on the index map of Exhibit Forty-seven, there are no dry holes reported at this time, indicating 100 percent success in the area of the contended acreage.

If the Commission allows the -- and thirdly, if the Commission allows completion of the Grynberg well located in the southeast quarter of Section 12, I conclude it should be deemed not more than a 50 percent penalty well.

Q Do you have a conclusion with respect to the well to be drilled by Mesa Petroleum Company?

A I contend it should have a very low penalty or no penalty, based on its location in a 100 percent area of completions.

Q. Now this is the well to be drilled by Mesa Petroleum Co., Mr. Jeffers?

A. That is correct.

Q. And do you recommend those figures be incorporated into -- or the appropriate figure be incorporated into the Commission's order in these cases?

A. I do.

Q. Do you recommend that the order from these cases give other parties a period of time within which to participate in a well?

A. I do.

Q. Mr. Jeffers, will granting this application of Mesa Petroleum Co. prevent waste?

A. Yes. Yes, it's obvious we've been unable to reach a voluntary agreement with Mr. Grynberg as to the development of this spacing unit. If a well isn't drilled on the 160-acre tract the reserves will be left in the ground that would otherwise be produced. That would be waste.

Q. Will granting of this application of Mesa Petroleum Co. impair correlative rights?

A. No, Mesa is a prudent operator and will drill the well and each interest owner will receive his just and fair share of the reserves, thereby protecting his correlative rights.

Q. Mesa wants to drill a well on its spacing unit?

A. That is correct.

MR. JAMES: We tender to the Commission Exhibits Forty-seven and Forty-eight.

MR. GALLEGOS: We have no objection.

MR. RAMEY: Exhibits Forty-seven and Forty-eight will be admitted.

MR. JAMES: We have no further questions of the witness.

MR. GALLEGOS: Shall I go ahead with cross examination and make it very brief?

MR. RAMEY: Okay, go ahead.

CROSS EXAMINATION

BY MR. GALLEGOS:

Q. Mr. Jeffers, just by way of additional information, when you speak of 182 wells drilled by Mesa, you are referring to the -- what we call the Pecos Slope area for the Abo gas play, is that correct?

A. Yes, that's correct.

Q. And how many net wells is that?

A. I can't answer that question. There are various interests in them. We have, I would say, half of

them were 100 percent wells.

Q. And just -- just roughly, even though it's an estimate, on how many of those wells is and has been Mesa Petroleum Company operated?

A. All of those wells are Mesa Petroleum Company operated.

Q. In your opinion, Mr. Jeffers, is there a reasonable probability that the likelihood of a producing well is enhanced by the well of Mr. Grynberg being located as a direct offset to the Camack No. 6?

A. Well, after having viewed the logs on it, I -- this indicates that it's not going to be too sporty a well.

Q. When you came here this morning if I'd asked you that same question without having looked at the log, what would your answer have been?

A. I would say that it then had a pretty good chance.

Q. Mr. Jeffers, I thank you. I have no further questions.

CROSS EXAMINATION

BY MR. RAMEY:

Q. Mr. Jeffers, you mentioned some penalties.

Would you cover that again?

A. Okay, that was my third conclusion there. If the Commission allows the completion of the Grynberg well located in the southeast quarter of Section 12, I conclude it should be deemed not more than a 50 percent penalty well.

Q. In other words, if we form 160-acre proration unit in there and designate Grynberg the operator, this well should have a 50 percent penalty applied?

A. That's correct, sir.

Q. Why is -- why should it have a penalty?

A. Well, as far as I'm concerned --

Q. Are you talking about a risk penalty, 50 percent as a risk penalty?

A. Well, I'd say it was a fair shake for drilling the well.

Q. And your location, which is due south of there, I assume --

A. I would assume that it would have the normal penalty for a well -- risk well.

Q. And what was that penalty?

A. 100 percent.

Q. 100 percent. Out of a maximum available 200 percent you're only proposing 100 percent?

A. That's correct, sir.

Q. And 50 percent in the Grynberg.

A. His well is down and we've seen the logs on it, which reduces the risk on it considerably.

Q. Even it's none to smart a well, so to speak, and --

A. That's correct.

Q. -- and there's a risk that it would not pay out, it still should have a low -- a low risk applied?

A. I can't say whether it will pay our or not.

Q. I don't think anyone can at this time.

Any other questions of the witness?

MR. JAMES: We have no further questions.

MR. RAMEY: The witness may be excused. Do you have another witness?

MR. JAMES: No, Mr. Commissioner, we don't have another witness. We do have a closing statement.

MR. GALLEGOS: We may have a little further testimony. If we could have a recess at this time --

MR. RAMEY: We'll have a fifteen minute recess.

(Thereupon a recess was taken.)

MR. RAMEY: The hearing will come to order.

MR. GALLEGOS: By way of rebuttal, Mr. Chairman, we would like to recall Mr. Grynberg for a few questions.

JACK J. GRYNBERG

being recalled on rebuttal, and being previously sworn upon his oath, testified as follows, to-wit:

REDIRECT EXAMINATION

BY MR. GALLEGOS:

Q Before we get started, Mr. Grynberg, I am going to ask a question or two that relates to Exhibit Number Four, the Commission Order, and Exhibit Number Seven of Mesa, their operating agreement. Do you have those?

A No, I don't, but I remember the Commission order.

Q Let me put my copies --

First of all, let's turn to this matter of the partnership known as JJ-CC Limited, and will you explain to the Commission what that partnership is and who its participants are?

A The two participants in the partnership are my wife and myself. I'm the general partner and she's the

limited partner, and that partnership operation comes into effect probably at midnight today or 5:00 o'clock today, at the end of business in this day when the discharge from Chapter 11 takes force.

Until -- until through the 17th of May I have operated as a debtor in possession -- that's the same thing as a trustee -- appointed by the Federal Court in Denver in May of 1981, as Jack J. Grynberg, debtor in possession, and I've operated my wife's and my own estates.

So anything in the name of Jack J. Grynberg, it is in fact representation of the estate of Celeste Grynberg and the estate of Jack Grynberg, and I operated it in accordance with a court order and appointed by the Federal Judge.

At the end of today the discharge takes -- or determination of Chapter 11 takes into effect and it was our intent to file the partnership with the State of New Mexico appropriate agency here in Santa Fe.

Q. Mr. Grynberg, even when you are not operating under the jurisdiction of the bankruptcy court, as a matter of fact is JJ-CC Limited Partnership an operating entity? Or will the operations in terms of drilling and such activities be conducted by Jack Grynberg or Jack Grynberg and Associates?

A. That is correct. Jack Grynberg and Associates or Jack J. Grynberg, doing business as Jack Grynberg and Associates, will conduct all the operations for the JJ-CC Limited Partnership.

Q. Now, you will probably remember Mesa Exhibit Number Two, which was the schedule of the two columns, working interest before payout, working interest after payout, that Mr. Hannifin talked about.

By application of the operation of the order already entered by this Commission forming the drilling unit, and thereby operation of the proposed operating agreement, what is the status of the working interest before payout?

A. Well, the status of the working interest before payout as it stands right now is that in accordance with the order entered by the Commission, is that 100 percent of the working interest is -- or the proceeds of 100 percent of the working interests are vested in the Jack J. Grynberg, 50 percent by virtue of ownership, 25 percent by virtue of Corona's nonconsent, and 25 percent by virtue of Mesa's nonconsent.

Q. In Exhibit Four, the Order 6925, that is, R-6925, there is a provision for the nonconsenting party to pay cost plus 200 percent, and do you have that?

A. Yes, I have that.

Q. All right, and then also like to draw your attention to Exhibit Number Seven, the Mesa operating agreement, which calls for a 300 percent of cost for the nonconsenting parties.

Are you aware of both those provisions?

A. Yes, I am. They're actually identical. The 300 percent in the Mesa operating agreement addresses itself to the same thing as the Commission Order of 200 percent penalty, because the Commission Order provides for 100 percent recoupment of the well itself -- of the well cost, plus a 200 percent penalty, which is 300 percent.

That's how I understand it.

Q. Okay, are you of the opinion that is -- was, when it was justified by Order R-6925 and remains an appropriate risk factor?

A. I am. I am convinced that originally when the Commission rules it was correct, because the Commission brought into consideration the testimony, and the facts as presented on our Exhibit One.

If you look at the completion results in Sections 9, 10, and 11, of Township 5 South, Range 24 East, you will notice there wells were open flow potential of 580,000, 913,000, 200,000 in Section 11, 800,000, 450,000, and so on.

While Mr. Jeffers rightfully so designated

100 percent success ratio, that was a geologic success ratio. The economic success ratio is not 100 percent, and since we are dealing here with the real world of economics, the 200 percent provision for risk factor is equitable, and I think the best example is the well that we just drilled. The logs were presented to the Commission this morning, but we are running Schlumberger log, and by the way, getting, from what I understand, better quantitative results, you still out of three feet of pay, you can't make any more than three feet pay, maybe a little better porosity, and that is a marginal situation from an economic point of view.

Q. Mr. Grynberg, under the order of the Division, what are the operating charges that are specified?

A. In Exhibit Four, that's the State of New Mexico, Oil Conservation Division order, our charges are $2500 per well per month while drilling, and $250 per month while producing.

Q. Well, are you aware, and again, if need be, refer to Exhibit Number Seven of Mesa, please, what Mesa proposes the operating charges if it were the operator of the well?

A. Mesa proposes $4700 per month for a drilling well and $370 per month for a producing well.

Q. In your opinion are the $2500 a month

drilling and $250 a month operating charges, as set by the Commission Order, reasonable?

A. I think they are reasonable.

MR. GALLEGOS: That's all the questions that I have.

MR. RAMEY: Any questions of Mr. Grynberg?

MR. JAMES: I just have one, one further question of Mr. Grynberg.

RECROSS EXAMINATION

BY MR. JAMES:

Q. Mr. Grynberg, you're aware that you have three forced poolings filed before this Commission which also involve interests of Mesa Petroleum Co. in other properties, are you not?

A. I thought that there were two, but maybe you can refresh my mind.

Q. I believe there are three, but two or three. The -- the operating agreements you've sent to us after you filed those forced poolings, did you not include $3700 and $370 as the drilling and producing administrative charges?

A. If I did it was an oversight, but if you'll recall, or you might not, I dealt with Mr. Hannifin, that by mutual consent we agreed that you could charge, and this is

by consent, in the northeast quarter of Section 12, $3700 and $370, and I charged you on the McDermett in Section 30 the same thing.

But as far as my operating agreements with Yates and others, they're $2500 and $250. Yates charges $2500 and $250 and I charge $2500 and $250.

MR. JAMES: No further questions of this witness.

MR. RAMEY: Any other questions of Mr. Grynberg? He may be excused.

A. Thank you, sir.

MR. RAMEY: Any closing statements? Mr. James, you may go ahead.

MR. JAMES: Mr. Commissioner, Mr. Grynberg has repeatedly in the past misrepresented that he owned an interest in this southeast quarter of Section 12, 5 South, 24 East. In fact he's never had an ownership interest with the right to drill throughout these cases.

The bankruptcy proceedings would in no way give him a right to come into New Mexico, clearly ignore the statutes of this state.

JJ-CC Limited has made no application and has no right to drill on this tract. Is barred the laws of the State of New Mexico from transacting any business in this

state.

Mr. Grynberg's improper application should be dismissed.

Mesa Petroleum Co. is the only owner of interest in this unit with the right to drill thereon, filed an application before you, and this application should be granted.

The financial misery created by Mr. Grynberg over the years is reflected in the record. Even undisputed debts were delayed for over a year. I'm sure that the creditors who had those undisputed debts were not too happy with that situation.

Non-operators had their proceeds withheld; royalties went unpaid; property taxes and rentals to government agencies weren't paid; income taxes were not paid; people who rendered services in good faith to the Grynbergs were slapped in the face with legal requirements, delays, and disputes. Investors who recovered judgments against Mr. Grynberg for his admittedly fraudulent acts were put off from collecting their investments, and indeed, they still don't have them back till this day.

The battles in the bankruptcy court go on. Those unfortunate creditors who still have disputed debts haven't been paid and are now told that if they successfully

dispute their claim in this same bankruptcy court, who still has jurisdiction over this matter, that maybe they can recoup their monies from proceeds from properties in New Mexico. Of course they can only collect, should Mr. Grynberg keep the Bank of America level -- admittedly he hasn't borrowed any money to this date, apparently -- but if he should, the Bank of America will step in with the first lien.

In the meantime, you have before you the latest liens filed on March 10th of this year, affecting a Roswell property. Yates was one of the non-operators affected by that lien, and I assure you that they have no interest in losing their interest in those properties solely because Mr. Grynberg has a $20,000 dispute with Broom Water Haulers.

What you've seen is only the tip of the iceberg. We've given you a photograph of Grynberg's operation taken at one recent point in time. It doesn't purport to reflect that these are all of the claims in the bankruptcy proceeding. It doesn't purport to reflect that all of the judgments and all of the liens filed against Mr. Grynberg's interests over the years are here today. It shows you that there are no liens against Mesa's interests in this area, and you just have to kind of ask yourself, if I had a couple of hundred thousand dollars, would I invest my money with this man. Would you ask others to invest their money with this

man?

The job of operating a well is a fiduciary responsibility. It's based on trust. As Mr. Grynberg just stated, what we're dealing here with is the real world of economics.

As the Danzig debtors found in the real world of economics, such trust should not be placed in a financially irresponsible person.

On the other hand, you have a company, Mesa Petroleum Co., who's shown its commitment to New Mexico as qualified people living in Roswell, living in Hobbs and Aztec, has properly drilled and produced large portions of New Mexico acreage, and is without a doubt one of the best operators in New Mexico today.

Mr. Grynberg forged ahead without a final Commission order, in light of the fact that he was advised of the risk of forging ahead, and Mesa comes to you now asking you to enter an order pooling the acreage, appointing the party properly before you today, Mesa Petroleum Co. as operator, establishing the time within which non-operators may choose to participate in the well, and establishing Mesa's requested risk penalty for the well. Mesa would ask the Commission to incorporate into its order the operating agreement that was executed by Corona, for execution by all other

participating parties, and the escrow agreement offered by Mesa to be executed by all participating parties in order to govern the relationship of those parties in the future.

MR. RAMEY: Thank you, Mr. James. Mr. Gallegos?

MR. GALLEGOS: Mr. Chairman, we know now that there is really no issue to be made, or attempted to be made, concerning the competency of Grynberg and Associates as far as operating and drilling a well in the sense of knowing the geology, knowing the area, and all of those aspects of this case are clearly beyond dispute, and we boil down to this attempt to make an attack on the financial responsibility or dependability of Grynberg and Assciates.

And I suggest to you that that attack has fallen flat on its face. It takes very little for somebody to see through the material that's been brought here in the form of allegations, complaints that were filed.

Certainly Mr. Grynberg and his firm have been active in the business for many, many years, and that activity stirred up some disputes, and this Commission well knows that a lot of lawsuits that are filed that end up in favor of the parties defending.

Most of the data, be that as it may, is water under the bridge. What this Commission is looking at

is what are the circumstances today, and in March of 1982 the Commission could look at it, here the proof, see the operations of Mr. Grynberg, and say, that party is responsible. He can go ahead and drill a well to completion.

What's happened since March of 1982? Nothing except on the positive side, maybe we should say on the asset side of Mr. Grynberg's financial situation.

He has come on out, the reorganization has played its way out, and everything is up and going better and becoming stronger.

We're looking at somebody whose financial statement undisputed shows a net worth of $150,000,000, and something is made of a bank line of credit for $5,000,000. That's supposed to be some disadvantage because there's a bank line of credit that would have to have some security, but the fact is the bank line of credit doesn't even have to be drawn on because the funds aren't needed.

I suggest to you that if you want to look at the practicalities of what really is prevailing in this atmosphere, is that perhaps there's a little, I guess like bad blood, whatever we want to call it, from Mesa toward Mr. Grynberg for whatever reason.

But when we really get down to trying to drill these wells, Grynberg was attempting to do that last

fall, even if Mesa wanted to be the operator, and even up to today, let's get them drilled, let's get some wells in, let's protect the correlative rights of the parties who have interest in this property, and let's get the gas up. That's been the objective.

And when Mr. Grynberg has talked to them on the finance side of this thing, his proposal has been let's drill them; you drill one, we'll drill the other. I'll prepay my part and Mesa says, no, we don't want to do it. We don't want to prepay our part.

Now who's financially responsible? That's the fact of the matter, and this -- this project can go forward; it's gone forward with the best drilling unit. It's happened, the well has been drilled and the operating status should stay -- should remain just as it is.

Thank you.

MR. RAMEY: Thank you, Mr. Gallegos.

Does anyone have anything further to add to this case?

We will keep the record open for about ten days so that you can brief us on the legal questions you have raised, whether or not Mr. Grynberg is an interest owner and has a right to -- and we would like briefs by I'm going to say April the 30th -- May the 30th.

(There followed discussion concerning the briefs requested.)

MR. RAMEY: If there is nothing further, the Commission will take the case under advisement, or the cases under advisement, and the hearing is adjourned.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
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SANTA FE, NEW MEXICO 87501
(505) 827-2434

June 25, 1982

Re: CASE NO. 7513
ORDER NO. R-6930-A

Mr. William F. Carr
Campbell, Byrd & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Applicant:

Mesa Petroleum Co.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Steven James, J. E. Gallegos

(5) That the matter came on for hearing de novo on May 17, 1982.

(6) That the applicant has the right to drill and proposes to drill a well at a standard location on the unit.

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

(8) 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.

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

(10) 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.

(11) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) 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.

(13) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

(14) That $3700.00 per month while drilling and $370.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(15) That all proceeds from production from the subject well 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.

(16) 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 October 1, 1982, 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 Abo formation underlying a 160-acre gas spacing unit, being the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, are hereby pooled and are to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Mesa Petroleum Co. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the 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 Division 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 Division and the Division 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 Division 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 who 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, 200 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 $3700.00 per month while drilling and $370.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 interest's 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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(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.

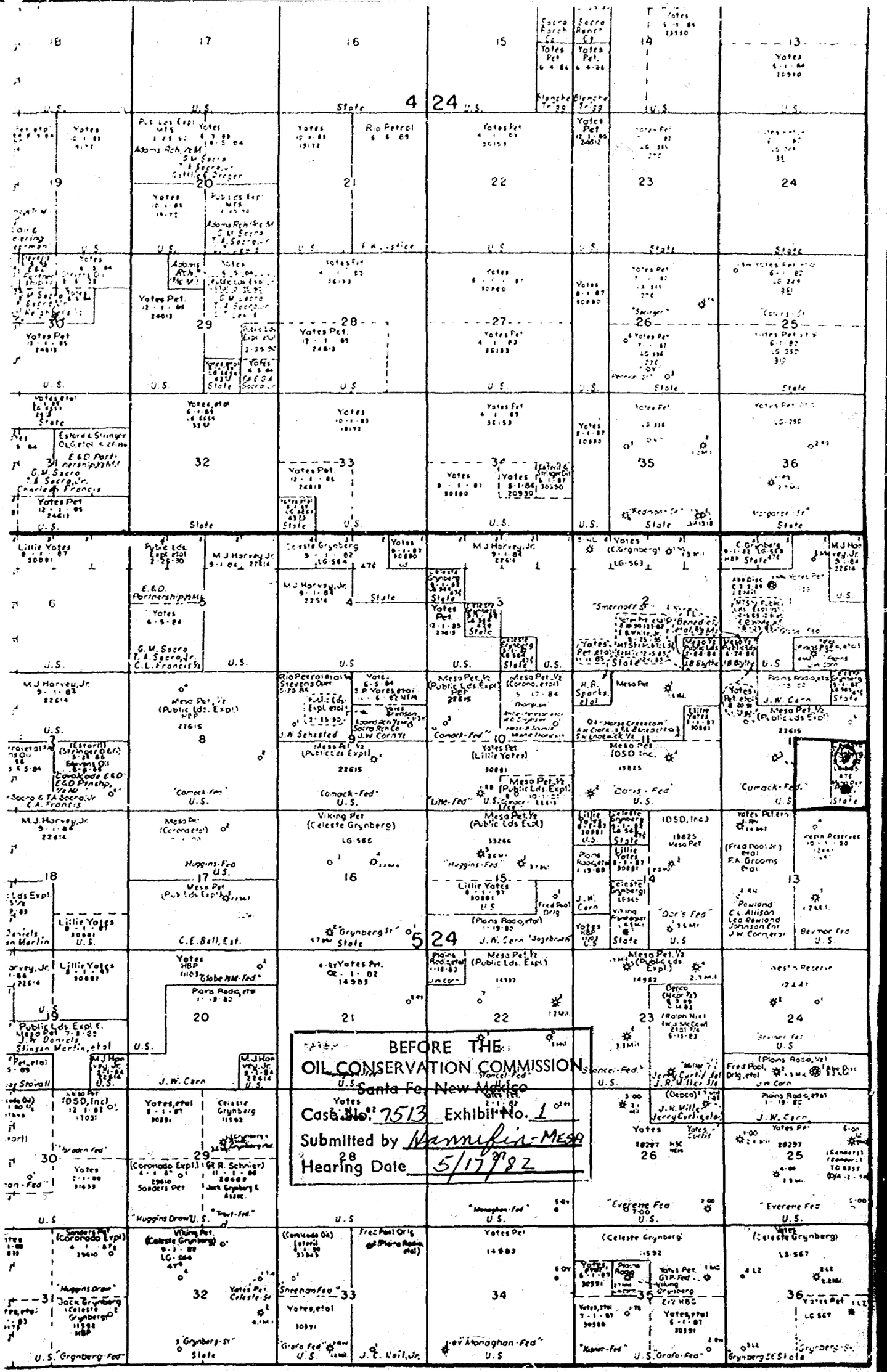
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

JOE D. RAMEY, Member & Secretary

S E A L
fd/


BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 1
Submitted by Mannefin-Mesa
Hearing Date 5/17/82

SCHEDULE

NAME	WORKING INTEREST BEFORE PAYOUT	WORKING INTEREST AFTER PAYOUT	ACRES
Mesa Petroleum Co.	50%	25%	40
Corona Oil Company	0	25%	40
JJ-CC Limited, a Colorado Limited Partnership	50%	50%	80

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 2
Submitted by MESA
Hearing Date 5/17/82

CORONA OIL COMPANY

4835 LBJ Freeway, Suite 635 Dallas, Texas 75234 214/385-3070

May 5, 1982

Mr. Steve James
Mesa Petroleum Co.
Vaughn Building
Suite 1000
Midland, Texas 79701

Re: #1 Pat State Com.
Section 12: SE/4
T-5-S,R-24-E
Chaves County, New Mexico
Pecos Slope Prospect
Mesa OP 05-NM-0138-163

Dear Mr. James:

Enclosed in accordance with our telephone conversation is the entire package with respect to the above-referenced well and operating agreement.

Very truly yours,

Don E. Williams by SP

Don E. Williams

DEW/sp
Encl.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 3
Submitted by MESA
Hearing Date 5/17/82

MESA
PETROLEUM CO.

April 29, 1982

Corona Oil Company
4835 LBJ Freeway, Suite 635
Dallas TX 75234

Attention Mr. Paul Creson

Gentlemen:

Subject: #1 Pat State Com
Section 12: SE/4,
T-5-S, R-24-E
Chaves County, New Mexico
Pecos Slope Prospect
Mesa OP 05-NM-0138-168

As you know, on December 11, 1981, pursuant to that certain Agreement and Operating Agreement dated July 20, 1979, by and between Mesa Petroleum Co. and Public Lands Exploration, Inc., Mesa, as Operator, proposed the drilling of the captioned well. A copy of that proposal letter with your signature thereon is attached for your information. Effective April 1, 1982 Mesa and Corona Oil Company (formerly Public Lands Exploration, Inc.) executed an Amendment to Agreements amending the said Agreement and Operating Agreement. Enclosed you will find a revised Operating Agreement for the above referenced well referencing the said Amendment to Agreements. Please sign and return two (2) copies of the signature pages.

Very truly yours,

Mark A. Hannifin

ld

Enclosure

MESA
PETROLEUM CO.

MES

December 11, 1981

Paul Creson
Corona Oil Company
4835 LBJ Freeway, Suite 635
Dallas, TX 75234

Dear Mr. Creson:

Subject: Well Proposals
#1 Pat State Com. - OP 05-NM-0138-168
#2 Milner Federal - OP 05-NM-0138-175
#6 Stancel Federal - OP 05-NM-0138-165
Pecos Slope Prospect
Chaves County, New Mexico

Pursuant to that certain Letter Agreement and Operating Agreement dated July 20, 1979, by and between Mesa Petroleum Co., and Public Lands Exploration, Inc., Mesa as Operator hereby proposes the drilling of the captioned wells. Please indicate your intentions to join or go non-consent under the terms of the Operating Agreement by executing and returning a copy of this letter along with executed AFE's for the wells you desire to join in.

Yours very truly,

Mark Hannifin

sl

Enclosures

Mesa #1 Pat State Com.	1 Join	____ Go Non-Consent
Mesa #2 Milner Federal	1 Join	____ Go Non-Consent
Mesa #6 Stancel Federal	1 Join	____ Go Non-Consent

CORONA OIL COMPANY

By: P D Creson

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as _____ of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as

as _____

of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

Mesa Petroleum Co., as Operator, Corona Oil Company
and Jack Grynberg as Non-Operators

#1 Pat State Com.

OPERATING AGREEMENT

DATED

December 5 , 1981 ,

OPERATOR MESA PETROLEUM CO.

CONTRACT AREA SE/4 Section 12, Township 5 South, Range 24 East,

N.M.P.M.

COUNTY OR ~~PARISH~~ OF Chaves STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM A.A.P.L. NO 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS. BOX 899, TULSA OK 74101

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Mesa Petroleum Co., 1000 Vaughn Building, Midland TX 79701, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

[X] A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement.
- (4) Oil and gas leases and or oil and gas interests subject to this agreement.
- (5) Addresses of parties for notice purposes.

[ ] ~~B. Exhibit "B", Form of Lease~~

[X] C. Exhibit "C", Accounting Procedure. Schedule I Attached.

[X] D. Exhibit "D", Insurance.

[X] E. Exhibit "E", Gas Balancing Agreement.

[X] F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

__ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

X Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

Mesa Petroleum Co. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 30th day of June, 1982, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FSL & 660' FEL Section 12, Township 5 South, Range 24 East

and shall thereafter continue the drilling of the well with due diligence to 4,100 feet or a depth sufficient to test the Abo Formation, whichever is lesser

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest shall be sold, at the election of the Consenting Party, either to the Consenting Party's purchaser or to the Non-Consenting Party's purchaser. If any sale is made to the Non-Consenting Party's purchaser, such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. **Right to Take Production in Kind:**

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall ~~have the right to~~ take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.P 2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars ($25,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen Thousand Dollars ($15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 20% of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. **Renewal or Extension of Leases:**

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. **Acreage or Cash Contributions:**

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. **Subsequently Created Interest:**

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. **Maintenance of Uniform Interest:**

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. **Waiver of Right to Partition:**

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

G. **Preferential Right to Purchase:**

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Seven Thousand Five Hundred Dollars ($ 7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

The interest of Corona Oil Company herein is expressly made subject to that certain Amendment to Agreements made effective April 1, 1982 by and between Mesa Petroleum Co., MTS Limited Partnership, Corona Oil Company, Pecos Slope Royalty Trust and Newkirk Royalty Trust.

In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, promptly pay its share of approved completion expenditures therefor to Operator prior to the commencement of each such operation or to an account at Colorado National Bank of Denver, Colorado pursuant to an escrow agreement acceptable to Operator. The interest earned on the escrow account and the expenses of such an escrow arrangement shall accrue to and be the responsibility of Jack Grynberg and Associates. The escrow agreement shall provide, among other things, that the funds in the escrow account shall be released to Operator upon Operator's furnishing of a sworn, itemized statement of costs incurred in such operations and copies of detailed, paid receipts for expenditures made in connection therewith.

Without otherwise affecting the responsibilities and liabilities of Jack Grynberg and Associates, its successors and assigns, for its obligations hereunder, Jack Grynberg hereby agrees to be individually responsible and liable for each and every obligation hereunder of Jack Grynberg and Associates, its successors or assigns. Upon default by Jack Grynberg and Associates, its successors or assigns, of any of its obligations hereunder, Operator shall have the right, in accordance herewith and without prejudice to Operator's right or remedies, to enforce such obligations against Jack Grynberg, individually, or Jack Grynberg and Associates, its successors or assigns, or both.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as _____ of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated December 5, 1981, by and between Mesa Petroleum Co., as Operator, Corona Oil Company and Jack Grynberg and Associates, as Non-Operators

PART I. Unit Area is described as the SE/4 Section 12, T-5-S, R-24-E, N.M.P.M. Chaves County, New Mexico

PART II. Working Interest Participants:

	Before Payout	After Payout
Mesa Petroleum Co.	50%	25%
Corona Oil Company	0%	25%
Jack Grynberg and Associates	50%	50%

PART III. Leases included in unitized area:

A. State of New Mexico LG-0565-0
Lessor: State of New Mexico
Lessee: Jack Grynberg
Dated: September 1, 1972
Description: Only as to the E/2 SE/4 Section 12, T-5-S, R-24-E, N.M.P.M. Chaves County, New Mexico

B. United States of America NM-22615
Mesa OP-05-NM-0138-0003-000-0
Lessor: United States of America
Lessee: B. J. Bradshaw
Dated: October 1, 1974
Description: Only as to the W/2 SE/4 Section 12, T-5-S, R-24-E, N.M.P.M. Chaves County, New Mexico

ADDRESS LIST:

Corona Oil Company
4835 LBJ Freeway
Suite 635
Dallas TX 75234

Mesa Petroleum Co.
1000 Vaughn Building
Midland TX 79701

Jack J. Grynberg
1050 17th Street
Suite 1950
Denver CO 80265

EXHIBIT " "

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

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

"Parties" shall mean Operator and Non-Operators.

"First-Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

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 a rate equal to the higher of 120% of the prime rate of interest of the Continental Illinois Bank & Trust Company or 18% per annum; provided, however, in no event shall the Non-Operator Parties be required to pay interest in excess of the federal or state statutory ceiling applicable in the jurisdiction in which the joint property is located. Non-Operators shall also be liable for attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

Adjustments

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

Audits

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

Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

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

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

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

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. **Transportation**

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

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

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

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matter before governmental bodies and agencies and costs and expenses incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

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10. **Taxes**

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

11. **Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. **Other Expenditures**

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

III. OVERHEAD

1. **Overhead - Drilling and Producing Operations**

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or (See Schedule I attached.)
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3,700.00
Producing Well Rate $ 370.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date the contractual rig charges beg ~~xxxx

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000 :

A. 5 % of total costs if such costs are more than $ 25,000* but less than $ 100,000 ; plus

B. 3 % of total costs in excess of $ 100,000 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

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

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV if Material was originally charged to the Joint Account as new Material, or

When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead charge on projects in excess of $25,000 shall be 1% of total cost.

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(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

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

3. **Premium Prices**

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

4. **Warranty of Material Furnished by Operator**

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. **Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. **Special Inventories**

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. **Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D" ONSHORE

Attached to and made a part of Operating Agreement
dated December 4, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

INSURANCE

The Operator shall carry for the benefit of the joint account insurance to cover drilling operations and producing operations on the jointly owned acreage as follows:

I. Workmen's Compensation and Employer's Liability covering the employees of Operator engaged in operations hereunder in compliance with all applicable Federal Laws and the laws of the State of New Mexico, with Employers Liability limit of not less than $100,000 per person and $100,000 per occurrence.

II. Operator shall carry of its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:

(A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

(B) Automobile Liability covering all vehicles owned, non-owned, or hired and used in connection with operations conducted hereunder by Operator for the joint account with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

The premiums for all such insurance so carried in paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect to participate to the extent that their interest is insured.

EXHIBIT "E"

GAS BALANCING AGREEMENT

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as "Operator", and Jack Grynberg and Associates, et al, as "Non-Operator"

The parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

Each Party shall have the right to take in kind its share of the gas produced from the Unit Area. However, there may be periods when one or more of the Parties have no market for, or its purchaser is unable to take, or for any other reason, it may not dispose of its interest, or a portion thereof, in the gas production. Therefore, to permit each Party to produce and dispose of its interest in the gas production from the Unit Area with as much flexibility as possible, the Parties hereto agree to this Gas Balancing Agreement as hereinafter set forth:

1. DEFINITIONS:

For the purposes of this Agreement, the following terms shall be defined as hereafter set out:

(a) "Operating Agreement" shall mean the Operating Agreement to which this Gas Balancing Agreement is attached.

(b) "Gas" shall mean natural gas or oil well gas obtained from primary field separation.

(c) "Liquid Hydrocarbons" are those liquids obtained from primary field separation.

(d) "Percentage Ownership" is the percentage interest of each party as set forth in the Operating Agreement.

(e) "Over-produced Party" is a party who has utilized or sold a greater volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(f) "Under-produced Party" is a party who has utilized or sold a lesser volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(g) "MER" is the total daily maximum efficient rate of hydrocarbon withdrawal from each separately produced proration unit, which, if exceeded for a sustained period of time, would lead to underground waste in the form of reduced ultimate recovery from the proration unit, after deducting the gas used in operations on the Unit Area or vented or lost.

2. OWNERSHIP OF PRODUCTION:

(a) SALE BY LESS THAN ALL OWNERS: All gas produced from the Unit Area shall be produced and utilized or sold by those parties having a use or market for such gas. If fewer than all the parties are producing gas, the parties so producing shall have the right and option, but not the obligation, to produce and dispose of all or any part of such gas that may be produced up to the MER. The parties hereto shall share in and own the liquid hydrocarbons, as produced, in accordance with their respective interests, as set forth in and subject to the terms of the Operating Agreement. It is agreed that the gas attributable to the interest of each non-producing party shall remain in the reservoir for production at a later date.

(b) SALE BY UNDER-PRODUCED OWNERS: Each Under-produced Party shall, upon commencing the sale of gas, have the right to take a greater percentage of the current gas production than such Under-produced Party's Percentage Ownership, subject to the following limitations:

(1) For the purposes of balancing gas production accounts, as soon as practical, any Over-produced Party or Parties will make available to any Under-produced Party or

Parties a portion of the Over-produced Party's or Parties' share of gas production at the current MER, but Over-produced Parties shall not be liable to Under-produced Parties under this paragraph except as provided in Section 4 hereof. In no event will any Over-produced Party be required to reduce the volume of gas which it is entitled to take from a proration unit during any calendar month to less than 50% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the under-production of each Under-produced Party bears to the total under-production of all Under-produced Parties currently taking gas.

(2) For the purpose of balancing in the event of price increases as provided in Section 3 hereof and for the purpose of balancing production accounts as provided in Section 4 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over-production by the Over-produced Party on a last in, first out basis.

(3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from a proration unit as such party's Percentage Ownership.

(4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This

Balancing Agreement shall not provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.

(5) Only produced gas actually utilized or sold by a party shall be owned by it and charged against its share of the total recoverable reserves.

3. BALANCING IN THE EVENT OF PRICE INCREASES:

In the event the price received by the Under-produced Party for gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account is greater than the price received by the Over-produced Party for the equivalent volume of gas, then the Under-produced Party shall pay to the Over-produced Party in cash, on a monthly basis, the product of the volume of gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account and the difference between the lawful price which the Under-produced Party currently is collecting for the gas described above (but in no event higher than the price received by the Over-produced Party at the time such production is sold by the Under-produced Party) and the lawful price which the Over-produced Party actually collected for the volume of gas described above.

4. BALANCING OF PRODUCTION ACCOUNTS:

When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the amount actually received, less applicable taxes, royalty, and the cost of dehydration and compression if not participated in by the Under-produced Party, by any Over-produced Party from the sale of that part of the total cumulative volume of gas produced from the proration unit to which any Under-produced Party was entitled, but which was utilized or sold by the Over-produced Parties. For the purposes of this paragraph, the "amount actually received" shall be the dollar amount

received for the quantity of gas remaining after subtracting the quantity of any periodic under-production by an Over-produced Party from the unbalanced over-production of such party. If a portion of a party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if none, the weighted average price received simultaneously by all parties for gas sold from the proration unit. If gas is processed for the recovery of liquefiable hydrocarbons, the gas value will be based on the amount which would have been received for the sale of such gas without processing.

5. STATEMENTS:

During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other parties a statement showing the volume and value of gas utilized and the volume and proceeds if sold. The Operator under the Operating Agreement shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.

6. PRODUCTION TAXES:

Each Party taking gas shall pay any and all production taxes due on such gas.

7. PAYMENT OF ROYALTY:

At all times while gas is produced from the Unit Area, each party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by

royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

8. OPERATING EXPENSES:

The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership.

9. SCOPE AND TERM:

This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

10. INDEMNITY:

Each party hereby indemnifies the other parties hereto against all liability for and agrees to defend the parties hereto against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provisions, and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

11. OPERATOR'S LIABILITY:

The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent operator in the same or similar circumstances.

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR

MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. (41 CFR 60-1.40)

D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS
OF REQUIREMENT FOR CERTIFICATIONS
OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $10,000 or more.)

2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $2,500 or more.)

2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

SCHEDULE I

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS-1974 Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

Salaries, Benefits and Related Costs of Field, Area and/or District:
- Managers and/or Superintendents
- Foreman - Superintendent
  - Drilling - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Production - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Construction - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Other Technical Employees - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Office Stenographers
- Office Clerks
  - Time Keeping
  - Preparation of Boat, Automotive and Other Vehicle Reports
  - Local Purchasing (Field Orders)
  - Preparation and coding of invoices
  - Preparation of Material Requisitions
  - Preparation of Field Transfers
  - Preparation of Field Receiving Reports
  - Posting of Production Reports
  - Preparation of Over and Short Reports
  - Reading and Integration of Charts
  - Preparation of Field Gas Production and Consumption Report
  - Preparation of Field Office Reports to State and Federal Regulatory Bodies
  - Miscellaneous Routine Field Office Clerical Duties
  - Field Office Inventory Men
    - Conducting Physical Inventories
    - Preparation of Field Inventory Records
  - Warehousemen and/or Clerks

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general District Use.

Rentals
- Rentals paid for buildings, office and storage space used by District employees.

Rentals paid in connection with sites for District production offices, camps, warehouses and other facilities used specifically for District purposes.

Ad Valorem Taxes
Taxes paid on buildings and equipment charged to Operator's Field, Area, and/or District investment accounts.

Insurance
Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to the District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contrac services performed by third parties.

General Management

General Operating Administration
Drilling Managers and/or Superintendents and Office Staffs
Production Managers and/or Superintendents and Office Staffs
Civil Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Reservoir Analysis and Engineering
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Negotiation of Production and Residue Gas Sales
Negotiation of Major Gas Sales
Preparation and Negotiation of Joint Operation Agreements
Preparation of General Production Records
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

General Accounting and Services
Checking of invoices
Preparation of Paychecks
Responsibility of Account Distribution or Coding
Payment of Vendor's Invoices
Maintaining Property Investment Records
Maintaining Joint Interest Cost Records
Preparation of Joint Interest Billing
Preparation of Royalty Checks
Machine Accounting and Data Processing Functions
Photostat and Other Reproduction Service
Ad Valorem Tax Service and/or Counsel
Systems and Procedures
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be a direct charge to the joint property.

Area and/or District Office Utility Services

Local Field, Area and/or District Recreational Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil shows, API meetings, and company training schools, etc., which are for the primary benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing costs, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned
- Depreciation
- Operating and Maintenance Expense
- Cost of Storing and Handling Material

Title Record and Division Order Administration
- Landmen and Titlemen
- Maintenance of Division of Interest Records
- Obtaining Royalty Signatures

Exploration Administration
- Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- General Research
- Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration
- Employee Relation Counselor
- Safety Engineer
- Industrial Nurse and/or Doctor
- Dinners, Parties, etc.
- Safety Awards
- Incentive Awards
- Thanksgiving Turkeys or Christmas Baskets
- Contributions to Charity and/or Civic Organizations
- Special Investigators
- Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration
- Preparation of Reports to and Representation before Governmental Agencies

General Legal Counsel
- Preparation of Contracts
- Claims and Litigation
- Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

MESA PETROLEUM CO.

to MEC
Corona Oil Co.
7513 4
MESA
5/17/82

AFE/COST ESTIMATE

01/06/ OPERATIONS
Co./Div./Subsid./Dept.

AFE # 81-479
ID # 01-05-NM-0138-0073-001-0
Code General Account # _____
Exploratory _____ Development X

LEASE, WELL NAME, AND LOCATION D-RAT STATE COM #1
660' FSL & 660' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION Cost estimate to drill and complete a 4,100' flowing Abo gas well, including production equipment.

Sub Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/ Other
X01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000		20,000
	(A) DAY WORK 9/6 DAYS At $ 6000/1250 /DAY	54,000	7,500	61,500
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	27,000	10,000	37,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	8,000		8,000
	(B) WATER	10,000	3,000	13,000
X06	LOGS, TESTING & MUD LOGGING UNIT	8,000	3,000	11,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
X08	PERFORATING, WELL STIMULATION SERVICES		50,000	50,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	1,000	16,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,000
X11	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	8,000		8,000
X13	HAULING & FREIGHT	7,000	4,000	11,000
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER	5,000		5,000
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	7,000	3,000	10,000
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	*8,000		
X23	MUD ENGINEER DAYS At $ /DAY			
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
X25	GEOLOGICAL CONSULTANT2 DAYS At $ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	$ 198,500	$ 86,500	$ 277,000
X41	BUOYS AND MARKERS	$	$	$
X42	CASING/TUBULARS			
	(A) 900 FT. OF 13 3/8 " OD $ 27.00 /FT.	24,300		24,300
	(B) 1750 FT. OF 8 5/8 " OD $ 13.50 /FT.	23,600		23,600
	(C) 4100 FT. OF 4 1/2 " OD $ 6.50 /FT.		26,700	26,700
	(D) 3550 FT. OF 2 3/8 " OD $ 4.00 /FT.		14,200	14,200
	(E) FT. OF " OD $ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE	3,600	4,100	7,700
X44	SUB-SURFACE WELL EQUIPMENT			
X45	SURFACE WELL EQUIPMENT			
X46	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		3,500	3,500
	Total Tangible Controllable & Non-Controllable Costs	$ 51,500	$ 59,500	$ 111,000
	Total Costs	$ 250,000	$ 146,000	$ 388,000

Prepared By [signature] Title DIV DRLG SPVR Date 11-10-81 Mesa WI $ _____
Mesa Approved [signature] Title OPS MGR Date 11-10-81 Others WI
Corona Oil Company 25.00 %
Other Approved _____ Title _____ Date _____
Other Approved _____ Title _____ Date _____
Corona Oil Company By [signature] Title President Date 12-15-81

EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED 11-10-81

WELL NAME PAT STATE COM #1

LOCATION 660' FSL & 660' FEL, SEC 12, T5S, R24E

COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981

ABSTRACT OF TITLE

No. 2484

Covering the records of the Office of the Commissioner of Public Lands of the State of New Mexico, as to the Oil and Gas Mineral Rights under State Lease No. LG-565 pertaining to the following described lands:

	Section	Township	Range
E½SE¼	12	5 South	24 East

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 4-A
Submitted by MESA
Hearing Date 5/17/82

Prepared for

MESA PETROLEUM CO.

Prepared by
SCHUTZ ABSTRACT COMPANY, INC.
Santa Fe, New Mexico

#1 PAT STATE COM.

I N D E X

PAGE	INSTRUMENT
1	Caption
2	Index
3	States Title; Current Surface Rights, Other Mineral Rights
4	Transfer Page
5 - 8	Notice of Sale
9	Bid Application
10 - 12	Lease
13	Record Sheet
14- 15	Assignment of Overriding Royalty
16 - 17	Assignment
18	Record Sheet
19 - 20	Ratification of Assignment of Overriding Royalty
21 - 22	Assignment of Overriding Royalty
23	Certificate

* * * * * * * * * * *

STATES TITLE

This abstract does not purport to set out the Clear List Covering the lands herein in full, but only to mention that the Clear List is on file in the office of the Commissioner of Public Lands and contains the lands shown below, and without any mineral reservations to the United States of America:

Military Institute Clear List No. 5, approved June 9, 1916, shows to cover, among other lands the E½SE¼ of Section 12 in Township 5 South - Range 24 East.

CURRENT SURFACE RIGHTS

Surface is held under Grazing Lease GO-1629, by James P. Ewart of Roswell, New Mexico. Lease commenced on October 1, 1980 and is a five (5) year renewable lease.

OTHER MINERAL RIGHTS

No current mineral leases, other than oil and gas, are noted on the tract books covering the lands herein.

The E½SE¼ of Section 12, in Township 5 South - Range 24 East (among other lands) were offered as tract No. 3 of the State Sale held on August 15, 1972. Jack Grynberg, Denver, Colorado submitted high bid of $112.80 and was awarded state lease LG-565. (see photo copies of Certificate of Postings, Sale Notice, Bid Application and oil and gas lease)

Assigned to No. 1.

Assignment No. 1 went to Celeste Grynberg; approved by the Commissioner on April 23, 1980. No other re-assigments of record. (see photo copy of assignment No. 1)

Rentals show paid up to September 1, 1982. See photo copy of oil and gas record sheet for rental schedule.

Also see Miscellaneous Instruments 2-1481 on assigment of overriding Royalty, No. 2-2738 a ratification of assignment of Overriding Royalty and No. 2-3880 an assignment of Overriding Royalty.

Lands herein show not to be committed to any active unit or communitization agreement.

OFFICE OF THE

COMMISSIONER OF PUBLIC LANDS

SANTA FE, NEW MEXICO

CERTIFICATE OF POSTING NOTICE OF

SALE OF OIL AND GAS LEASES

I, ALEX J. ARMIJO, Commissioner of Public Lands of the State of New Mexico, do hereby certify that a Notice of Sale of Oil and Gas Leases, a true copy of which is attached hereto, was duly posted in a conspicuous place in the State Land Office in Santa Fe, New Mexico on the 27th day of July, 1972, and said Notice remained therein continuously posted from said date until and including the 15th day of August, 1972.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 17th day of August, 1972.

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

Printed 7-27-72
CW

Removed
8-15-72
CW

BY AUTHORITY VESTED IN ME, I, ALEX J. ARMIJO, COMMISSIONER OF PUBLIC LANDS, WILL OFFER FOR SALE TO THE HIGHEST BIDDER, OIL AND GAS LEASES ON THE TRACTS OF LAND LISTED BELOW, UNDER THE FOLLOWING TERMS AND CONDITIONS: (1) NO BID WILL BE CONSIDERED FOR LESS THAN THE MINIMUM OF $100.00, AS PROVIDED BY STATUTE, PLUS A $10.00 APPLICATION FEE; (2) BID MUST BE SUBMITTED FOR THE WHOLE OF ANY TRACT HEREIN DESCRIBED (3) SEPARATE BIDS MUST BE MADE ON EACH TRACT, ACCOMPANIED BY A SEPARATE REMITTANCE; (4) UNLESS APPROVAL OF THE COMMISSIONER FOR USE OF NON-CERTIFIED EXCHANGE IS OBTAINED, PAYMENT SHALL BE MADE IN CASH, BY MONEY ORDER, OR CERTIFIED CHECK ON A SOLVENT BANK; (5) ENVELOPES CONTAINING BIDS SHOULD BE PLAINLY MARKED, "SEALED BIDS," GIVING DATE OF SALE AND HOUR; (6) LEASES IN ALL CASES WILL BE ISSUED ON LEASE FORM NO. 72; (7) FORM OF APPLICATION AND LEASE WILL BE MAILED UPON REQUEST (APPLICATION FORM MUST ACCOMPANY SEALED BIDS); (8) ALL MONIES TENDERED BY BIDDERS WILL BE RETURNED IF THEIR BIDS ARE UNSUCCESSFUL; (9) SALE WILL BE HELD IN MORGAN HALL, NEW MEXICO LAND OFFICE BUILDING; (10) THE COMMISSIONER OF PUBLIC LANDS RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.

'72 AUG 15 AM 8 2

Alex J. Armijo

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS
SANTA FE, NEW MEXICO

NOTICE OF SALE OF OIL AND GAS LEASES

OFFICE OF THE COMMISSIONER OF PUBLIC LANDS

P. O. BOX 1148

SANTA FE, NEW MEXICO
87501

Public notice is hereby given that pursuant to the provisions of Section 8, Chapter 125 of the 1929 session laws of the State of New Mexico, as amended, and the rules and regulations of the State Land Office, the Commissioner of Public Lands will hold a sale of oil and gas leases at Morgan Hall, State Land Office Building, Santa Fe, New Mexico, at 10:00 A.M., and at 2:00 P.M., on the time and date hereinafter specified on the tracts of land hereinafter described, such sale to be held and conducted in accordance with the following terms and conditions.

The Commissioner of Public Lands will receive at his office up to 10:00 A.M., for the Regular Sale and up to 2:00 P.M., for the Special Sale, on the date of sale, sealed bids for oil and gas leases upon the tracts of State land hereinafter described.

As provided by the statute, the minimum first year's rental on any lease will be $100.00 and no bid will be accepted for any tract for less than the above minimum, nor for less than the minimum specified for such tract. Bidders must submit application in due form and the amount of bonus of first year's rental offered together with the required application fee. Unless approval of the Commissioner for the use of non-certified exchange is obtained, payment shall be made in cash, by money order, or certified check on a solvent bank.

No bids will be considered for less than the whole of any tract as hereinafter designated. Separate bid must be made for each tract, accompanied by separate remittance for each bid. Bids must be plainly marked "Sealed Bids" on the outside of the envelope and show the date and hour to be opened. Bids may be submitted by mail or otherwise. All bids submitted will be opened at 10:00 A.M. for the Regular Sale, and at 2:00 P.M. for the Special Sale, on said date and lease awarded to the highest bidder, if the offer made is deemed satisfactory. Each of said tracts on which no sealed bid is received may then be offered at public auction to the highest bidder for cash. The successful bidder in each case will be required to deposit forthwith the amount of his bid and to file application in due form before the close of business on said date.

All applications received pursuant hereto will be deemed to have been filed simultaneously. Lease in all cases will be made on Lease Form No. 72. Form of application and lease will be furnished upon request.

THE COMMISSIONER RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS. ENVELOPES CONTAINING BIDS SHOULD BE MARKED OIL AND GAS BIDS.

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

REGULAR SALE

The following tracts will be offered pursuant to the notices

At 10:00 A.M. August 15, 1972

	SEC.	TWP.	RGE.	ACRES
TRACT NO. 1	CHAVES COUNTY			
Lots 3,4	1	5S	24E	79.01
Lots 1,2,3,4, $S\frac{1}{2}N\frac{1}{2}$, $SW\frac{1}{4}$, $N\frac{1}{2}SE\frac{1}{4}$, $SW\frac{1}{4}SE\frac{1}{4}$	2	5S	24E	597.28
Total Acreage 676.29 Minimum Rental 25¢				

TRACT NO. 2	CHAVES COUNTY			
$SW\frac{1}{4}NW\frac{1}{4}$, $NE\frac{1}{4}SW\frac{1}{4}$, $SW\frac{1}{4}SE\frac{1}{4}$	3	5S	24E	120.00
Lots 2,3,4, $S\frac{1}{2}NE\frac{1}{4}$	4	5S	24E	200.44
Total Acreage 320.44 Minimum Rental 25¢				

TRACT NO. 3	CHAVES COUNTY			
$NE\frac{1}{4}NE\frac{1}{4}$, $E\frac{1}{2}SE\frac{1}{4}$	12	5S	24E	120.00
$NE\frac{1}{4}NW\frac{1}{4}$, $E\frac{1}{2}SW\frac{1}{4}$	14	5S	24E	120.00
Total Acreage 240.00 Minimum Rental 25¢				

TRACT NO. 4	CHAVES COUNTY			
All	16	5S	24E	640.00
All	32	5S	24E	640.00
Total Acreage 1,280.00 Minimum Rental 25¢				

TRACT NO. 5	CHAVES COUNTY			
All	36	5S	24E	640.00
Total Acreage 640.00 Minimum Rental 25¢				

TRACT NO. 6	CHAVES COUNTY			
$NW\frac{1}{4}NE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$	32	6S	31E	80.00
Total Acreage 80.00 Minimum Rental 25¢				

TRACT NO. 7	CHAVES COUNTY			
All	36	7S	25E	640.00
$NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$	32	7S	26E	280.00
Total Acreage 920.00 Minimum Rental 25¢				

TRACT NO. 8	CHAVES COUNTY			
$E\frac{1}{2}NE\frac{1}{4}$	27	10S	26E	80.00
Total Acreage 80.00 Minimum Rental 25¢				

TRACT NO. 9	CHAVES COUNTY			
$NE\frac{1}{4}$	30	10S	26E	160.00
Total Acreage 160.00 Minimum Rental 25¢				

TRACT NO. 10	CHAVES COUNTY			
$S\frac{1}{2}NE\frac{1}{4}$	9	11S	27E	80.00
Total Acreage 80.00 Minimum Rental 25¢				

TRACT NO. 11	CHAVES COUNTY			
Lot 1, $S\frac{1}{2}NE\frac{1}{4}$	1	13S	31E	120.04
$SE\frac{1}{4}NE\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$	13	13S	31E	80.00
$NW\frac{1}{4}NE\frac{1}{4}$, $W\frac{1}{2}SW\frac{1}{4}$	14	13S	31E	120.00
Total Acreage 320.04 Minimum Rental 25¢				

TRACT NO. 12	CHAVES COUNTY			
All	23	16S	19E	640.00
All	24	16S	19E	640.00
Total Acreage 1,280.00 Minimum Rental 25¢				

TRACT NO. 13	CHAVES COUNTY			
All	25	16S	19E	640.00
All	26	16S	19E	640.00
Total Acreage 1,280.00 Minimum Rental 25¢				

TRACT NO. 14	CHAVES COUNTY			
All	35	16S	19E	640.00
All	36	16S	19E	640.00
Total Acreage 1,280.00 Minimum Rental 25¢				

TRACT NO. 15	CHAVES COUNTY			
$S\frac{1}{2}SW\frac{1}{4}$	3	16S	20E	80.00
$S\frac{1}{2}SE\frac{1}{4}$	4	16S	20E	80.00
$NE\frac{1}{4}$	9	16S	20E	160.00
$NW\frac{1}{4}$	10	16S	20E	160.00
All	16	16S	20E	640.00
Total Acreage 1,120.00 Minimum Rental 25¢				

TRACT NO. 16	CHAVES COUNTY			
Lots 1,2,3,4, $E\frac{1}{2}$, $NE\frac{1}{4}NW\frac{1}{4}$, $E\frac{1}{2}SW\frac{1}{4}$	19	16S	20E	597.60
All	20	16S	20E	640.00
Total Acreage 1,237.60 Minimum Rental 25¢				

TRACT NO. 17	CHAVES COUNTY			
$NW\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}NE\frac{1}{4}$, $W\frac{1}{2}$, $SE\frac{1}{4}$	29	16S	20E	600.00
Lots 1,2,3,4, $E\frac{1}{2}$, $E\frac{1}{2}W\frac{1}{2}$	30	16S	20E	634.64
Total Acreage 1,234.64 Minimum Rental 25¢				

TRACT NO. 18	CHAVES COUNTY			
Lots 1,2,3,4, $E\frac{1}{2}$, $E\frac{1}{2}W\frac{1}{2}$	31	16S	20E	630.48
All	32	16S	20E	640.00
Total Acreage 1,270.48 Minimum Rental 25¢				

TRACT NO. 19	CHAVES COUNTY			
Lots 1,2,4, $S\frac{1}{2}NW\frac{1}{4}$, $NW\frac{1}{4}SW\frac{1}{4}$, $SE\frac{1}{4}SW\frac{1}{4}$, $SE\frac{1}{4}$	1	17S	19E	439.34
Lots 1,4, $SW\frac{1}{4}NW\frac{1}{4}$, $NW\frac{1}{4}SW\frac{1}{4}$	2	17S	19E	158.88
$NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}$	12	17S	19E	280.00
$NE\frac{1}{4}$, $SW\frac{1}{4}SW\frac{1}{4}$	14	17S	19E	200.00
Total Acreage 1,078.22 Minimum Rental 25¢				

TRACT NO. 20	EDDY COUNTY			
$NE\frac{1}{4}SW\frac{1}{4}$	25	16S	28E	40.00
$NW\frac{1}{4}NE\frac{1}{4}$	30	16S	29E	40.00
Total Acreage 80.00 Minimum Rental 25¢				

TRACT NO. 21	EDDY COUNTY			
Lot 1, $SE\frac{1}{4}NE\frac{1}{4}$, $NE\frac{1}{4}SW\frac{1}{4}$	2	17S	27E	120.84
Lots 1,3	5	17S	27E	81.62
Total Acreage 202.46 Minimum Rental 25¢				

TRACT NO. 22	EDDY COUNTY			
$S\frac{1}{2}NE\frac{1}{4}$	10	17S	27E	80.00
$SE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}SE\frac{1}{4}$	12	17S	27E	120.00
Total Acreage 200.00 Minimum Rental 25¢				

TRACT NO. 23	EDDY COUNTY			
$SE\frac{1}{4}SE\frac{1}{4}$	2	21S	22E	40.00
$NW\frac{1}{4}SE\frac{1}{4}$	36	21S	22E	40.00
Total Acreage 80.00 Minimum Rental 25¢				

BTD

APPLICATION FOR OIL AND GAS LEASE
UPON STATE LAND

LEASE FORM NO. 67

00424

To: Commissioner of Public Lands
Santa Fe, New Mexico

I, Jack J. Grynberg,

whose address is 1050 - 17th Street, Suite 1950 (post office box or street number), Denver (city), Colorado (state), 80202 (zip code)

a citizen, or eligible to become a citizen of the United States, over the age of twenty-one years (or a corporation qualified to do business in New Mexico, hereby make application for an oil and gas lease for the exploration, development and production of oil and natural gas thereon, upon the following described land situated in the County of CHAVES, State of New Mexico, to-wit:

TRACT NO. 3

T 5 S - R 24 E

Sec. 12: NE¼NE¼, E½SE¼
14: NE¼NW¼, E½SW¼

containing 240.00 acres, more or less.

Tendered herewith as bonus and first year's rental thereon is the sum of $ 112.80

and application fee of ~~$5.00~~ $10.00.

I, Jack J. Grynberg (applicant, attorney in fact or authorized agent) of the ~~XXXXX~~

do solemnly swear that every statement made in this application is true and correct to the best of my knowledge and belief.

(applicant)

(attorney in fact or authorized agent)

STATE OF COLORADO)
)
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 8th day of August,

19 72, by Jack J. Grynberg (applicant, attorney in fact or authorized agent)

~~XXXXXXXXX~~

My commission expires:

December 8, 1975

Notary Public

OG-57

00415 NE 73 12080 1-

FORM 72 – ORIGINAL COPY

LEASE NO. LG-0565 APPLICATION NO. LG 0565

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 1st day of SEPTEMBER, A.D., 19 72, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and

Jack J. Grynberg

1050 - 17th Street, Suite 1950 Denver, Colorado 80202,

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

WITNESSETH:

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

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

THEREFORE, for and in consideration of the premises as well as the sum of One Hundred Twelve Dollars and 80/100---------- ($ 112.80) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt no. _____ and of the further sum of $ 10.00 filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephones and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situated in the county of CHAVES, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1	NE1/4NE1/4, E1/2SE1/4	12	5S	24E	120.00	Mil. Inst.
2	NE1/4NW1/4, E1/2SW1/4	14	5S	24E	120.00	Mil. Inst.
3	TOTAL				240.00	
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

Said lands having been awarded to lessee and designated as Tract No. 3 at a public sale held by the commissioner of public lands on August 15, 1972, 19____. (To be filled in only where lands are offered at public sale.)

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

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

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

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-eighth part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor the lessee shall pay the lessor as royalty one-eighth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

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

(b) five cents ($0.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

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

This lease shall not expire at the end of either the primary or secondary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars ($100) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after ten years from the date hereof for any period of more than five years by the payment of said annual royalty.

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

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

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

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

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

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

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

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

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

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

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

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

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

15. If the lessee shall have failed to make discovery of oil or gas in paying quantities during the primary term hereof or if such discovery shall have been made and production shall have ceased for any reason, the lessee may continue this lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof, and provided, further, that if oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said rental is paid, and if oil or gas in paying quantities is being produced at the end of the secondary term of five years so long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises.

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

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence. Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Section 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

17. Should production of oil or gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of ten years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By: _____
Commissioner of Public Lands, Lessor

_____ (Seal)
Lessee

Distributed this AUG 15 1972 day of _____, 19____.

(PERSONAL ACKNOWLEDGMENT)

STATE OF COLORADO }
COUNTY OF DENVER } ss.

The foregoing instrument was acknowledged before me this 21 day of August, 19 72, by Jack J. Grynberg

My commission expires: December 8, 1975

_____
Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____ }
COUNTY OF _____ } ss.

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

_____ as attorney-in-fact in behalf of

_____

My commission expires: _____

_____
Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ }
COUNTY OF _____ } ss.

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

_____, _____ of _____
(Name) (Title) (Corporation)

a _____ corporation, on behalf of said corporation.

My commission expires: _____

_____
Notary Public

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO._____ ASSIGNMENT NO._____

SPACE BELOW FOR DRILLING AND PRODUCTION RECORD

SPACE BELOW FOR CANCELLATION AND RELEASE RECORDS

NOTICE OF PAYMENT DUE

CARD MAILED	REGISTERED MAILED

TERM RECORD

RENTAL PAYMENT RECORD

PAID FOR	CHECKED IN	RECEIPT
1972 $ Paid		NO._____
1973 $60.00	8-29-73	NO. Batch V
1974 $60.00	8-26-74	NO. Batch S
1975 $60.00	8-22-75	NO. Batch Q
1976 $60.00	8-23-76	NO. Batch Q
1977 $120.00	8-19-77	NO. Batch P
1978 $120.00	8-21-78	NO. Batch O
1979 $120.00	8-20-79	NO. Batch O
19__ $		NO._____
19__ $		NO._____
19__ $		NO._____
19__ $		NO._____
19__ $		NO._____
19__ $		NO._____
19__ $		NO._____

MISCELLANEOUS REMARKS: 2-1481

LEASE NO. L-0565 ASSN. NO. 0

OG-48

ASSIGNMENT OF OVERRIDING ROYALTY AFFECTING

OIL AND GAS LEASE.....

PER EXHIBIT "A" ATTACHED HERETO.....

KNOW ALL MEN BY THESE PRESENTS, That Jack J. Grynberg, 1050 - 17th Street Suite 1950, Denver, Colo. 80202

....., Assignor (whether one or more) for the sum of Ten Dollars ($10.00) and other good and valuable consideration, cash in hand paid, the receipt of which is hereby acknowledged, does hereby convey, transfer, assign and deliver without warranty, express or implied, overriding royalty unto the following parties in the amounts shown:

NAME	ADDRESS	PER CENT
Celeste C. Grynberg and Dean G. Smernoff as Co-trustees for Rachel Susan Grynberg, beneficiary under the "Rachel Susan Trust"		1.66667% of 8/8
Celeste C. Grynberg and Dean G. Smernoff as Co-trustees for Stephen Mark Grynberg, beneficiary under the "Stephen Mark Trust"		1.66667% of 8/8
Celeste C. Grynberg and Dean G. Smernoff as Co-trustees for Miriam Zela Grynberg, beneficiary under the "Miriam Zela Trust"		1.66666% of 8/8

Being in all a total of an undivided 5% of 8/8 (Five percent of eight eighths) .....overriding royalty on all of the oil, gas and other hydrocarbon substances that may be produced, saved and marketed from the following described lands situated in.....County, State of New Mexico....., under the above designated oil and gas lease and any extension or renewal thereof, to wit:

See Exhibit "A" attached hereto

RECEIVED
MAY 21 9 12 AM '76

Containing.....acres, more or less.

WITNESS our hands this 21st day of April, 19 76

Spouse

Jack J. Grynberg

THIS INSTRUMENT FILED IN THE OFFICE OF THE COMMISSIONER OF PUBLIC LANDS ON THE 21st DAY OF May 1976 IN BOOK NO. 2 PAGE [illegible] OF MISCELLANEOUS INSTRUMENT NO. 15512

STATE OF COLORADO }
COUNTY OF DENVER } ss.

On the 21st day of April, 19 76, before me personally appeared Jack J. Grynberg and Celeste C. Grynberg the signor..... of the above instrument, who duly acknowledged to me that they executed the same.

14

Notary Public
Denver, Colorado

My commission expires:
December 8, 1979

MAY 21 76

Assigns in

EXHIBIT "A"

Our No.	State No.	Effective
NM-60,798	STA-NM-LG-3161	November 1, 1975

T7S - R29E — Chaves County, New Mexico
Sec. 16: S½

Containing 320.00 acres, more or less

NM-60,621	STA-NM-LG-1349	October 1, 1973

T8S - R33E — Chaves County, New Mexico
Sec. 25: E½W½
26: E½

Containing 480.00 acres, more or less

NM-60,389	STA-NM-LG-0563	September 1, 1972

T5S - R24E — Chaves County, New Mexico
Sec. 1: Lots 3,4
2: Lots 1,2,3,4, S½N½, SW¼, N½SE¼, SW¼SE¼

Containing 676.29 acres, more or less

NM-60,390	STA-NM-LG-0564	September 1, 1972

T5S - R24E — Chaves County, New Mexico
Sec. 3: SW¼NW¼, NE¼SW¼, SW¼SE¼
4: Lots 2,3,4, S½NE¼

Containing 320.44 acres, more or less

NM-60,391	STA-NM-LG-0565	September 1, 1972

T5S - R24E — Chaves County, New Mexico
Sec. 12: NE¼NE¼, E½SE¼
14: NE¼NW¼, E½SW¼

Containing 240.00 acres, more or less

NM-60,392	STA-NM-LG-0566	September 1, 1972

T5S - R24E — Chaves County, New Mexico
Sec. 16: All
32: All

Containing 1280.00 acres, more or less

NM-60,393	STA-NM-LG-0567	September 1, 1972

T5S - R24E — Chaves County, New Mexico
Sec. 36: All

Containing 640.00 acres, more or less

NM-60,391

From lease number
LG-0565 -O
To lease number
LG-5651

NEW MEXICO STATE LAND OFFICE
ASSIGNMENT OF OIL AND GAS LEASE

APR 14 10 02 AM '80

00170

KNOW ALL MEN BY THESE PRESENTS:

That Jack J. Grynberg and Celeste C. Grynberg, husband and wife
(wife, if any or state of incorporation)

1050 17th Street, Suite 1950, Denver, Colorado 80265

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten or more Dollars, paid by Celeste C. Grynberg

whose Post Office address is 1050 17th Street, Suite 1950, Denver, Colorado 80265,

hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the Assignee the entire interest and title in and to that certain Oil and Gas Lease No. LG-0565 made by the State of New Mexico to Jack J. Grynberg under date of September 1st 1972, only insofar as said lease covers the following land, in Chaves County, New Mexico, towit:

T. 5 S., R. 24 E.
Sec. 12: NE¼NE¼, E½SE¼
Sec. 14: NE¼NW¼, E½SW¼

Containing 240.00 acres, more or less

Mail Inst.

RECEIVED
APR 7 10 19 AM '80
STATE LAND OFFICE
SANTA FE, N. M.

CENTRAL FILE
DATE 4-24-80
4-28-80
16

together with the rights incident thereto, and the personal property thereon, if any, appurtenant thereto, or used or obtained in connection therewith.

Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described land is affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to said land, to the same extent and in the same manner as if the provisions of said lease were fully set out herein. It is agreed that Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to said land.

With warranty covenants as to the leasehold estate herein assigned, except as to any valid overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal record, and Assignor covenants that said leasehold estate so assigned is valid and subsisting and that all rentals and royalties due thereunder have been paid.

EXECUTED this 1st day of March, 1980.

Jack J. Grynberg

Celeste C. Grynberg
Spouse

(PERSONAL ACKNOWLEDGMENT)

STATE OF COLORADO }
COUNTY OF DENVER } ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1980, by Jack J. Grynberg and Celeste C. Grynberg, husband and wife

My commission expires: 11-29-83

Julie L. Weber
Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF }
COUNTY OF } ss.

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

(Name) (Title) of (Corporation)

a corporation, on behalf of said corporation.

My commission expires:

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF.....
COUNTY OF..... } ss.

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

.....as attorney-in-fact in behalf of

.....

My commission expires:..... Notary Public

APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands
Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on APR 14 1960, approved by me and to be effective as to the State of New Mexico on .....

Commissioner of Public Lands

INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of 50¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars ($6.00).

2. The lease is for a primary term of Five Years from the date of the lease, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions set forth in the lease.
   If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. But the annual rental on any assignment shall in no event be less than Twelve Dollars ($12.00) during the secondary term.

3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of signing and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.

4. Effective September 1, 1957, recording fee for each assignment is $10.00 (if filed over 100 days from date of signing, additional fee of $25.00 is charged).

5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.

6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.

7. Assignments must show complete post office address of assignee.

8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.

9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.

10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.

11. Make all payments for annual rental and recording and approval fees to .....

COMMISSIONER OF PUBLIC LANDS
Santa Fe, New Mexico 87501

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-565 ASSIGNMENT NO. 1

CANCELLATION - EXPIRATION AND RELEASE RECORDS

FINAL REGISTERED NOTICE:

RENTALS

RENTAL PAYMENT FOR PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
9-1-79	TO 9-1-80	8-20-79	0	120.00	Jack J. Grynberg
9-1-80	TO 9-1-81	8-1-80	A	120.00	Jack Grynberg
9-1-81	TO 9-1-82	7-30-81	V	120.00	J. Grynberg and Associates
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				

SHUT-IN GAS ROYALTY PAYMENTS

SHUT-IN GAS ROYALTY PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
	TO				
	TO				
	TO				
	TO				
	TO				

MISCELLANEOUS INSTRUMENT NOS. 2-1481, 2-3738, 2-3880, _____, _____, _____

FOR LETTER OF TRANSMITTAL REFER TO LEASE NO LG-03

LEASE NO LG-565 ASSIGNMENT NO. 1

OG-68 (Revised 11/1975)

00452

RATIFICATION OF ASSIGNMENT OF OVERRIDING ROYALTY

WHEREAS, by instrument dated April 21, 1976, recorded at Book 159, Page 234, in the records of Chaves County, State of New Mexico, JACK J. GRYNBERG assigned a total overriding royalty of 5% of 8/8ths, in the following proportions, in certain oil and gas leases made by the State of New Mexico to Jack J. Grynberg:

CELESTE C. GRYNBERG AND DEAN G. SMERNOFF AS CO-TRUSTEES FOR RACHEL SUSAN GRYNBERG, BENEFICIARY UNDER THE "RACHEL SUSAN TRUST"	1.66667% of 8/8ths or 1/3 of total override conveyed
CELESTE C. GRYNBERG AND DEAN G. SMERNOFF AS CO-TRUSTEES FOR STEPHEN MARK GRYNBERG, BENEFICIARY UNDER THE "STEPHEN MARK TRUST"	1.66667% of 8/8ths or 1/3 of total override conveyed
CELESTE C. GRYNBERG AND DEAN G. SMERNOFF AS CO-TRUSTEES FOR MIRIAM ZELA GRYNBERG, BENEFICIARY UNDER THE "MIRIAM ZELA TRUST"	1.66666% of 8/8ths or 1/3 of total override conveyed

only insofar as said leases cover lands in Chaves County, New Mexico, as set forth in EXHIBIT "A" attached hereto.

WHEREAS, CELESTE C. GRYNBERG, assignee, was not named in the body of aforesaid instrument;

NOW, THEREFORE, JACK J. GRYNBERG AND CELESTE C. GRYNBERG, his wife, do desire to ratify and hereby do ratify aforesaid instrument.

EXECUTED this 16 day of June, 1981.

JACK J. GRYNBERG

CELESTE C. GRYNBERG

STATE OF COLORADO)
:$
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 16 day of June, 1981, by JACK J. GRYNBERG AND CELESTE C. GRYNBERG, his wife.

My Commission Expires:
My Commission Expires May 20, 1985

Janet N. Kerby
Notary Public

JANET N. KERBY NOTARY PUBLIC STATE OF COLORADO

THIS INSTRUMENT FILED IN THE OFFICE OF THE COMMISSIONER OF PUBLIC LANDS ON THE 18TH DAY OF JUNE, 1981., IN BOOK NO. 2 REGISTER OF MISCELLANEOUS INSTRUMENT NO. 3738.

EXHIBIT "A"

Case No.	State No.	Effective
NM-60,798	STA-NM-LG-3161	November 1, 1975

T7S - R29E
Sec. 16: S½

Containing 320.00 acres, more or less.

NM-60,621 STA-NM-LG-1349 October 1, 1973

T8S - R33E
Sec. 25: E½W½
26: N½

Chaves County, New Mexico

Containing 480.00 acres, more or less

NM-60,389 STA-NM-LG-0563 September 1, 1972

T5S - R24E
Sec. 1: Lots 3,4
2: Lots 1,2,3,4, S½N½, S½, N½SW¼, SW¼SE¼

Chaves County, New Mexico

Containing 676.29 acres, more or less

NM-60,390 STA-NM-LG-0564 September 1, 1972

T5S - R24E
Sec. 3: SW¼NW¼, NE¼SW¼, SW¼SE¼
4: Lots 2,3,4, S½NE¼

Chaves County, New Mexico

Containing 320.44 acres, more or less

NM-60,391 STA-NM-LG-0565 September 1, 1972

T5S - R24E
Sec. 12: NE¼NE¼, E½SE¼
14: NE¼NW¼, E½SW¼

Chaves County, New Mexico

Containing 240.00 acres, more or less

NM-60,392 STA-NM-LG-0566 September 1, 1972

T5S - R24E
Sec. 16: All
32: All

Chaves County, New Mexico

Containing 1280.00 acres, more or less

NM-60,393 STA-NM-LG-0567 September 1, 1972

T5S - R24E
Sec. 36: All

Chaves County, New Mexico

Containing 640.00 acres, more or less

NM-60,394 STA-NM-LG-0611 September 1, 1972

T18S - R20E
Sec. 27: N½S½
28: S½SW¼, NE¼SE¼, SW¼SE¼

Chaves County, New Mexico

Containing 320.00 acres, more or less

NM-60,455 STA-NM-LG-861 December 1, 1972

T14S - R28E
Sec. 33: All

Chaves County, New Mexico

Containing 640.00 acres, more or less

NM-60,422 STA-NM-LG-783 November 1, 1972

T14S - R27E
Sec. 25: SE¼SE¼
26: S½NE¼
27: SE¼NE¼
36: NW¼NE¼, SE¼NE¼, SW¼NW¼

Chaves County, New Mexico

Containing 320.00 acres, more or less

NM-60,296 STA-NM-LG-0161 May 1, 1972

T10S - R27E
Sec. 29: E½
32: E½

Chaves County, New Mexico

Containing 640.00 acres, more or less

13

ASSIGNMENT OF OVERRIDING ROYALTY AFFECTING OIL AND GAS LEASE LG-0565

NM-60,391

KNOW ALL MEN BY THESE PRESENTS, That Celeste C. Grynberg
1050 17th Street, Suite 1950
Denver, Colorado 80265
, Assignor (whether one or more) for the sum of Ten Dollars ($10.00) and other good and valuable consideration, cash in hand paid, the receipt of which is hereby acknowledged, does hereby convey, transfer, assign and deliver without warranty, express or implied, overriding royalty unto the following parties in the amounts shown:

NAME	ADDRESS	PER CENT
Moshe I. Ettinger	1955 South Kearney Way Denver, Colorado 80224	1.25% of 8/8th

Being in all a total of an undivided 1.25% of 8/8ths of 100%
overriding royalty on all of the oil, gas and other hydrocarbon substances that may be produced, saved and marketed from the following described lands situated in Chaves County, State of New Mexico, under the above designated oil and gas lease and any extension or renewal thereof, to wit:

T 5 S - R 24 E, NMPM
Sec. 12: NE¼NE¼, E½SE¼
Sec. 14: NE¼NW¼, E½SW¼

THIS INSTRUMENT FILED IN THE OFFICE OF THE COMMISSIONER OF PUBLIC LANDS ON THE 7th DAY OF Aug., 1981, IN BOOK NO. 2 REGISTER OF MISCELLANEOUS INSTRUMENT NO. 2-3880.

Containing 240.00 acres, more or less.

WITNESS our hands this 22 day of July, 19 81

Witnesses:
Janet L. Mylin
Barbara L. Kallas

Celeste C. Grynberg
Jack J. Grynberg (spouse)

STATE OF COLORADO }
COUNTY OF DENVER } ss.

On the 22 day of July, 19 81, before me personally appeared Celeste C. Grynberg and Jack J. Grynberg the signors of the above instrument, who acknowledged to me that they executed the same.

My commission expires: 5/20/85

JANET N. KERBY NOTARY PUBLIC STATE OF COLORADO

Janet N. Kerby
Notary Public

Residing in Denver County

QUALIFICATION FOR ASSIGNEE OF ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

(Individual)

The undersigned hereby represent (s) that:

1. Each of undersigned (if more than one) is a native born citizen of the United States over the age of 21 years.

2. The interests, direct and indirect, of each of the undersigned in oil and gas leases and in applications or offers, including options, therefor affecting public lands in the State of New Mexico, together with the acreage affected by the foregoing Royalty Assignment do not exceed 246,080 chargeable acres.

3. The royalty interest assigned under the foregoing Royalty Assignment, and the royalty payable to the United States under said Oil and Gas Lease in excess of 17½ percent is subject to the limitation of overriding royalties as specified in 43 C.F.R. 192.83.

4. Each of the undersigned is the sole party in interest in the royalty assigned said person.

Witness: Assignee:

Brenda Wassell as to Mosne I. Ettinger

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

..... as to .....

AUG 6 9 52 AM '81
STATE LAND OFFICE
SANTA FE, N. M.

CERTIFICATE

STATE OF NEW MEXICO)
) SS
COUNTY OF SANTA FE)

The SCHUTZ ABSTRACT COMPANY, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Mexico, and duly bonded, insured and authorized to prepare and certify abstracts of title to lands situated in the State of New Mexico, does hereby certify:

That the foregoing Abstract of Title, consisting of twenty-three------ ----------pages, numbered from one to twenty-three------ both inclusive and including this certificate, is a true and correct abstract of all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico since inception of the record affecting the Oil and Gas Mineral Rights to the lands described in the Caption hereof under the lease.

IN WITNESS WHEREOF, the SCHUTZ ABSTRACT COMPANY, INC., has caused this Certificate to be signed by its President, and its Corporate Seal to be hereunto affixed at Santa Fe, New Mexico, on this the 2nd day of November , 1971 , at 8:00 O'clock a.m.

SCHUTZ ABSTRACT COMPANY, INC.

By ..... PRESIDENT

ATTEST:

..... SECRETARY

No. 2484

ABSTRACT OF TITLE

No.....2716.....

Covering the records of the Office of the Commissioner of Public Lands of the State of New Mexico, as to the Oil and Gas Mineral Rights under State Lease No...LG-565#2.....*pertaining* to the following described lands:

Section	Township	Range
12: E½SE¼	5 South	24 East, N.M.P.M.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 4-B
Submitted by MESA
Hearing Date 5/17/82

Prepared for

MESA PETROLEUM CORP.

Prepared by
SCHUTZ ABSTRACT COMPANY, INC.
Santa Fe, New Mexico

I N D E X

PAGE	INSTRUMENT
1	Caption
2	Index
3	Current Surface Rights; Other Mineral Rights
4 - 8	Well Reports
9 - 10	Record Sheets
11 - 16	Order
17 - 18	Assignment
19 - 20	Well Report
21 - 22	Record sheets
23	Certificate

CURRENT SURFACE RIGHTS

Surface is held under Grazing Lease GO-1629 by James P. Ewart of Roswell, New Mexico. Lease commenced on October 1, 1980 and is a five (5) year renewable lease.

Right of Way RW-21454, held by Transwestern Pipeline Company, shows to cross over portions of the SE¼SE¼ of Section 12, in Township 5 South - Range 24 East. Dated January 20, 1982.

OTHER MINERAL RIGHTS

No current mineral leases, other than oil and gas, are noted on the tract books covering the lands herein.

The E½SE¼ of Section 12 in Township 5 South - Range 24 East was assigned to JJ-CC Limited, a Colorado Limited Partnership, on April 6, 1982 and approved by the Commissioner of Public Lands on April 12, 1982. No other re-assignments of record. (see copy of assignment number 2.)

Rentals show paid up to September 1, 1982. See photo copy of oil and gas record sheets for rental schedule.

No new Miscellaneous Instruments have been filed since November 2, 1981 at 8:00 a.m.

Make copy

30-005-61?

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE	✓	
OPERATOR		

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RECEIVED
NOV 05 1981
O. C. D.
ARTESIA, OFFICE

Nov 16 10 33 AM '81

Form C-101
Revised 10-1-78

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
b. Type of Well
DRILL [X] DEEPEN [ ] PLUG BACK [ ]
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. Name of Operator
MESA PETROLEUM CO

3. Address of Operator
1000 VAUGHN BUILDING/MIDLAND, TEXAS 79701-4493

4. Location of Well UNIT LETTER P LOCATED 660 FEET FROM THE SOUTH LINE
AND 660 FEET FROM THE EAST LINE OF SEC. 12 TWP. 5S RGE. 24E NMPM

5A. Indicate Type of Lease STATE [X] FEE
5. State Oil & Gas Lease No. LG 565
7. Unit Agreement Name
8. Farm or Lease Name PAT STATE COM
9. Well No. 1
10. Field and Pool, or Wildc UNDESIGNATED ABO
12. County CHAVES

19. Proposed Depth	19A. Formation	20. Rotary or C
4100'	ABO	ROTARY

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will
3916' GR	BLANKET	DUAL DRILLING	DECEMBER 20, 19

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. T
17 1/2"	13 3/8"	48#	900'	300/200/300	SURFACE
11"	8 5/8"	24#	1600'	500/300	ISOLATE W
7 7/8"	4 1/2"	10.5#	4100'	500/500	COVER ALL

Propose to drill 17 1/2" hole to approximately 900', set 13 3/8" surface casing and cemer to surface. Will reduce hole to 11" and drill to 1600', to set 8 5/8" casing. Will reduce hole to 7 7/8", nipple up RAM type BOP's, and drill to total depth. Drilling medium wil be air, foam, or mud as required.

Gas Sales are dedicated.

APPROVAL VALID FOR 180 DA
PERMIT EXPIRES 5-9-82
UNLESS DRILLING UNDERWAY

XC: NMOCD(6),TLS,CEN RCDS,ACCTG,ROSWELL,MEC,LAND,PARTNERS,FILE,REM

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

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

Signed Michael P. Houston Title OPERATIONS MANAGER Date NOVEMBER 3,

(This space for State Use)

APPROVED BY Mike Williams TITLE OIL AND GAS INSPECTOR DATE NOV

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

NEW MEXICO
MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-

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

	Lease	Well No.
Mesa Petroleum Co.	Pat State Com	1

Unit Letter	Section	Township	Range	County
P	12	5 South	24 East	Chaves

Actual Footage Location of Well:
660 feet from the South line and 660 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3916	ABO	UNDESIGNATED	SE/4 160 Acres

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

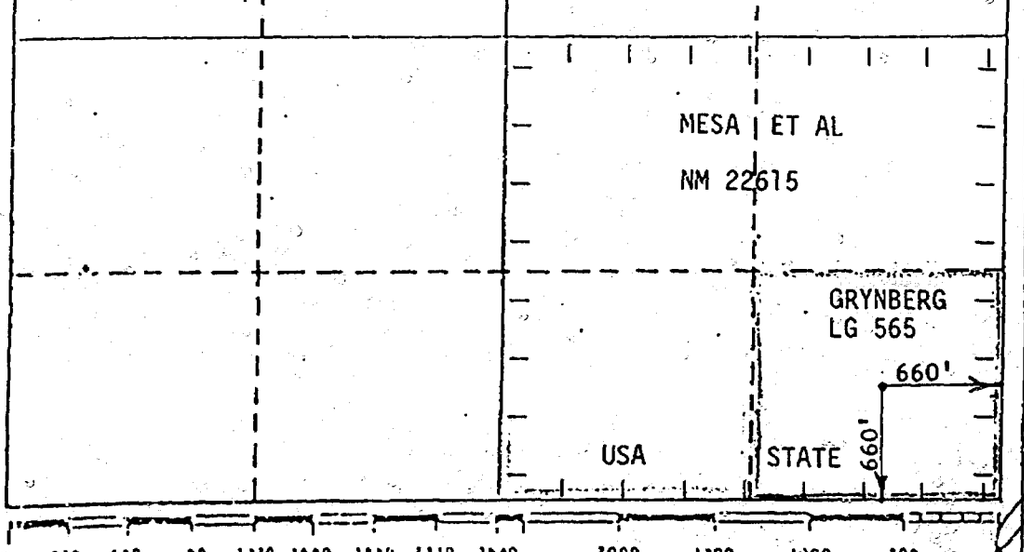
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

☒ Yes ☐ No If answer is "yes," type of consolidation COMMUNITIZATION

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

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



CERTIFICATION

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

Michael P Houston

Name: MICHAEL P. HOUSTON
Position: OPERATIONS MANAGER
Company: MESA PETROLEUM CO.
Date: NOVEMBER 3, 1981

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

JOHN D. JACQUESS — NEW MEXICO — 6290 — REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR

Date Surveyed: October 21, 1981
Registered Professional Engineer and/or Land Surveyor
John D. Jacquess, P.E. & L.S.
Certificate No. 6290

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RECEIVED
MAR - 9 1982
O. C. D.
ARTESIA, OFFICE

Form C-103
Revised 10-1-78

5a. Indicate Type of Lease: State [X] Fee [ ]
5. State Oil & Gas Lease No.: LG-565

SUNDRY NOTICES AND REPORTS ON WELLS

DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

OIL WELL [ ] GAS WELL [X] OTHER-

7. Unit Agreement Name:

Name of Operator: MESA PETROLEUM CO /

8. Farm or Lease Name: Pat State Com

Address of Operator: 1000 VAUGHN BUILDING/MIDLAND, TEXAS 79701-4493

9. Well No.: 1

Location of Well: Unit Letter P, 660 Feet From The South Line And 660 Feet From The East Line, Section 12, Township 5S, Range 24E, NMPM.

10. Field and Pool, or Wildcat: Pecos Slope ABO

15. Elevation (Show whether DF, RT, GR, etc.): 3916' GR

12. County: Chaves

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK [ ]	PLUG AND ABANDON [ ]	REMEDIAL WORK [ ]	ALTERING CASING [ ]
TEMPORARILY ABANDON [ ]	CHANGE PLANS [ ]	COMMENCE DRILLING OPNS. [ ]	PLUG AND ABANDONMENT [ ]
PULL OR ALTER CASING [ ]		CASING TEST AND CEMENT JOB [ ]	
		OTHER [ ]	

Amended C102 [XX]

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Attached, please find 6 copies of corrected C102 showing proper lease designations for subject proporation unit.

CC: NMOCD(3),TLS,CEN RCDS,ACCTG,ROSWELL,MEC,PARTNERS,FILE,REM

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

SIGNED R. E. Mathis TITLE REGULATORY COORDINATOR DATE 3-8-82

APPROVED BY Mike Williams TITLE OIL AND GAS INSPECTOR DATE MAR 11 1982

CONDITIONS OF APPROVAL, IF ANY:

...ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RECEIVED
MAR - 9 1982
O. C. D.
ARTESIA, OFFICE

Form C-102
Revised 10-1-

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

Operator	Lease	Well No.
Mesa Petroleum Co.	Pat State Com	1

Unit Letter	Section	Township	Range	County
P	12	5 South	24 East	Chaves

Actual Footage Location of Well:
660 feet from the South line and 660 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3916	ABO	Pecos Slope ABO	SE/4 160 Acres

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

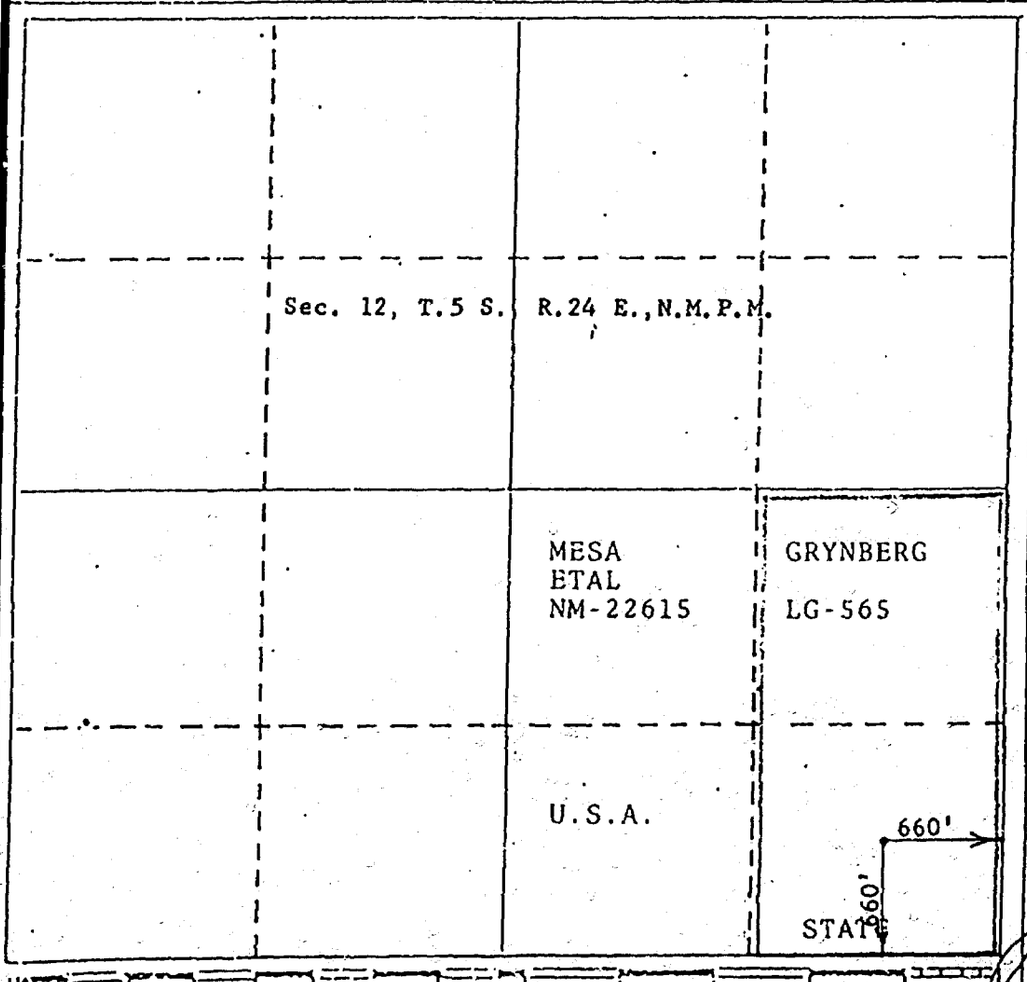
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

☐ Yes ☒ No If answer is "yes," type of consolidation Force-Pooling In Progress

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) None

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



CERTIFICATION

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

R. E. Mathis

Name: R. E. MATHIS
Position: REGULATORY COORDINATOR
Company: MESA PETROLEUM CO.
Date: MARCH 8, 1982

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

JOHN D. JACQUES NEW MEXICO 6290 REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR

Date Surveyed: October 21, 1981
Registered Professional Engineer and/or Land Surveyor: John D. Jacques, P.E. & L.S.
Certificate No. 6290

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-565 ASSIGNMENT NO. 1

CANCELLATION - EXPIRATION AND RELEASE RECORDS

FINAL REGISTERED NOTICE:

ALL ASSIGNED To #2

RENTALS

RENTAL PAYMENT FOR PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
9-1-79	TO 9-1-80	8-20-79	O	120.00	Jack J. Grynberg
9-1-80	TO 9-1-81	8-1-80	A	120.00	Jack Grynberg
9-1-81	TO 9-1-82	7-30-81	V	120.00	J. Grynberg and Associates
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				

SHUT-IN GAS ROYALTY PAYMENTS

SHUT-IN GAS ROYALTY PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
	TO				
	TO				
	TO				
	TO				
	TO				

MISCELLANEOUS INSTRUMENT NOS. 2-1481, 2-3738, 2-3880, _____, _____, _____

FOR LETTER OF TRANSMITTAL REFER TO LEASE NO LG-93

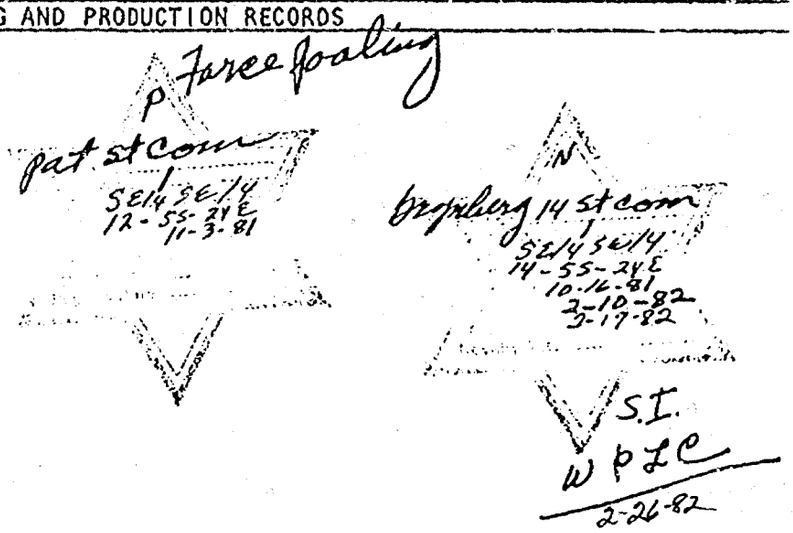
LEASE NO. LG-565 ASSIGNMENT NO. 1

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. L6-565 ASSIGNMENT NO. 1

DRILLING AND PRODUCTION RECORDS



ALL ASSIGNED
Tr #2

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

File in lease covering SE4.12, T5S-R24E.

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 7476
Order No. R-6925

APPLICATION OF JACK J. GRYNBERG FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of April, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That on December 31, 1981, the applicant, Jack J. Grynberg, filed applications seeking an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) That the applicant's subsequent request for dismissal of his request to pool the mineral interests under the NE/4 of said Section 12 should be approved.

(4) That on February 22, 1982, Mesa Petroleum Company filed an application seeking an order pooling all mineral interests down through and including the Abo formation also underlying the SE/4 of said Section 12.

(5) That the Mesa Petroleum Company application was set as Case No. 7513 and was consolidated for purposes of testimony with the subject case.

(6) That the applicant has the right to drill and proposes to drill a well at standard locations on each unit.

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

(8) 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.

(9) That the applicant is the owner of the single greatest interest in the proposed proration unit.

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

(11) 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.

(12) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the wells.

(13) 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.

(14) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

(15) That $2500.00 per month while drilling and $250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(16) That all proceeds from production from the subject well 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.

(17) 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 July 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

(18) That the application of Mesa Petroleum Company in Case No. 7513 should be denied.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Abo formation underlying a 160-acre gas spacing unit, being the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, are hereby pooled and are to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said wells on or before the 1st day of July, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Jack J. Grynberg is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall

furnish the Division and each known working interest owner in the 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 Division 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 Division and the Division 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 Division 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 who 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, 200 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 $2500.00 per month while drilling and $250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 interest's 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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That that portion of this application which seeks the pooling of mineral interests underlying the NE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, is hereby dismissed.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L

NEW MEXICO STATE LAND OFFICE

ASSIGNMENT OF OIL AND GAS LEASE

From lease number
LG-0565-1
To lease number
LG-0565-2

KNOW ALL MEN BY THESE PRESENTS: 00087

That Celeste C. Grynberg and Jack J. Grynberg, wife and husband
(wife, if any or state of incorporation)

of 1050 17th Street, Suite 1950, Denver, Colorado 80265

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten or more Dollars, paid by JJ-CC Limited, a Colorado Limited Partnership

whose Post Office address is 1050 17th Street, Suite 1950, Denver, Colorado 80265,

hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the Assignee the entire interest and title in and to that certain Oil and Gas Lease No. LG-0565 made by the State of New Mexico to Jack J. Grynberg under date of September 1, 1972, only insofar as said lease covers the following land, in Chaves County, New Mexico, to-wit:

T 5 S - R 24 E, NMPM
Sec. 12: NE¼NE¼, E½SE¼
Sec. 14: NE¼NW¼, E½SW¼

MIL. INST.

Containing 240.00 acres, more or less

A. C.
4-14-82
4-15-82
K.M.

together with the rights incident thereto, and the personal property thereon, if any, appurtenant thereto, or used or obtained in connection therewith.

Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described land is affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to said land, to the same extent and in the same manner as if the provisions of said lease were fully set out herein. It is agreed that Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to said land.

With warranty covenants as to the leasehold estate herein assigned, except as to any valid overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal record, and Assignor covenants that said leasehold estate so assigned is valid and subsisting and that all rentals and royalties due thereunder have been paid.

EXECUTED this MAR 3 0 1982 day of _____, 19____.

Celeste C. Grynberg, Assignor

Jack J. Grynberg, Spouse

(PERSONAL ACKNOWLEDGMENT)

STATE OF COLORADO
COUNTY OF DENVER } ss.

The foregoing instrument was acknowledged before me this MAR 3 0 1982 day of _____, 19____, by Celeste C. Grynberg and Jack J. Grynberg

My commission expires: 5/20/85

Janet N. Kerbs
Notary Public
1038 Garfield, Denver, CO

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____
COUNTY OF _____ } ss.

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

_____ (Name) _____ (Title) of _____ (Corporation)

a _____ corporation, on behalf of said corporation.

My commission expires: _____

_____ Notary Public

OG-43 (Replaces OG-43 and OG-44 ---Rev. 8/72) SEE OTHER SIDE

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF.....
COUNTY OF..... } ss.

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

.....as attorney-in-fact in behalf of

.....

My commission expires:..... Notary Public

APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands
Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on APR 6 1982, approved by me and to be effective as to the State of New Mexico on APR 1 2 1982.

Alex J. Armijo
Commissioner of Public Lands

INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of 50¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars ($6.00).

2. The lease is for a primary term of Five Years from the date of the lease, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions set forth in the lease.
   If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. But the annual rental on any assignment shall in no event be less than Twelve Dollars ($12.00) during the secondary term.

3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of signing and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.

4. Effective September 1, 1957, recording fee for each assignment is $10.00 (if filed over 100 days from date of signing, additional fee of $25.00 is charged).

5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.

6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.

7. Assignments must show complete post office address of assignee.

8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.

9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.

10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.

11. Make all payments for annual rental and recording and approval fees to

COMMISSIONER OF PUBLIC LANDS
Santa Fe, New Mexico 87501

30-005-61540

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FILE		
U.S.G.S.		
LAND OFFICE	✓	
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

RECEIVED
APR 20 10 03 AM '82
STATE
SANTA FE

RECEIVED
APR 12 1982
O. C. D.
ARTESIA, OFFICE

Form C-101
Revised 1-1-65

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

5. State Oil & Gas Lease No. LG-565

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

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

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

7. Unit Agreement Name: N/A

8. Farm or Lease Name: Grynberg 12 State "Com"

9. Well No.: 1

2. Name of Operator: Viking Petroleum Inc.

10. Field and Pool, or Wildcat: Pecos Slope-ABO

3. Address of Operator: 1050 17th Street, Suite 1950, Denver, Colorado 80265

4. Location of Well: UNIT LETTER I LOCATED 1980 FEET FROM THE South LINE AND 660 FEET FROM THE East LINE OF SEC. 12 TWP. 5 S RGE. 24 E NMPM

12. County: Chaves

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
4200'	ABO	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3912.0'	Current Blanket	Aztec	May 8, 1982

23. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
13-1/2"	10-3/4"	32.75#	900'	Cement to Surface	
7-7/8"	4-1/2"	10.5#	4200'	500' Above Top of Pay	
"	"				

1. Spud well, drill 13-1/2" hole to 900', run 10-3/4" surface casing.
2. Drill 7-7/8" hole to 4200', checking B.O.P. daily.
3. Run tests and logs as needed.
4. Run 4-1/2" producing casing to 4200' if warranted.
5. Perforate and stimulate as needed.

In the event that circulation is lost while drilling 7-7/8" hole and intermediate casing is needed, the hole will be reamed and 1500' of 7-5/8" intermediate casing will be set.

B.O.P. Diagram is attached.

Gas in not dedicated.

APPROVAL VALID FOR 180 DAYS
PERMIT EXPIRES 10-16-82
UNLESS DRILLING UNDERWAY

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

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

Signed Deborah Hill (DEBORAH HILL, JACK GRYNBERG AND ASSOCIATES) Title Agent Date 4-8-82

(This space for State Use)

APPROVED BY Mike Williams TITLE OIL AND GAS INSPECTOR DATE APR 16 1982

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 875[illegible]

Form C-102
Revised 10-1-7

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

Operator	Lease	Well No.
Viking Petroleum Inc.	Grynberg 12 State "COM"	No. 1

Unit Letter	Section	Township	Range	County
I	12	5-S	24-E	Chaves

Actual Footage Location of Well:
1980 feet from the SOUTH line and 660 feet from the EAST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3912'	ABO	Pecos Slope ABO	160 Acres

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

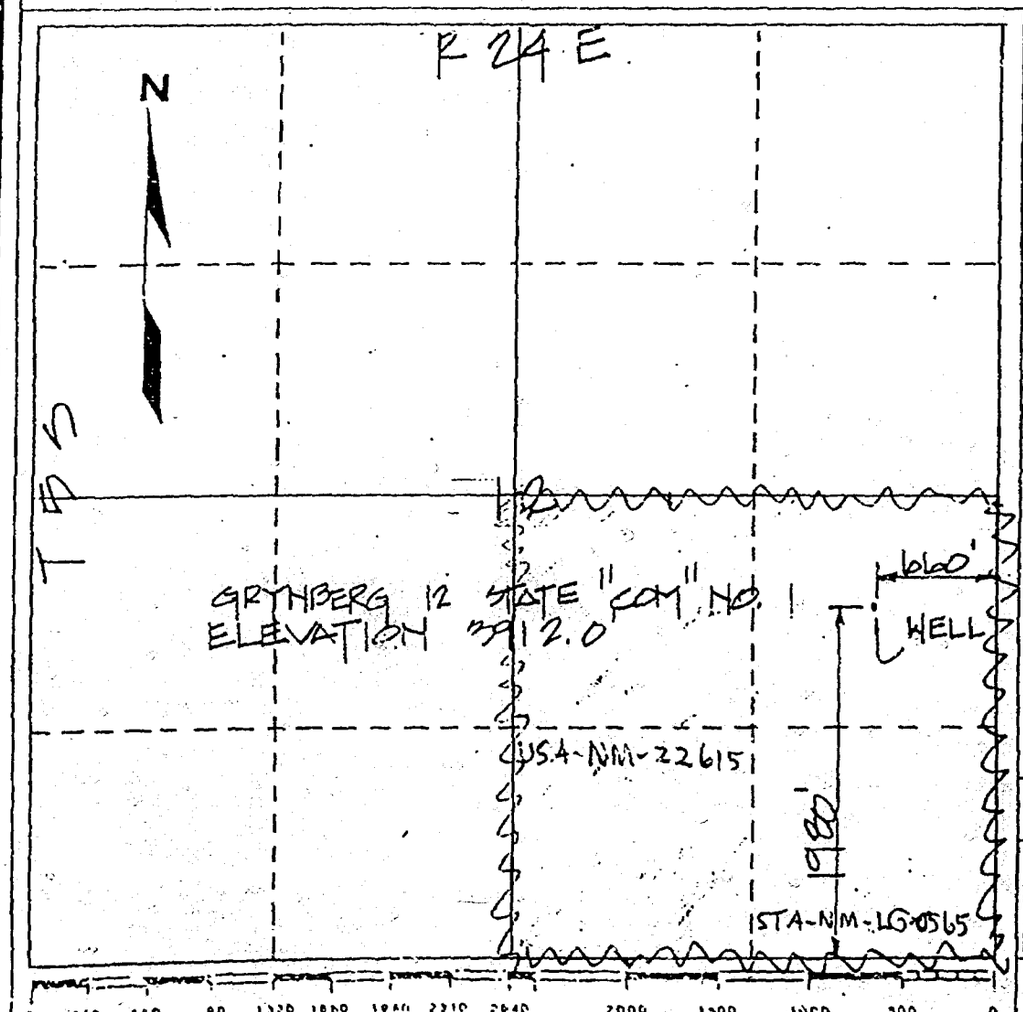
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to workin interest and royalty).

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

XXX Yes - ☐ No If answer is "yes," type of consolidation force-pooling, Order 6295; 4/5/8[illegible]

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

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



CERTIFICATION

I hereby certify that the information co[illegible] tained herein is true and complete to th[illegible] best of my knowledge and belief.

Name: Agent

Position: Viking Petroleum Inc.

Company: Jack Grynberg & Asso[illegible]

Date: 4/12/82

I hereby certify that the well locatio[illegible] shown on this plat was plotted from fie[illegible] notes of actual surveys made by me[illegible] under my supervision, and that the sam[illegible] is true and correct to the best of m[illegible] knowledge and belief.

9 April, 1982
Date Surveyed

DAVID C. CLAUSEN
NEW MEXICO
6547
REGISTERED LAND SURVEYOR

Registered Professional Engineer and/or Land Surveyor
David C[illegible] Clausen
N.M. License No. 6547
Certificate No.

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-565 ASSIGNMENT NO. 2

CANCELLATION - EXPIRATION AND RELEASE RECORDS

FINAL REGISTERED NOTICE:

RENTALS

RENTAL PAYMENT FOR PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
9-1-81	TO 9-1-82	7-30-81	V.	$120.00	J. Grynberg & Assoc.
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				

SHUT-IN GAS ROYALTY PAYMENTS

SHUT-IN GAS ROYALTY PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
	TO				
	TO				
	TO				
	TO				
	TO				

MISCELLANEOUS INSTRUMENT NOS. 2-1481, 2-3738, 2-3880, _____, _____, _____

FOR LETTER OF TRANSMITTAL REFER TO LEASE NO. LG-563-2

LEASE NO. LG-565 ASSIGNMENT NO. 2

OG-68 (Revised 11/1975)

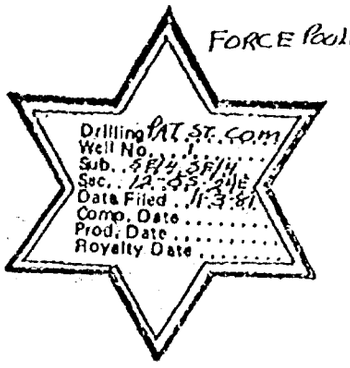
NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-565 ASSIGNMENT NO. 2

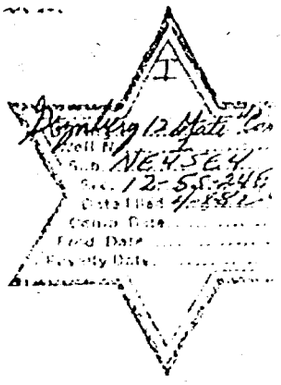
DRILLING AND PRODUCTION RECORDS

FORCE Pooling





S.I.W.P.L.C.
2-26-82



CERTIFICATE

STATE OF NEW MEXICO)
) SS
COUNTY OF SANTA FE)

The SCHUTZ ABSTRACT COMPANY, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Mexico, and duly bonded, insured and authorized to prepare and certify abstracts of title to lands situated in the State of New Mexico, does hereby certify:

That the foregoing Abstract of Title, consisting of twenty-three--- ---------- pages, numbered from one to twenty-three----- both inclusive and including this certificate, is a true and correct abstract of all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico since November 2, 1981 at 8:00 a.m. affecting the Oil and Gas Mineral Rights to the lands described in the Caption hereof under the lease.

IN WITNESS WHEREOF, the SCHUTZ ABSTRACT COMPANY, INC., has caused this Certificate to be signed by its President, and its Corporate Seal to be hereunto affixed at Santa Fe, New Mexico, on this the 29th day of April , 1982 , at 8:00 O'clock a.m.

SCHUTZ ABSTRACT COMPANY, INC.

By Joe B. Schutz
PRESIDENT

ATTEST:

Burt Schutz
SECRETARY

No. 2716

ABSTRACT OF TITLE

No. 2745

Covering the records of the Office of the Commissioner of Public Lands of the State of New Mexico, as to the Oil and Gas Mineral Rights under State Lease No. LG-565 pertaining to the following described lands:

Section	*Township*	Range
12: E½SE¼	5 South	24 East, NMPM

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 4-C
Submitted by MESA
Hearing Date 5/17/82

Prepared for

MESA PETROLEUM CO.

Prepared by
SCHUTZ ABSTRACT COMPANY, INC.
Santa Fe, New Mexico

I N D E X

PAGE	INSTRUMENT
1	Caption
2	Index
3	Current Surface Rights; Other Mineral Rights
4	Tranfer Page
5 - 6	Record Sheet
7	Certificate

CURRENT SURFACE RIGHTS

Surface is held under Grazing Lease GO-1629 by James P. Ewart of Roswell, New Mexico. Lease commenced on October 1, 1980 and is a five (5) year renewable lease.

OTHER MINERAL RIGHTS

No current mineral leases, other than oil and gas, are noted on the tract books covering the lands herein.

No change in the oil and gas record title has been noted of record as to the E½SE¼ of Section 12 in Township 5 South - Range 24 East since April 29, 1982 at 8:00 a.m. Still held under lease LG-565, assignment no. 2 by JJ-CC Limited, a Colorado Limited Partnership, Denver, Colorado. No re-assignments of record.

Rentals show paid up to September 1, 1982. See photo copy of oil and gas record sheet for rental schedule.

No New Miscellaneous Instruments of record have been filed since April 29, 1982 at 8:00 a.m.

Lands herein show not to be committed to any active unit or communitization agreement.

NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-565 ASSIGNMENT NO. 2

CANCELLATION - EXPIRATION AND RELEASE RECORDS

FINAL REGISTERED NOTICE:

RENTALS

RENTAL PAYMENT FOR PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
9-1-81	TO 9-1-82	7-30-81	V	$120.00	J. Grynberg & Assoc.
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				
	TO				

SHUT-IN GAS ROYALTY PAYMENTS

SHUT-IN GAS ROYALTY PERIOD BEGINNING		DATE PAID	BATCH NO.	AMOUNT PAID	PAID BY
	TO				
	TO				
	TO				
	TO				
	TO				

MISCELLANEOUS INSTRUMENT NOS. 2-1481, 2-3738, 2-3880, _____, _____, _____

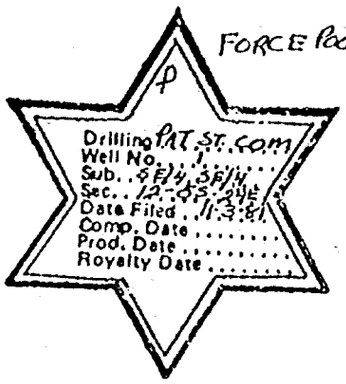
FOR LETTER OF TRANSMITTAL REFER TO LEASE NO. LG-563-2

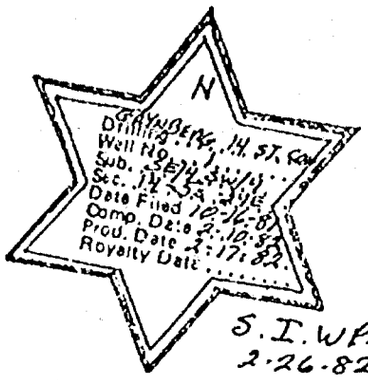
NEW MEXICO STATE LAND OFFICE

OIL AND GAS RECORD SHEET

LEASE NO. LG-5665 ASSIGNMENT NO. 2

DRILLING AND PRODUCTION RECORDS







CERTIFICATE

STATE OF NEW MEXICO)
) SS
COUNTY OF SANTA FE)

The SCHUTZ ABSTRACT COMPANY, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Mexico, and duly bonded, insured and authorized to prepare and certify abstracts of title to lands situated in the State of New Mexico, does hereby certify:

That the foregoing Abstract of Title, consisting of seven---------- ---------- pages, numbered from one to seven---------- both inclusive and including this certificate, is a true and correct abstract of all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico since April 29, 1982 at 8:00 a.m. affecting the Oil and Gas Mineral Rights to the lands described in the Caption hereof under the lease.

IN WITNESS WHEREOF, the SCHUTZ ABSTRACT COMPANY, INC., has caused this Certificate to be signed by its President, and its Corporate Seal to be hereunto affixed at Santa Fe, New Mexico, on this the 14th day of May , 1982 , at 1:00 O'clock p.m.

SCHUTZ ABSTRACT COMPANY, INC.

By ..... PRESIDENT

ATTEST:

..... SECRETARY

No. 2745

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

October 6, 1981

Mr. Mark Hanifan
Mesa Petroleum Company
1000 Vaughan Bldg.
Midland, TX 79701

RE: Proposed drilling and communitization
Township 5 South-Range 24 East
Section 12: SE/4
Chaves County, New Mexico

Dear Mark:

Pursuant to our conversation of September 25, 1981, I am writing this letter to request that Mesa Petroleum Company drill the proposed well before the end of this year. We are in a position such that greatly need deductible expenses before the end of the year. It would certainly be appreciated if you would prosecute your drilling operations on the captioned lands in accordance with our request. Thank you for your consideration on this matter.

Sincerely,
JACK GRYNBERG AND ASSOCIATES

Randy Keough
Landman

WRK:gh

P.S. I have enclosed our title information regarding the captioned lands

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 5
Submitted by MESA
Hearing Date 5/17/82

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

October 19, 1981

RECEIVED
OCT 22 1981
MES

Mr. Mark Hannifin
Mesa Petroleum Company
1000 Vaughn Building
Midland, TX 79701

Dear Mark:

This will confirm the phone conversations which you have held with Randy Keough and myself concerning additional drilling in the Abo Trend in Chaves County, New Mexico. At the present time you have a signed AFE from us for a well in the NW1/4 of Section 12, T5S - R24E. It is my understanding you are in the process of sending an AFE and you have included in your drilling schedule a well in the SE1/4 of Section 12, T5S - R24E for this year.

As of this moment you have agreed with Randy Keough that you will proceed and drill a well in the SW1/4 of Section 17, T6S - R25E. We would like to propose that you drill a well in the SE1/4SW1/4 of Section 17 since we are going to drill a well in the NW1/4SW1/4 of Section 17. It is our understanding that that well will be drilled before the end of the year as well.

What I am most anxious to have is a well in the SE1/4NE1/4 of Section 30, T6S - R25E drilled before any of the other wells are drilled. Is there any possibility you can accommodate us by scheduling that well first? However, since the lease is Federal you might not be able to do so as quickly as possible; therefore, I would like to urge you to get after it and get all the necessary permits to stake the location. Accordingly, we will send out to you tomorrow

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 6
Submitted by MESA
Hearing Date 5/17/82

a signed Designation of Operator on the subject lease in the hopes that you will immediately proceed and prepare all the necessary papers. For your information, my wife, Celeste, in whose name the lease is held has a state-wide Federal bond and no bond is necessary. May I have your reply to this letter.

Sincerely yours,

JACK GRYNBERG AND ASSOCIATES

Jack J. Grynberg

JJG:aj

cc: Randy Keough

BXC: MAH, AGREEMENT FILE (2)
C-U 12-15-81

December 10, 1981

MESA PETROLEUM CO.

Jack Grynberg and Associates
1050 17th Street, Suite 1950
Denver CO 80265

Attention Jack Grynberg

Subject: Operating Agreement dated
December 4, 1981 covering
NE/4 Section 12-5S-24E
#6 Camack Fed. Com.
Operating Agreement dated
December 5, 1981 covering
SE/4 Section 12-5S-24E
#1 Pat State Com.
Chaves County, New Mexico
Pecos Slope Prospect
Mesa OP 05-NM-0138

Enclosed herewith for your approval are Operating Agreements dated December 4, 1981 and December 5, 1981 covering the wells set out above.

Please review and advise verbally at your earliest possible convenience if these are acceptable without modification.

We will forward signature pages executed on behalf of Mesa as soon as we receive them from our Amarillo office.

Also, enclosed for your execution are two extra sets of signature pages for each agreement. Once executed on your behalf, please return two original sets to this office for further handling.

If you have any questions please contact me.

Yours very truly,

Mark Hannifin

pjr

Enclosures

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 7
Submitted by MESA
Hearing Date 5/17/82

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

Mesa Petroleum Co., as Operator, Corona Oil Company
and Jack Grynberg as Non-Operators

#1 Pat State Com.

OPERATING AGREEMENT

DATED

December 5 , 1981 ,

OPERATOR MESA PETROLEUM CO.

CONTRACT AREA SE/4 Section 12, Township 5 South, Range 24 East,

N.M.P.M.

COUNTY OR ~~PARISH~~ OF Chaves STATE OF New Mexico

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA, OK 74101

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.



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ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and ~~interests, and~~

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

Mesa Petroleum Co. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. **Resignation or Removal of Operator and Selection of Successor:**

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. **Employees:**

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. **Drilling Contracts:**

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. **Initial Well:**

On or before the 31 day of December, 1981, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FSL & 660' FEL Section 12, Township 5 South, Range 24 East

and shall thereafter continue the drilling of the well with due diligence to 4,100 feet or a depth sufficient to test the Abo Formation, whichever is lesser

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

...

Gas production attributable to any Non-Consenting Party's relinquished interest shall be sold, at the election of the Consenting Party, either to the Consenting Party's purchaser or to the Non-Consenting Party's purchaser. If any sale is made to the Non-Consenting Party's purchaser, such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. **Right to Take Production in Kind:**

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall ~~have the right to~~ take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars ($25,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen Thousand Dollars ($15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 20% of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. **Taxes:**

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. **Insurance:**

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. **Surrender of Leases:**

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the ri : for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

G. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including, specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Seven Thousand Five Hundred Dollars ($ 7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

Jack Grynberg and Associates hereby agrees to pay its share of approved expenditures for initial or subsequent operations hereunder prior to the commencement of each such operation.

In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, furnish payment bonds as security for the prompt and faithful payment of its additional obligations for each such operation. Such bonds shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such sureties as are acceptable to the Operator. Jack Grynberg and Associates shall also furnish such new payment bonds as Operator may from time to time require in order to further secure payment of Jack Grynberg and Associates' obligations hereunder.

Upon default of any of Jack Grynberg and Associates' obligations hereunder, and without further notice from Operator, Jack Grynberg and Associates shall forthwith proportionately assign to the other parties hereto all of its right, title and interest, as of the date of this Operating Agreement, in and to the Contract Area hereunder, all wells and equipment thereon, and all subsequent production therefrom, free and clear of all liens and encumbrances and Jack Grynberg and Associates shall no longer be a party to this Operating Agreement. This remedy shall be in addition to and not exclusive of Jack Grynberg and Associates payment obligations hereunder, which obligations shall be continuing despite Jack Grynberg and Assoicates no longer being a party to this Operating Agreement.

The terms and conditions of the hereinabove special provisions shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Without otherwise affecting the responsibilities and liabilities of Jack Grynberg and Associates, its successors or assigns, for its obligations hereunder, Jack Grynberg hereby agrees to be individually responsible and liable for each and every obligation hereunder of Jack Grynberg and Associates, its successors or assigns. Upon default by Jack Grynberg and Associates, its successors or assigns, of any of its obligations hereunder, Operator shall have the right, in accordance herewith and without prejudice to Operator's other rights or remedies, to enforce such obligations against Jack Grynberg, individually, or Jack Grynberg and Associates, its successors or assigns, or both.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as _____ of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

EXHIBIT " "

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

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

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

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 a rate equal to the higher of 120% of the prime rate of interest of the Continental Illinois Bank & Trust Company or 18% per annum; provided, however, in no event shall the Non-Operator Parties be required to pay interest in excess of the federal or state statutory ceiling applicable in the jurisdiction in which the joint property is located. Non-Operators shall also be liable for attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

Adjustments

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

Audits

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

Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

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

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

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

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. **Transportation**

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

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

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

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matter before governmental bodies and agencies and costs and expenses incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

10. Taxes

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

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or (See Schedule I attached.)
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3,700.00
Producing Well Rate $ 370.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date the contractual rig charges begin and terminate on the date the drilling or completion equipment moves off location or rig is released, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

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

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000 :

A. 5 % of total costs if such costs are more than $ 25,000* but less than $ 100,000 ; plus

B. 3 % of total costs in excess of $ 100,000 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

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

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

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

3. **Premium Prices**

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

4. **Warranty of Material Furnished by Operator**

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. **Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. **Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. **Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D" ONSHORE

Attached to and made a part of Operating Agreement dated December 4, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

INSURANCE

The Operator shall carry for the benefit of the joint account insurance to cover drilling operations and producing operations on the jointly owned acreage as follows:

I. Workmen's Compensation and Employer's Liability covering the employees of Operator engaged in operations hereunder in compliance with all applicable Federal Laws and the laws of the State of New Mexico, with Employers Liability limit of not less than $100,000 per person and $100,000 per occurrence.

II. Operator shall carry of its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:

(A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

(B) Automobile Liability covering all vehicles owned, non-owned, or hired and used in connection with operations conducted hereunder by Operator for the joint account with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

The premiums for all such insurance so carried in paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect to participate to the extent that their interest is insured.

EXHIBIT "E"

GAS BALANCING AGREEMENT

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as "Operator", and Jack Grynberg and Associates, et al, as "Non-Operator"

The parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

Each Party shall have the right to take in kind its share of the gas produced from the Unit Area. However, there may be periods when one or more of the Parties have no market for, or its purchaser is unable to take, or for any other reason, it may not dispose of its interest, or a portion thereof, in the gas production. Therefore, to permit each Party to produce and dispose of its interest in the gas production from the Unit Area with as much flexibility as possible, the Parties hereto agree to this Gas Balancing Agreement as hereinafter set forth:

1. DEFINITIONS:

For the purposes of this Agreement, the following terms shall be defined as hereafter set out:

(a) "Operating Agreement" shall mean the Operating Agreement to which this Gas Balancing Agreement is attached.

(b) "Gas" shall mean natural gas or oil well gas obtained from primary field separation.

(c) "Liquid Hydrocarbons" are those liquids obtained from primary field separation.

(d) "Percentage Ownership" is the percentage interest of each party as set forth in the Operating Agreement.

(e) "Over-produced Party" is a party who has utilized or sold a greater volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(f) "Under-produced Party" is a party who has utilized or sold a lesser volume of ga at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(g) "MER" is the total daily maximum efficient rate of hydrocarbon withdrawal from each separately produced proration unit, which, if exceeded for a sustained period of time, would lead to underground waste in the form of reduced ultimate recovery from the proration unit, after deducting the gas used in operations on the Unit Area or vented or lost.

2. OWNERSHIP OF PRODUCTION:

(a) SALE BY LESS THAN ALL OWNERS: All gas produced from the Unit Area shall be produced and utilized or sold by those parties having a use or market for such gas. If fewer than all the parties are producing gas, the parties so producing shall have the right and option, but not the obligation, to produce and dispose of all or any part of such gas that may be produced up to the MER. The parties hereto shall share in and own the liquid hydrocarbons, as produced, in accordance with their respective interests, as set forth in and subject to the terms of the Operating Agreement. It is agreed that the gas attributable to the interest of each non-producing party shall remain in the reservoir for production at a later date.

(b) SALE BY UNDER-PRODUCED OWNERS: Each Under-produced Party shall, upon commencing the sale of gas, have the right to take a greater percentage of the current gas production than such Under-produced Party's Percentage Ownership, subject to the following limitations:

(1) For the purposes of balancing gas production accounts, as soon as practical, any Over-produced Party or Parties will make available to any Under-produced Party or

Parties a portion of the Over-produced Party's or Parties' share of gas production at the current MER, but Over-produced Parties shall not be liable to Under-produced Parties under this paragraph except as provided in Section 4 hereof. In no event will any Over-produced Party be required to reduce the volume of gas which it is entitled to take from a proration unit during any calendar month to less than 50% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the under-production of each Under-produced Party bears to the total under-production of all Under-produced Parties currently taking gas.

(2) For the purpose of balancing in the event of price increases as provided in Section 3 hereof and for the purpose of balancing production accounts as provided in Section 4 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over-production by the Over-produced Party on a last in, first out basis.

(3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from a proration unit as such party's Percentage Ownership.

(4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This

Balancing Agreement shall not provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.

(5) Only produced gas actually utilized or sold by a party shall be owned by it and charged against its share of the total recoverable reserves.

3. BALANCING IN THE EVENT OF PRICE INCREASES:

In the event the price received by the Under-produced Party for gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account is greater than the price received by the Over-produced Party for the equivalent volume of gas, then the Under-produced Party shall pay to the Over-produced Party in cash, on a monthly basis, the product of the volume of gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account and the difference between the lawful price which the Under-produced Party currently is collecting for the gas described above (but in no event higher than the price received by the Over-produced Party at the time such production is sold by the Under-produced Party) and the lawful price which the Over-produced Party actually collected for the volume of gas described above.

4. BALANCING OF PRODUCTION ACCOUNTS:

When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the amount actually received, less applicable taxes, royalty, and the cost of dehydration and compression if not participated in by the Under-produced Party, by any Over-produced Party from the sale of that part of the total cumulative volume of gas produced from the proration unit to which any Under-produced Party was entitled, but which was utilized or sold by the Over-produced Parties. For the purposes of this paragraph, the "amount actually received" shall be the dollar amount

received for the quantity of gas remaining after subtracting the quantity of any periodic under-production by an Over-produced Party from the unbalanced over-production of such party. If a portion of a party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if none, the weighted average price received simultaneously by all parties for gas sold from the proration unit. If gas is processed for the recovery of liquefiable hydrocarbons, the gas value will be based on the amount which would have been received for the sale of such gas without processing.

5. STATEMENTS:

During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other parties a statement showing the volume and value of gas utilized and the volume and proceeds if sold. The Operator under the Operating Agreement shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.

6. PRODUCTION TAXES:

Each Party taking gas shall pay any and all production taxes due on such gas.

7. PAYMENT OF ROYALTY:

At all times while gas is produced from the Unit Area, each party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by

royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

8. OPERATING EXPENSES:

The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership.

9. SCOPE AND TERM:

This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

10. INDEMNITY:

Each party hereby indemnifies the other parties hereto against all liability for and agrees to defend the parties hereto against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provisions, and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

11. OPERATOR'S LIABILITY:

The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent operator in the same or similar circumstances.

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR

MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. (41 CFR 60-1.40)

D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS
OF REQUIREMENT FOR CERTIFICATIONS
OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $10,000 or more.)

2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $2,500 or more.)

2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

SCHEDULE I

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS-1974 Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

Salaries, Benefits and Related Costs of Field, Area and/or District:
- Managers and/or Superintendents
- Foreman - Superintendent
  - Drilling - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Production - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Construction - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Other Technical Employees - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Office Stenographers
- Office Clerks
  - Time Keeping
  - Preparation of Boat, Automotive and Other Vehicle Reports
  - Local Purchasing (Field Orders)
  - Preparation and coding of Invoices
  - Preparation of Material Requisitions
  - Preparation of Field Transfers
  - Preparation of Field Receiving Reports
  - Posting of Production Reports
  - Preparation of Over and Short Reports
  - Reading and Integration of Charts
  - Preparation of Field Gas Production and Consumption Report
  - Preparation of Field Office Reports to State and Federal Regulatory Bodies
  - Miscellaneous Routine Field Office Clerical Duties
  - Field Office Inventory Men
    - Conducting Physical Inventories
    - Preparation of Field Inventory Records
  - Warehousemen and/or Clerks

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general District Use.

Rentals
- Rentals paid for buildings, office and storage space used by District employees.

Rentals paid in connection with sites for District production offices, camps, warehouses and other facilities used specifically for District purposes.

Ad Valorem Taxes
Taxes paid on buildings and equipment charged to Operator's Field, Area, and/or District investment accounts.

Insurance
Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to the District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contract services performed by third parties.

General Management

General Operating Administration
Drilling Managers and/or Superintendents and Office Staffs
Production Managers and/or Superintendents and Office Staffs
Civil Engineers - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
Reservoir Analysis and Engineering
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
Negotiation of Production and Residue Gas Sales
Negotiation of Major Gas Sales
Preparation and Negotiation of Joint Operation Agreements
Preparation of General Production Records
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

General Accounting and Services
Checking of Invoices
Preparation of Paychecks
Responsibility of Account Distribution or Coding
Payment of Vendor's Invoices
Maintaining Property Investment Records
Maintaining Joint Interest Cost Records
Preparation of Joint Interest Billing
Preparation of Royalty Checks
Machine Accounting and Data Processing Functions
Photostat and Other Reproduction Service
Ad Valorem Tax Service and/or Counsel
Systems and Procedures
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be a direct charge to the joint property.

Area and/or District Office Utility Services

Local Field, Area and/or District Recreational Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil shows, API meetings, and company training schools, etc., which are for the primary benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing costs, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned
- Depreciation
- Operating and Maintenance Expense
- Cost of Storing and Handling Material

Title Record and Division Order Administration
- Landmen and Titlemen
- Maintenance of Division of Interest Records
- Obtaining Royalty Signatures

Exploration Administration
- Geologists - (Except when permitted as a direct charge under Para. 1.11, Sec. III)
- General Research
- Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration
- Employee Relation Counselor
- Safety Engineer
- Industrial Nurse and/or Doctor
- Dinners, Parties, etc.
- Safety Awards
- Incentive Awards
- Thanksgiving Turkeys or Christmas Baskets
- Contributions to Charity and/or Civic Organizations
- Special Investigators
- Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration
- Preparation of Reports to and Representation before Governmental Agencies

General Legal Counsel
- Preparation of Contracts
- Claims and Litigation
- Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

MESA PETROLEUM CO.

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 8
Submitted by MESA
Hearing Date 5/17/82

AFE / COST ESTIMATE

ON/05/ OPERATIONS (Co./Div./Subsid./Dept.)

AFE # 81-479
ID # 01-05-NM-0138-0073-001-0
Code General Account #
Exploratory ____ Development X

LEASE, WELL NAME, AND LOCATION PAT STATE COM #1
660' FSL & 660' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION Cost estimate to drill and complete a 4,100' flowing Abo gas well, including production equipment.

Sub Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/ Other
X01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000		20,000
	(A) DAY WORK 9/6 DAYS At $ 6000/1250 /DAY	54,000	7,500	61,500
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	27,000	10,000	37,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	8,000		8,000
	(B) WATER	10,000	3,000	13,000
X06	LOGS, TESTING & MUD LOGGING UNIT	8,000	3,000	11,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
X08	PERFORATING, WELL STIMULATION SERVICES		50,000	50,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	1,000	16,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,000
X11	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	8,000		8,000
X13	HAULING & FREIGHT	7,000	4,000	11,000
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER	5,000		5,000
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	7,000	3,000	10,000
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	*8,000		
X23	MUD ENGINEER DAYS At $ /DAY			
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
X25	GEOLOGICAL CONSULTANT2 DAYS At $ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	$ 198,500	$ 86,500	$ 277,000
X41	BUOYS AND MARKERS	$	$	$
X42	CASING/TUBULARS			
	(A) 900 FT. OF 13 3/8 " OD $ 27.00 /FT.	24,300		24,300
	(B) 1750 FT. OF 8 5/8 " OD $ 13.50 /FT.	23,600		23,600
	(C) 4100 FT. OF 4 1/2 " OD $ 6.50 /FT.		26,700	26,700
	(D) 3550 FT. OF 2 3/8 " OD $ 4.00 /FT.		14,200	14,200
	(E) FT. OF " OD $ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE	3,600	4,100	7,700
X44	SUB-SURFACE WELL EQUIPMENT			
X45	SURFACE WELL EQUIPMENT			
X46	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		3,500	3,500
	Total Tangible Controllable & Non-Controllable Costs	$ 51,500	$ 59,500	$ 111,000
	Total Costs	$ 250,000	$ 146,000	$ 388,000

Prepared By [illegible] Title DIV DRLG SPVR Date 11-10-81
MESA Approved [illegible] Title OPS MGR Date 11-10-81
MESA Approved ____ Title ____ Date ____
Date ____

Mesa WI
Others WI
Jack Grynberg & Assoc. 50 %

OP# 05-NM-0138-168

EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED 11-10-81

WELL NAME PAT STATE COM #1

LOCATION 660' FSL & 660' FEL, SEC 12, T5S, R24E

COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

DO NOT SIGN
COUNTERED W/LETTER
DATED 12-17-81

RECEIVED
DEC 16 1981
MES P

December 15, 1981

Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, TX 79701

ATTN: Mr. Mark Hannifin

RE: Joint Operation Agreements for
Pat State Com#1 and #6 Camack Fed. Com.
covering the NE/4 and SE/4, respectively,
5S-24E, Section 12, Chaves County, NM

DO NOT USE

Dear Mr. Hannifin:

We are returning two (2) sets of signature pages for each of the captioned Operating Agreements. Pursuant to our phone conversation of December 11, 1981, our execution of said agreements is expressly conditioned on the following:

1. That the following language be stricken from said agreements:

   a. Delete the language on page 14, lines 57 through 66 regarding payment bonds;

   b. Delete the first paragraph on page 15 regarding forfeiture of interest upon default.

2. That Jack Grynberg's obligation to pay for operations prior to their commencement as set out in Article XV, lines 53 through 55 of the subject agreements shall be enforceable if, and only if, Mesa Petroleum Company and Corona Oil Company hereby agree to the inclusion of an identical provision in joint Operating Agreements between the parties wherein Jack J. Grynberg, or his assigns, are designated as Operator.

3. That Article VII.E, line 43 be amended to read "18.75% of 88."

Also included herewith are copies of our "Schedule 1" setting forth our geological requirements and persons to whom to relay drilling reports.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 9
Submitted by MESA
Hearing Date 5/17/82

December 15, 1981

Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, TX 79701

Attn: Mr. Mark Hannifin

If the foregoing meets withyour approval, please execute both copies of this Letter Agreement and return one copy for our files.

Thank you for your attention to this matter.

Sincerely,

JACK GRYNBERG & ASSOCIATES

Randy Keough

Randy Keough
Landman

AGREED TO AND ACCEPTED this _____ day of _____, 19____.

MESA PETROLEUM COMPANY

BY: _____

CORONA OIL COMPANY

BY: _____

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

* Jack Grynberg and Associates hereby agrees to pay its share of approved expenditures for initial or subsequent operations hereunder prior to the commencement of each such operation.

~~In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, furnish payment bonds as security for the prompt and faithful payment of its additional obligations for each such operation. Such bonds shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such sureties as are acceptable to the Operator. Jack Grynberg and Associates shall also furnish such new payment bonds as Operator may from time to time require in order to further secure payment of Jack Grynberg and Associates' obligations hereunder.~~

* See conditional letter of acceptance dated 12-14-81

~~Upon default of any of Jack Grynberg and Associates' obligations hereunder, and without further notice from Operator, Jack Grynberg and Associates shall forthwith proportionately assign to the other parties hereto all of its right, title and interest, as of the date of this Operating Agreement, in and to the Contract Area hereunder, all wells and equipment thereon, and all subsequent production therefrom, free and clear of all liens and encumbrances and Jack Grynberg and Associates shall no longer be a party to this Operating Agreement. This remedy shall be in addition to and not exclusive of Jack Grynberg and Associates payment obligations hereunder, which obligations shall be continuing despite Jack Grynberg and Associates no longer being a party to this Operating Agreement.~~

The terms and conditions of the hereinabove special provisions shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Without otherwise affecting the responsibilities and liabilities of Jack Grynberg and Associates, its successors or assigns, for its obligations hereunder, Jack Grynberg hereby agrees to be individually responsible and liable for each and every obligation hereunder of Jack Grynberg and Associates, its successors or assigns. Upon default by Jack Grynberg and Associates, its successors or assigns, of any of its obligations hereunder, Operator shall have the right, in accordance herewith and without prejudice to Operator's other rights or remedies, to enforce such obligations against Jack Grynberg, individually, or Jack Grynberg and Associates, its successors or assigns, or both.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as

as _____

of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

(#1 Pat State Com.)

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____
Jack Grynberg individually and as
as _____
of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.
(#1 Pat State Com.)

BXC: MAH, AGREEMENT FILES, L-U 12-23-81

MESA
PETROLEUM CO.

December 17, 1981

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 10
Submitted by MESA
Hearing Date 5/17/82

Jack Grynberg and Associates
1050 17th Street, Suite 1950
Denver CO 80265

Attention Randy Keough

Gentlemen:

Subject: Conditional Letter Of Acceptance
Operating Agreements dated December 4, 1981
and December 5, 1981
Pecos Slope Prospect
Chaves County, New Mexico
Mesa OP 05-NM-0138-149 and 168

This is to acknowledge receipt of your conditional letter of acceptance dated December 15, 1981 along with exeucted signature pages for the captioned Operating Agreements.

With reference to our subsequent telephone conversations, please find below the language to be inserted in lieu of that language beginning on page 14, line 53-55 of the captioned Operating Agreements.

> In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, either pay its share of approved expenditures therefore prior to the commencement of each such operation or furnish an irrevocable letter of credit in favor of Operator to secure the prompt and faithful payment of its obligations for each such operation. Said letter of credit shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such issuers as are acceptable to the Operator. Jack Grynberg and Associates shall also so furnish such new letters of credit as Operator may from time to time require with reference to further payment of Jack Grynberg and Associates obligations hereunder. This special provision shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Conditioned upon this modification, Mesa Petroleum Co., accepts the remaining changes set out in the above said December 15, 1981 letter.

If the foregoing meets with your approval, please have two copies of this letter executed on behalf of Jack Grynberg and Associates, retaining one for your files and

returning one to this office for further handling.

Yours very truly,

Mark Hannifin

ACCEPTED AND AGREED TO THIS the _____ day of _____, 1981.

JACK GRYNBERG AND ASSOCIATES

BY: _____

BXC: CORONA OIL COMPANY
ATTENTION DON WILLIAMS
4835 LBJ FREEWAY, SUITE 635
DALLAS TX 75234

CONDITIONAL LETTER OF ACCEPTANCE REGARDING
OPERATING AGREEMENTS DATED DECEMBER 4, 1981
AND DECEMBER 5, 1981
MESA OP 05-NM-0138-149 and 168

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

RECEIVED
DEC 22 1981
MES F

December 18, 1981

Mts,Limited Partnership
C/O Mesa Petroleum
1000 Vaugn Bldg.,
Midlan,TX 79701

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 11
Submitted by MESA
Hearing Date 5/17/82

ATTN. Mark Hannifin

RE: Proposed Wells:
T6S-R25E, Section 17: SESW
T5S-R24E, Section 12: SENE
T5S-R24E, Section 12: SWSE
Chaves County, New Mexico

Dear: Mr. Hannifin:

Enclosed are three (3) sets of AFE's covering the proposed wells captioned above. Operating Agreements covering each proposed well will follow in a few days.

If you find these AFE's acceptable please sign both copies of each set and return one copy for our files.

Thank you for your attention to this matter.

Sincerely,

JACK GRYNBERG AND ASSOCIATES

Randy Keough
Petroleum Landman

RK:GH
Encl.
CC: Corona Oil Company

(CAMACK #6)
FED COM

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-6
REVISION #
DATE December 17, 1981

LEASE NAME #1 Grynberg Fed. 'COM' LOCATION Sec.12, 5S-24E, 1980'N, 660'E

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE,Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage @	—	—
Drilling, Daywork 12 Days @ $5500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	—	—
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	—	—
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental,Trucking,Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	—	—
Completion Unit 5 Days @ $1150 / Day	—	5800
Stimulation	—	35000
Contingency	8400	11200
Moving In, Rigging Up, Rigging Down	20000	20000
TOTAL INTANGIBLES	177900	236400

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	--	25200
Tubing : 2-3/8" 4.7 #J-55 @ 4000'	--	16200
Packer & Special Equipment	--	4000
Contingency - Intermediate casing string : 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT	42000	99000

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	--	--
Storage	--	7900
Separation Eq., Flowlines,Valves & Fittings	--	19800
Trucking & Construction Costs	--	4300
TOTAL LEASE & BATTERY EQUIP.	—	32000
TOTALS	$ 219,900	$ 367,400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

SHARE - 25.000%

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981

SHARE

MTS, LIMITED PARTNERSHIP 25.000%

BY:_____ DATE_____

CORONA OIL COMPANY 25.000%

BY:_____ DATE_____

PLAINS RADIO BROADCASTING 12.500%

BY:_____ DATE_____

MERCURY EXPLORATION 4.875%

BY:_____ DATE_____

TEX-MEX DRILLING COMPANY 0.750%

BY:_____ DATE_____

JAMES LUSK 0.500%

BY:_____ DATE_____

JACK CARGILL 0.500%

BY:_____ DATE_____

KEMP MCMILLAN 0.250%

BY:_____ DATE_____

FRED POOL DRILLING COMPANY 5.625%

BY:_____ DATE_____

(CAMACK #6 FED COM)

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-6
REVISION #
DATE December 17, 1981

LEASE NAME #1 Grynberg Fed. 'Com' LOCATION Sec. 12, 5S-24E, 1980'N, 660'

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE, Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage ___ @ ___	—	—
Drilling, Daywork 12 Days @ $5500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	—	—
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	—	—
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental, Trucking, Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	—	—
Completion Unit 5 Days @ $1150 / Day	—	5800
Stimulation	—	35000
Contingency	8400	11200
Moving In, Rigging Up, Rigging Down	20000	20000
TOTAL INTANGIBLES	177900	236400
WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	—	25200
Tubing: 2-3/8" 4.7 #J-55 @ 4000'	—	16200
Packer & Special Equipment	—	4000
Contingency - Intermediate casing string: 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT	42000	99000
LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	—	—
Storage	—	7900
Separation Eq., Flowlines, Valves & Fittings	—	19800
Trucking & Construction Costs	—	4300
TOTAL LEASE & BATTERY EQUIP	—	32000
TOTALS	$ 219,900	$ 367,400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

SHARE - 25.000 %

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981 DEC 18 1981

	SHARE
MTS, LIMITED PARTNERSHIP	25.000%
BY:_____ DATE_____	
CORONA OIL COMPANY	25.000%
BY:_____ DATE_____	
PLAINS RADIO BROADCASTING	12.500%
BY:_____ DATE_____	
MERCURY EXPLORATION	4.875%
BY:_____ DATE_____	
TEX-MEX DRILLING COMPANY	0.750%
BY:_____ DATE_____	
JAMES LUSK	0.500%
BY:_____ DATE_____	
JACK CARGILL	0.500%
BY:_____ DATE_____	
KEMP MCMILLAN	0.250%
BY:_____ DATE_____	
FRED POOL DRILLING COMPANY	5.625%
BY:_____ DATE_____	

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-7
REVISION#
DATE December 17, 1981

LEASE NAME #1 Corn-Foreman 17 'COM' LOCATION Sec. 17, 6S-25E, 660'/S, 1980'/W

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE,Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage @	--	--
Drilling, Daywork 12 Days @ 5500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	--	--
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	--	--
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental,Trucking,Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	--	--
Completion Unit 5 Days @ $1150 / Day	--	5800
Stimulation	--	35000
Contingency	8400	11200
Moving In, Rigging Up, Rigging Down	20000	20000
TOTAL INTANGIBLES	177900	236400
WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	--	25200
Tubing : 2-3/8" 4.7 #J-55 @ 4000'	--	16200
Packer & Special Equipment	--	7000
Contingency - Intermediate casing string : 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT	42000	99000
LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	--	--
Storage	--	7900
Separation Eq., Flowlines,Valves & Fittings	--	19800
Trucking & Construction Costs	--	4300
TOTAL LEASE & BATTERY EQUIP.	--	32000
TOTALS	$ 219,900	$ 367,400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

SHARE - 25.000 %

JACK J. GRYNBERG

BY _____ DATE DEC 1 8 1981

SHARE

MTS, LIMITED PARTNERSHIP 12.500%

BY:_____ DATE_____

CORONA OIL COMPANY 12.500%

BY:_____ DATE_____

PLAINS RADIO BROADCASTING 25.000%

BY:_____ DATE_____

MERCURY EXPLORATION 9.750%

BY:_____ DATE_____

TEX-MEX DRILLING COMPANY 1.500%

BY:_____ DATE_____

JAMES LUSK 1.000%

BY:_____ DATE_____

JACK CARGILL 1.000%

BY:_____ DATE_____

KEMP MCMILLAN 0.500%

BY:_____ DATE_____

FRED POOL DRILLING COMPANY 11.250%

BY:_____ DATE_____

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-7
REVISION #
DATE December 17, 1981

LEASE NAME #1 Corn-Foreman 17 'COM' LOCATION Sec. 17, 6S-25E, 660'S, 1980'W

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE,Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage @	--	--
Drilling, Daywork 12 Days @ $5500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	--	--
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	--	--
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental,Trucking,Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	--	--
Completion Unit 5 Days @ $1150 / Day	--	5800
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Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	--	25200
Tubing : 2-3/8" 4.7 #J-55 @ 4000'	--	16200
Packer & Special Equipment	--	4000
Contingency - Intermediate casing string : 8-5/8" @ 1500'	20400	21200
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SHARE - 25.000 %

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981

	SHARE
MTS, LIMITED PARTNERSHIP	12.500%
BY:_____ DATE_____	
CORONA OIL COMPANY	12.500%
BY:_____ DATE_____	
PLAINS RADIO BROADCASTING	25.000%
BY:_____ DATE_____	
MERCURY EXPLORATION	9.750%
BY:_____ DATE_____	
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BY:_____ DATE_____	
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BY:_____ DATE_____	
JACK CARGILL	1.000%
BY:_____ DATE_____	
KEMP MCMILLAN	0.500%
BY:_____ DATE_____	
FRED POOL DRILLING COMPANY	11.250%
BY:_____ DATE_____	

(PAT STATE COM #1

AUTHORITY FOR EXPENDITURE

AFE # 81-NM-5
REVISION #
DATE December 17, 1981

LEASE NAME #1 Grynberg 12 State 'COM' LOCATION 55-24E, 660'S, 980'E Sec.

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE, Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
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Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	--	--
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental, Trucking, Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	--	--
Completion Unit 5 Days @ $1150 / Day	--	5800
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SHARE - 50.0%

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981

	SHARE
MTS, LIMITED PARTNERSHIP	25.000%

BY:_____ DATE_____

CORONA OIL COMPANY	25.000%

BY:_____ DATE_____

PAT STATE COM #1

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-5
REVISION #
DATE December 17, 1981

LEASE NAME # Grynberg 12 State 'COM' LOCATION Sec. 12, 5S-24E, 660'FS, 1980'FW

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE, Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

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Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	--	25200
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LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	--	--
Storage ____	--	7900
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SHARE - 50.0%

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981

	SHARE
MTS, LIMITED PARTNERSHIP	25.000%

BY: _____ DATE _____

CORONA OIL COMPANY	25.000%

BY: _____ DATE _____

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

January 15, 1982

RECEIVED
JAN 21 1982
MES

Mr. Mark Hannifin
MTS, Limited Partnership
c/o Mesa Petroleum
1000 Vaughn Bldg.
Midland, TX 79701

Dear Mr. Hannifin:

RE: OPERATING AGREEMENT COVERING
SE/4 OF SECTION 12 - 5S - 24E
Chaves County, New Mexico

Enclosed is our Operating Agreement covering the captioned spacing unit. If we prevail in the upcoming hearing before the New Mexico Oil Conservation Division, please execute both our AFE and Operating Agreement and return one copy of the former and a set of the signature pages of the letter.

Feel free to contact me as to any questions you may have regarding this matter.

Sincerely,

JACK GRYNBERG AND ASSOCIATES

Randy Keough
Landman

RK/ggd
encl. 1

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 12
Submitted by MESA
Hearing Date 5/12/82

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 12 day of January, 19 82.

OPERATOR

JACK J. GRYNBERG

NON-OPERATORS

MTS, LIMITED PARTNERSHIP

BY: _____

ATTEST: _____

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

BEFORE ME, the undersigned authority, on this day personally appeared JACK J. GRYNBERG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this ____ day of JAN 7 1982, 1982.

My Commission Expires:

5/20/85

Janet N. Kerby
NOTARY PUBLIC in and for the County of Denver, State of Colorado

JANET N. KERBY, NOTARY PUBLIC
1038 GARFIELD STREET
DENVER, COLORADO 80206

JANET N. KERBY NOTARY PUBLIC STATE OF COLORADO

* * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

BEFORE ME, the undersigned authority, on this day personally appeared _____ as Attorney-in-Fact, of MTS, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this ____ day of _____, 1982.

My Commission Expires:

_____

_____
NOTARY PUBLIC in and for the County of Midland, State of Texas

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

NON-OPERATORS

ATTEST:

CORONA OIL COMPANY

_____

_____
ATTORNEY-IN-FACT

* * * * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared _____ as Attorney-in-Fact, of CORONA OIL COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and the consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____,

My Commission Expires:

_____

_____
NOTARY PUBLIC in and for the County of Dallas, State of Texas

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

January 12th, 1982 ,

OPERATOR JACK J. GRYNBERG

CONTRACT AREA TOWNSHIP 5 SOUTH - RANGE 24 EAST, Section 12:

SE/4 N.M.P.M.

COUNTY OR PARISH OF Chaves STATE OF New Mexico

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA, OK 74101

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

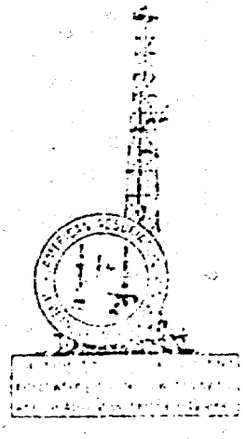


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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between JACK J. GRYNBERG _____, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☐ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C" and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

[X] Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

JACK J. GRYNBERG, 1050 17th St., Ste. 1950, Denver, CO. 80265 shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of May, 1982*, Operator shall commence the drilling of a well for oil and gas at the following location:

TOWNSHIP 5 SOUTH - RANGE 24 EAST
Section 12: SE/4

and shall thereafter continue the drilling of the well with due diligence to

The Abo formation.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

*or within 30 days from the date, the New Mexico Oil and Gas Division declares JACK GRYNBERG Operator of the spacing unit encompassing this location, whichever date is later.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300 % of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest. If such Non-Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party electing to take in kind or separately dispose of its proportionate share of production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. Non-operators shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of the production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of theGas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made of intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

including reasonable attorneys fees in the event of a suit to collect any delinquency.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen. Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.~~

X Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of TWENTY FIVE THOUSAND Dollars ($ 25000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of FIFTEEN THOUSAND Dollars ($ 15,000).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 12.5% of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.
No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Contract Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Contract Area, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty---- of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases. The provisions of this Article VIII-B shall only apply to leases, or portions of leases, located within the Unit Area.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C. This paragraph shall not be applicable the contribution of acreage by the Contributing Parties toward the Initial or any Substitute Test Well.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifteen Thousand and NO/100 Dollars ($ 15,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

~~Option Two: For so long as any of the oil and gas leases subject to this agreement remain or are held by one or more parties hereto, and actual drilling operations are conducted thereon, or any part thereof is utilized for the underground storage of gas, or so long as all or any part of the production or processing facilities are used in the conduct of operations hereunder.~~

X Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 120 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for theNon-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 12 day of January, 19 82.

OPERATOR

JACK J. GRYNBERG

NON-OPERATORS

MTS, LIMITED PARTNERSHIP

BY: _____

ATTEST: _____

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

BEFORE ME, the undersigned authority, on this day personally appeared JACK J. GRYNBERG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this ____ day of JAN 7 1982, 1982.

My Commission Expires:
5/20/85

Janet N. Kerby
NOTARY PUBLIC in and for the County of Denver, State of Colorado

JANET N. KERBY, NOTARY PUBLIC
1638 GARFIELD STREET
DENVER, COLORADO 80206

JANET N. KERBY NOTARY PUBLIC STATE OF COLORADO

* * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

BEFORE ME, the undersigned authority, on this day personally appeared _____ as Attorney-in-Fact, of MTS, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this ____ day of _____, 1982.

My Commission Expires:

_____

NOTARY PUBLIC in and for the County of Midland, State of Texas

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

NON-OPERATORS

ATTEST:

CORONA OIL COMPANY

_____

_____
ATTORNEY-IN-FACT

* * * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared_____ _____as Attorney-in-Fact, of CORONA OIL COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and the consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____,

My Commission Expires:

_____
NOTARY PUBLIC in and for the County of Dallas, State of Texas

_____ _____

EXHIBIT "A"

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5S - 24E; SE/4, Chaves County, New Mexico.

I. 1. Land Subject to Agreement:

TOWNSHIP 5 SOUTH - RANGE 24 EAST, N.M.P.M.
Section 12: SE/4
Containing 160 Acres, more or less
Chaves County, New Mexico

2. Depth Restriction:
Abo formation

3. Drilling Unit for the First Well:

Proration Unit established by the New Mexico OCC.

II. Percentage Interest of Parties Under Agreement:

NAME	ACRES	WORKING INTEREST
JACK J. GRYNBERG	80 acres	50%
MTS, LIMITED PARTNERSHIP	40 acres	25%
CORONA OIL COMPANY	40 acres	25%

III. Leasehold Interest of Parties of Operating Agreement:

1. Lessor: State of New Mexico
Lessee: JACK J. GRYNBERG
Serial Number: STA-NM-LG-0565
Description: E/2SE/4 of Section 12 - 5S - 24E
(Limited to portion included in Contract Areas)

2. Lessor: United States
Lessee: a. MTS, LIMITED PARTNERSHIP
b. CORONA OIL COMPANY
Serial Number: USA-NM-22615
Description: W/2SE/4
(Limited to portion included in Contract Areas)

IV. Addresses of Parties:

JACK J. GRYNBERG
1050 17th Street, Suite 1950
Denver, Colorado 80265

CORONA OIL COMPANY
ATTN: Mr. Don Williams
4835 LBJ Freeway, Suite 635
Richardson, Texas 75234

MTS, LIMITED PARTNERSHIP
c/o MESA PETROLEUM COMPANY
ATTN: Mr. Mark Hannifin
1000 Vaugh Bldg.
Midland, Texas 79701

COPAS -- 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPA

EXHIBIT "C"

Attached to and made a part of Operating Agreement dated January 12th, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5S - 24E; SE/4, Chaves County, New Mexico.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

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

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

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

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of * (below) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

* 2% above the prime rate (posted by the Bank of America, San Francisco) on the date any such default occurs

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

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

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Sect II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage sessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of t Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

   C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this S tion II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account unc Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, r tirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's lab cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actu cost not to exceed twenty per cent (20%) or the percentage most recently recommended by COP

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Or such Material shall be purchased for or transferred to the Joint Property as may be required for immediate u and is reasonably practical and consistent with efficient and economical operations. The accumulation of su plus stocks shall be avoided.

5. **Transportation**

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

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

   B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to t Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized bar terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint A count for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking co of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded b Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and con tract services of technical personnel directly engaged on the Joint Property if such charges are excluded from th Overhead rates. The cost of professional consultant services or contract services of technical personnel not d rectly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to b the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates com mensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, othe operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8% per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate are of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing i the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rate published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of dam ages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator' gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losse incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgment and amounts paid for settlement of claims incurred in or resulting from operations under the agreement o necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staf or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other lega expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by th Parties, except as provided in Section I, Paragraph 3.

10. Taxes

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

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the P ties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Wo men's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its elect include the risk under its self-insurance program and in that event, Operator shall include a charge at Operat cost not to exceed manual rates.

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall cha drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offi and salaries or wages plus applicable burdens and expenses of all personnel, except t ose directly chargea under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection w matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be conside as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless s cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consult services and contract services of technical personnel directly employed on the Joint Property shall ( ) sh not (XX) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2500.00
Producing Well Rate $ 250.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipme arrives on location and terminate on the date the drilling or completion equipment moves off loc tion or rig is released, whichever occurs first, except that no charge shall be made during suspe sion of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) co secutive days or more shall be made at the drilling well rate. Such charges shall be applied f the period from date workover operations, with rig, commence through date of rig release, exce that no charge shall be made during suspension of operations for fifteen (15) or more consecuti days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be consider as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled dow hole shall be considered as a one-well charge providing each completion is considered a separa well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the produ tion shall be considered as a one-well charge providing the gas well is directly connected to a pe manent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operatio are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowabl lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of t agreement to which this Accounting Procedure is attached. The adjustment shall be computed by mult plying the rate currently in use by the percentage increase or decrease in the average weekly earnings Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar ye preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Produ tion Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or t equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

** 2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $_____:

A. _____% of total costs if such costs are more than $_____ but less than $_____; plus

B. _____% of total costs in excess of $_____ but less than $1,000,000; plus

C. _____% of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

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

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

** To be negotiated at a later date.

(a) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

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

3. **Premium Prices**

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

4. **Warranty of Material Furnished by Operator**

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. **Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. **Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. **Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF
OPERATING AGREEMENT
DATED JANUARY 12TH, 1982, BETWEEN
JACK J. GRYNBERG AS OPERATOR, AND
MTS, LIMITED PARTNERSHIP AND CORONA
OIL COMPANY, NON-OPERATORS, AND
COVERING SECTION 12 - 5S - 24E; SE/4,
CHAVES COUNTY, NEW MEXICO.

ADDITIONAL INSURANCE PROVISIONS

Operator, during the term of this agreement, shall carry insurance for the benefit and at the expense of the parties hereto, as follows:

(A) Workmens Compensation Insurance as contemplated by the state in which operations will be conducted, and Employers' Liability Insurance with limits of not less than $100,000.00 per employee

(B) Public Liability Insurance:
Bodily injury - $500,000.00 each occurrence

(C) Automobile Public Liability Insurance:
Bodily injury - $250,000.00 each person
$500,000.00 each person
$500,000.00 each occurrence

Property Damage - $100,000.00 each occurrence

Except as authorized by this Exhibit "D", Operator shall not make any charge to the joint account for insurance premiums. Losses not covered by Operator's insurance (or by insurance required by this agreement to be carried for the benefit and at the expense of the parties hereto) shall be charged to the joint account.

EXHIBIT "E"

Attached to and made a part of Operating Agreement dated January 12th, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5S - 24E; SE/4, Chaves County, New Mexico.

GAS BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred per cent (100%) of the allowable gas production assigned to such proration unit by the State regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production; however, no party shall be entitled to take or deliver to a purchaser gas production in excess of 300% of its current share of the volumes capable of being delivered or its current share of allowable gas production if regulated thereto by State regulatory body having jurisdiction, unless that party has gas in place. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in place less such party's share of gas used in operations, vented or lost. In addition to such share, each party, including the Operator, until it has recovered its gas in place and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying fifty percent (50%) of the interest in the current gas production of the party or parties without gas in place by a fraction, the numerator of which is the interest in the proration unit of such party with gas in place and the denominator of which is the total percentage interest in such proration unit of all parties with gas in place currently taking or delivering to a purchaser.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser, provided that said test should be resonable length, normally not to exceed 72 hours.

Should production of gas from a proration unit be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received, less applicable taxes theretofore paid, at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made. For gas, the price of which is not regulated by Federal, State or other Governmental Agencies, the price basis shall be the price received for the sale of the gas. For gas, the price of which is subject to regulation by Federal, State or other Governmental authorities, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission or any other Governmental authority, pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required to be refunded by such authority. Such additional collected amount to be accounted for at such time as final determination is made with respect hereto.

Notwithstanding the provisions of the last preceding paragraph, it is expressly agreed that any underproduced party hereunder shall have the optional right, with respect to each proration unit separately, to receive a cash settlement bringing such underproduced party's gas account into balance at any time prior to the permanent discontinuance of gas production, by first giving each overporduced party ninety (90) days written notice of demand for cash settlement. If such option is so exercised, settlement shall be made (as of 7:00 O'clock A.M. on the 1st day of the calendar month following the date of such written demands) within ninety (90) days following the actual receipt of such written demands by the overproduced parties, in the same manner provided in the last preceding paragraph hereof. The optional right provided for in this paragraph can only be exercised one (1) time by any particular underproduced party on the same proration unit; and each underproduced party agrees that it will not exercise such option unless it is of the opinion that the remaining underproduced recoverable gas reserves are inadequate for its gas account to be brought into balance by actual production prior to permanent discontinuance of gas production from such proration unit.

Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

This agreement shall constitute a separate agreement as to each proration unit within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect so long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED January 12th, 1982, BETWEEN JACK J. GRYNBERG "OPERATOR" AND MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and Covering Section 12 - 5S - 24E; SE/4.

EXHIBIT "F"

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator agrees as follows:

(1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin or sex. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin or sex. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provisions of this non-discrimination clause.

(2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin or sex.

(3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevent orders of the Secretary of Labor.

(5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

CERTIFICATION OF NON-SEGREGATED FACILITIES

Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion, or national origin, because of habit; local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 or September 24, 1965.

Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. S 1001.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 12 day of January, 19 82.

OPERATOR

JACK J. GRYNBERG

NON-OPERATORS

MTS, LIMITED PARTNERSHIP

BY: _____

ATTEST: _____

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

BEFORE ME, the undersigned authority, on this day personally appeared JACK J. GRYNBERG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____, 1982.

My Commission Expires:

_____

_____
NOTARY PUBLIC in and for the County of Denver, State of Colorado

* * * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

BEFORE ME, the undersigned authority, on this day personally appeared _____ _____ as Attorney-in-Fact, of MTS, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____, 1982.

My Commission Expires:

_____

_____
NOTARY PUBLIC in and for the County of Midland, State of Texas

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

NON-OPERATORS

ATTEST:

CORONA OIL COMPANY

_____

_____
ATTORNEY-IN-FACT

* * * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared _____ as Attorney-in-Fact, of CORONA OIL COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and the consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____,

My Commission Expires:

_____

_____
NOTARY PUBLIC in and for the County of Dallas, State of Texas

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1850 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

April 7, 1982

RECEIVED
APR
MES

Mr. Mark Hannifin
Mesa Petroleum Company
1000 Vaughn Building
Midland, TX 79701

RE: Authority for Expenditure
T5S-R24E, Sec. 12: SE/4
Chaves County, New Mexico

Dear Mr. Hannifin:

Enclosed are two copies of the Authority for Expenditure for the above captioned well. As you know, the New Mexico Oil Conservation Division, per Compulsory Pooling Order 6925, has named Jack Grynberg and Associates as Operator of this well. Under the terms of the Order, unless timely appeal is filed by Mesa or Corona, a copy of this AFE must be signed and returned within thirty days or you will be considered a non-consenting party, subject to the penalties appurtenant thereto.

Your cooperation in this matter will be greatly appreciated. Should you have any questions, please feel free to call me.

Very truly yours,

Stephen G. Smith

Stephen G, Smith
Petroleum Landman

SGS/
encls. 2

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 13
Submitted by MESA
Hearing Date 5/17/82

AUTHORITY FOR EXPENDITURES

AFE #
REVISION #
DATE 4/7/82

LEASE NAME Grynberg 12 State COM #1 LOCATION T5S - R24E, Sec. 12 1980' fsl & 660' fel

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4000' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL ___x___ GAS ___ OIL and/or GAS

PURPOSE: ___x___ DRILLING - NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT, AFE, ETC.)

TYPE WELL: ___x___ DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	7100	7100
Drilling, Footage	-	-
Drilling, Daywork 10 Days @ $ 5500 /Day	55000	55000
Moving In, Rigging Up, Rigging Down	23000	23000
Bits, Tools & Supplies	10000	10000
Drilling Water	8000	8000
Drilling Mud & Additives	5000	5000
Mud Logging Unit	-	-
Cement, Tools & Services, Temp. Surveys	9000	15000
Drill Stem Testing	-	-
Electric Logs & Perforating	20000	30000
Tool & Equip. Rental, Trucking, Welding	5500	8000
Supervision & Overhead	2300	3000
Coring, Tools & Services	-	-
Completion Unit 5 Days @ $ 1150 /Day	-	5800
Stimulation	-	35000
Contingency	7400	700
TOTAL INTANGIBLES:	153300	287700

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing:	12000	-
	-	-
	-	19000
Tubing:	-	16200
Packer & Special Equipment	-	4000
Contingency - Intermediate Casing String 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT:	33600	50800

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	-	-
Storage	-	7900
Separation Eq., Flowlines, Valves & Fittings	-	19800
Trucking & Construction Costs	-	4300
TOTAL LEASE & BATTERY EQUIP:		32000
TOTALS:	$ 186900	$ 338500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

JACK J. GRYNBERG

BY: DATE 4/7/82

SHARE
50.00%

NON-OPERATORS	SHARE
MESA PETROLEUM COMPANY	25.00%

BY: _____

CORONA OIL COMPANY	25.00%

BY: _____

DENVER CO 80265

4-050752S125 05/05/82 ICS IPMBNGZ CSP MIDC
3035721455 MGM TDBN DENVER CO 129 05-05 0527P EST

MARK HANNIFIN
MESA PETROLEUM CO
1000 VAUGHN BLDG
MIDLAND TX 79701

PURSUANT TO THE AFE FOR THE NUMBER 1 GRYNBERG 12 STATE COM LOCATED 1980 FEET FROM THE SOUTH LINE AND 660 FEET FROM THE EAST LINE OF SECTION 12 TOWNSHIP 5 SOUTH RANGE 24 EAST NEW MEXICO PRINCIPAL MERIDIAN CHAVES COUNTY NM SENT TO YOU APRIL 7 1982. THIS LETTER IS TO NOTIFY YOU THAT JACK J GRYNBERG AS OPERATOR PLANS TO MOVE A DRILLING RIG MAY 9 1982 TO THE ABOVEMENTIONED LOCATION AND COMMENCE DRILLING OPERATIONS. UNLESS WE RECEIVE PAYMENT OF YOUR SHARE OF THE DRILLING COST PRIOR TO MAY 9 1982 WE WILL TREAT YOUR PARTICIPATION IN SAID WELL AS A NON-CONSENTING PARTY IN ACCORDANCE WITH THE OIL CONSERVATION DIVISION ORDER NUMBER 4-6825.
JACK J GRYNBERG

1732 EST

MGMCOMP MGM

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 14
Submitted by MESA
Hearing Date 5/17/82

EXHILIT E

BDF 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 31 1981
BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

For the ..... District of COLORADO

In re JACK J. GRYNBERG, a/k/a JACK JAKOB GRYNBERG, a/k/a JACK GRYNBERG, d/b/a JACK GRYNBEERG AND ASSOCIATES, d/b/a JACK GRYNBERG & ASSOCIATES
*Debtor**

Case No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 15
Submitted by MESA
Hearing Date 5-17-82

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**
is a member of , a partnership,
composed of the undersigned and
of**
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**
is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 1525 Sherman St., 3rd Floor, Denver, Colorado 80203, is the agent of Colorado State Board of Land Commissioners, of** 1313 Sherman St., Room 620, and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [or liable] to this claimant, in the sum of $ 2877 rent + royalties in the event of production.

3. The consideration for this debt [or ground of liability] is as follows: See attached.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [or cannot be attached for the reason set forth in the statement attached hereto]. See attached.

5 [*If appropriate*] This claim is founded on an open account, which became [or will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim ~~except~~

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim ~~except~~

9. No security interest is held for this claim ~~except~~

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [or under a separate writing which (or a duplicate of which) is attached hereto, or under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Secured)~~ (Unsecured) ~~(Priority)~~ CLAIM.

$ 2877 rent + royalties in the event of production
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: COLORADO STATE BOARD OF LAND COMMISSIONERS
(Print or Type Full Name of Creditor)

Dated: July 31, 1981 Signed: Janet L. Miller
JANET L. MILLER, Asst. Attorney General

I hereby certify that the foregoing claim is a full, true and correct statement of the claim in my years or both-Title 18, U.S.C., §152.

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5

Clerk, U.S. Bankruptcy Court

*Include all names used by debtor within last 6 years.
**State post office address.

By: ..... Clerk

FPI—MAR—7-21-80-BOOK-6464

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UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

In re JACK J. GRYNBERG, a/k/a JACK JAKOB GRYNBERG, a/k/a JACK GRYNBERG, d/b/a JACK GRYNBERG AND ASSOCIATES, d/b/a JACK GRYNBERG & ASSOCIATES Debtor	)	Case No. 81 B 00821 M

STATEMENT

The attached reflect the leases which are held in the name of Jack J. Grynberg. This listing reflects the type of lease (oil and gas), the land covered by each lease; and the rental payment and due date. The royalty rate for these leases is 1/8 at the well head. The Colorado State Board of Land Commissioners is entitled to this royalty in the event of production.

Copies of each of these leases have not been attached due to the number involved and their repetitive nature.

Creditor: COLORADO STATE BOARD OF LAND COMMISSIONERS

Jack J. Grynberg
1050 - 17th St. uite 1930
Denver, CO 80265

~~76/1126~~
71/250
72/2814(a)
73/4055(a)
73/4594(a)
73/4755(a)
~~72/3205~~

O/ & Gas

LEASE NO. 71/250-S OR OG FEES $ 64.00 BONUS $ ------
LESSEE JACK J. GRYNBERG ANNUAL RENTAL: 1ST 5 YRS. $ ~~320.00~~
ADDRESS ~~750 Petroleum Club Bldg.~~ 2ND 5 YRS. $ 640.00 secondary term
Denver, Colo. 80202 PAYABLE ANNUALLY ON Feb 17
COUNTY San Miguel TERM: 2/17/71 TO ~~2/17/76~~ 2/17/81

FUND	ACRES	SUBDIVISION	SEC.	TWP.	RGE.	ASSIGNED	ASSIGNEE
School	640	All	16	42N	16W		
							Address change 7/72: 1050 - 17th St., Suite 1950
							COMMITTED TO HYCO UNIT. Effective 2/23/81.

882 (82)

LEASE NO. 72/2814-S FOR O & G FEES $ 64.00 BONUS $ 160.00
LESSEE ~~Jack J. Grynberg~~ ASSIGNED ANNUAL RENTAL: 1ST 5 YRS. $ ~~320.00~~
ADDRESS 1950 Prudential Plaza Tower 2ND 5 YRS. $ 640.00
Denver, Colorado 80202 PAYABLE ANNUALLY ON July 19th secondary term
COUNTY Moffat TERM: 7/19/72 TO ~~7/19/77~~ 7/19/82

FUND	ACRES	SUBDIVISION	SEC.	TWP.	RGE.	ASSIGNED	ASSIGNEE ASSIGNED
School	640.00	All	36	3-N	89-W	6/6/79	FULL ASSMT to ~~Donald J. Egen,~~ 600 S. Cherry St., Suite 1002, Denver, CO 80222. Effective 6/6/79.
						3/19/80	FULL ASSMT to Jack J. Grynberg, 1050 17th Street, Suite 1950, Denver, CO 80265. Effective 3/19/80.

LEASE NO. 73/4055 FOR O & G FEES $ 64.50 BONUS $ - - - -

LESSEE ~~Jack J. Grynberg~~ ASSIGNED ANNUAL RENTAL: 1 ST 5 YRS. $ ~~321.00~~

ADDRESS 1050 17th Street 2ND 5 YRS. $ 642.00

Denver, Colorado 80202 PAYABLE ANNUALLY ON Jan. 17th secondary ter

COUNTY Moffat TERM: 1/17/73 TO ~~1/17/78~~ 1/17/83

FUND	ACRES	SUBDIVISION	SEC.	TWP.	RGE.	ASSIGNED	ASSIGNEE ASSIGNE
School	641.65	Lot 12	30	6-N	93-W	6/6/79	FULL ASSMT to ~~Donald J. Egan,~~
		Lot 13	31	6-N	93-W		600 S. Cherry St., Suite 1002
		Lot 9	25	6-N	94-W		Denver, CO 80222. Effective
		Lot 1	36	6-N	94-W		6/6/79.
						3/19/80	FULL ASSMT to Jack J. Grynber
							1050 17th Street, Suite 1950,
							Denver, CO 80265. Effective
							3/19/80.

LEASE NO. 73/4594 FOR O&G FEES $ 31.50 BONUS $ - -

LESSEE ~~Jack J. Grynberg~~ ASSIGNED ANNUAL RENTAL: 1ST 5 YRS. $ ~~157.50~~

ADDRESS 1050 17th St., Suite 1950 2ND 5 YRS. $ 315.00

Denver, Co. 80202 PAYABLE ANNUALLY ON secondary ter

COUNTY Routt TERM: 3/21/73 TO ~~3/21/78~~ 3/21/83

FUND	ACRES	SUBDIVISION	SEC.	TWP.	RGE.	ASSIGNED	ASSIGNEE ASSIGNE
School	314.79	Lots A & B in Sec. 16;	16 & 17	12N	88W	6/9/79	FULL ASSMT to ~~Donald J. Egan~~
		Lots C in Sec. 17					600 S. Cherry St., Suite 100
							Denver, CO 80222. Effective
							6/9/79.
						3/19/80	FULL ASSMT to Jack J. Grynber
							1050 17th Street, Suite 1950,
							Denver, CO 80265. Effective
							3/19/80.

LEASE NO. 73/4755 FOR O&G FEES $ 9.50 BONUS $ - -

LESSEE ~~Jack J. Grynberg~~ ASSIGNED ANNUAL RENTAL: 1ST 5 YRS. $ 640.00

ADDRESS 1050 17th St. Suite 1950 2ND 5 YRS. $

Denver, Co. 80202 PAYABLE ANNUALLY ON secondary term

COUNTY Moffet TERM: 6/20/73 TO ~~6/20/78~~ 6/20/83

FUND	ACRES	SUBDIVISION	SEC.	TWP.	RGE.	ASSIGNED	ASSIGNEE ASSIG
School	640.00	All	36	5N	91W	6/6/79	FULL ASSMT to ~~Donald J. Egan,~~
							600 S. Cherry St., Suite 1002,
							Denver, CO 80222. Effective
							6/6/79.
						3/19/80	FULL ASSMT to Jack J. Grynber
							1050 17th Street, Suite 1950,
							Denver, Colorado 80265.
							Effective 3/19/80.

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(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

For the _____ District of COLORADO

In re JACK J. GRYNERG, a/k/a JACK JAKOB GRYNBERG, a/k/a JACK GRYNBERG d/b/a JACK GRYNBERG AND ASSOCIATES, d/b/a JACK GRYNBERG & ASSOCIATES, *Debtor**

JUL 31 1981
CLERK

Case No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 2020 First National Bank Bldg. Denver, Colorado 80293, is the agent of Pascal L. Gwaltney, of**117 Westover Dr., Pecan Plantation, Granbury, Tex. 76048, and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ $420.00

3. The consideration for this debt [*or* ground of liability] is as follows: Wages $840.00, statutory penalty amount $22,000.00, expenses advanced $500.00, overriding royalties due to date of filing-est.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on The overriding royalties are based on assignments made but I don't have division orders. Grynberg has all records., as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. None.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except $38,691.00 asserted in Denver District Court Action No. C-76666 which is stayed.

9. No security interest is held for this claim except none.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Secured)~~ (Unsecured) ~~(Priority)~~ CLAIM.

$ 23,760.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Pascal L. Gwaltney
(Print or Type Full Name of Creditor)

Dated: July 29, '81

Signed: H. Rae McCollister attorney #219

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

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B OF 15
(Rev. 10/79)

United States Bankruptcy Court

For the District of COLORADO

JUL 31 1981

CLIFFORD L. BOLTON, Clerk
BY DEPUTY CLERK

In re JACK J. GRYNBERG, AKA JACK JAKOB GRYNBERG, AKA JACK BRYNBERG, D/B/A JACK GRYNBERG AND ASSOCIATES, d/b/a JACK BRYNBERG & ASSOCIATES
*Debtor**

Case No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**
11810 East Bates Circle, Denver, Colorado.

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the . of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 3,000,000.00

3. The consideration for this debt [*or* ground of liability] is as follows: "guaranteed overriding royalty" as part of wage agreement for personal services rendered by claimant. See 3 over.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto]: Exhibit "A"

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except no exception

9. No security interest is held for this claim except None.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Unsecured)~~ ~~(Secured)~~ CLAIM.
(Priority) for wages owed. m

$3,000,000.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: FLOYD E. MURRAY
(Print or Type Full Name of Creditor)

Dated: July 30, 1981 Signed: Floyd E. Murray

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

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JACK GRYNBERG AND ASSOCIATES
PETROLEUM GEOLOGICAL GEOPHYSICAL AND MINING ENGINEERS
750 PETROLEUM CLUB BUILDING • DENVER, COLORADO 80202 • PHONE 303-244-8021
TELEX: 45-884
CABLE: GRYNBERG
DENVER, COLORADO

DATE: May 13, 1971

TO: Domestic Geologists

FROM: Jack J. Grynberg

The purpose of this memorandum is to reiterate in writing that Stan Conrad is in charge of all exploration for domestic operations of Jack Grynberg and Associates.

Each geologist who originates a prospect is guaranteed an overriding royalty of 0.25% for the prospect he originates. This is a minimum guarantee, and, depending upon conditions, such as quality, existing overriding royalties and the final promotional terms, this override could be increased to 0.50% or as much as 1.0%.

Stan Conrad, as the manager, will receive an override of 0.25% over the prospects generated by his group.

As soon as the land on a prospect is put together, a meeting will be held, precise overrides will be agreed upon and a binding letter will be issued to that effect.

I wish to repeat that this applies to original prospects generated by each geologist. A similar commission will apply to selling the prospects. The above understanding and override bonuses will not apply to routine work conducted by the geologic staff, such as selection of federal, state and fee leases for purchase or filing, review of other material, compilation of data, geologic advice, etc.

JJG:jl

EXHIBIT "A"

IN THE DISTRICT COURT

IN AND FOR THE CITY AND COUNTY OF DENVER

STATE OF COLORADO

FLOYD E. MURRAY, Plaintiff, vs. JACK J. GRYNBERG, Defendant.	AMENDED COMPLAINT Civil Action No. C-40599 Courtroom 1

COMES NOW the Plaintiff, Floyd E. Murray, by his attorney Russell W. Bartels and for his several causes of action against the Defendant alleges and states as follows:

FIRST CLAIM FOR RELIEF

1. That the Plaintiff is a professional geologist and during the practice of his profession has specialized in the geology of the Rocky Mountain region and is recognized as possessing an expertise in this particular area.

2. That during the month of July, 1970 the Plaintiff and the Defendants had frequent discussions with respect to the Plaintiff being employed by the Defendant as a geologist. As a result of these discussions the Plaintiff ultimately was employed by the Defendant as a geologist with the understanding that the Plaintiff would accept a salary in an amount which was less than he had originally requested provided that an overriding royalty was paid to him in addition to such base pay.

3. That the override royalty arrangement agreed upon between the parties was as follows:

> That as to each and every prospect worked by the Plaintiff he would receive an overriding royalty up to as much as

two and one-half percent (2½%), provided that the total overriding royalties on a given prospect did not exceed six and one-quarter percent (6¼%) and provided further that the amount of the overriding royalty would depend on whether or not other geologists in the employ of the Defendant, or of companies of which the Defendant was principal, were employed and receiving participations or overriding royalties on the same prospects.

4. Pursuant to the foregoing salary arrangement and overriding royalty agreement the Plaintiff commenced work for the Defendant on or about the 29th day of July, 1970 and continued until approximately the 15th day of June, 1971. During which period of time the Plaintiff did work a large number of new and old prospects all in accordance with the above and foregoing agreement and in all of which prospects the Plaintiff earned an overriding royalty.

5. That the Defendant wholly failed and neglected to assign overriding royalties in accordance with the above and foregoing agreement or to pay the same except that on a single prospect known as "Sugar Loaf" he did assign to the Plaintiff a one-half of one percent (½%) overriding royalty and assigned the remaining overriding royalty to children of Jack Grynberg. The failure to assign the full amount contracted for as to Sugar Loaf was a violation of the above agreement as was the failure to assign the proper overriding royalty to all the other prospects.

6. That the various prospects on which the Plaintiff is entitled to an overriding royalty includes the following:

Sugar Loaf	West Clay Basin
North Sheep Mountain	Camp Canyon
Baggs Prospect	West Joyce Creek
North Ten-Mile	Wamsutter
South Krejci	Willow Creek
Vulcan	Lost Creek Lake
Mud Hen	Mud Springs
Split Rock	Blue Gravel
Lazy B	Jackknife Springs
Live Horse Creek	Southwest Redwash
Bell Creek	Higgins

(Other areas were evaluated but no prospects developed)

7. That by reason of the failure of the Defendant to assign to the Plaintiff the overriding royalties provided for the employment agreement the Plaintiff has been damaged in the sum of $3,000,000.

8. That the Plaintiff has rendered skilled professional services in connection with each and all the prospects set forth above and by reason thereof is entitled to a lien upon the same for the unpaid portion of service rendered for which damages are claimed herein.

SECOND CLAIM FOR RELIEF

COMES NOW the Plaintiff and for his Second Claim of Relief alleges and states as follows:

1. Plaintiff incorporates herein each and all of the allegations set forth in the First Claim for Relief above as though the same were herein set out before.

2. That on the 13th day of May, 1971 the Defendant executed and circulated to the geologists then employed by him including the Plaintiff a letter confirming the existence of an understanding with respect to overriding royalty. A copy of said writing is hereto attached marked Exhibit A and incorporated into and made a part of this Complaint by reference.

3. That the in said writing the Plaintiff undertook, unilateraly, and without consideration, to vary and modify the previous oral agreement between the parties. The agreement recognizes that it was a "minimum guarantee" and that the existing royalties could be increased to as much as 1%.

4. The Plaintiff alleges in the alternative that Exhibit A is a written memorandum executed by the Defendant confirming the fact that the Defendant is entitled to an over-riding royalty. While it sets forth an amount at variance with the oral agreement, the Plaintiff is entitled to receive in the alternative the amount set forth in the written agreement as a minimum.

5. That by reason of the failure of the Defendant to deliver the overriding royalties provided the Plaintiff has been damaged in the sum of $3,000,000, and is entitled to a lien upon the property described herein by reason of the skilled professional services rendered in connection with said property as a result of his employment.

WHEREFORE the Plaintiff prays that he have and recover from the Defendant the sum of three million dollars ($3,000,000) together with interest thereon at the rate of six percent per annum from the 15th day of June, 1971. That Plaintiff further prays that the court declare and establish a lien upon the real estate referred to herein for the amount awarded to the Plaintiff herein and that he recover his costs herein expended and such other and further relief as would be just and proper in the premises.

Russell W. Bartels
Attorney for Plaintiff
806 Denver Center Bldg.
Denver, Colorado 80203

Plaintiff's Address:

11810 East Bates Circle
Denver, Colorado 80232

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
750 PETROLEUM CLUB BUILDING • DENVER, COLORADO 80202 • PHONE 303-244-8021
TELEX: 45-884
CABLE: GRYNBERG
DENVER, COLORADO

DATE: May 13, 1971

TO: Domestic Geologists

FROM: Jack J. Grynberg

The purpose of this memorandum is to reiterate in writing that Stan Conrad is in charge of all exploration for domestic operations of Jack Grynberg and Associates.

Each geologist who originates a prospect is guaranteed an overriding royalty of 0.25% for the prospect he originates. This is a minimum guarantee, and, depending upon conditions, such as quality, existing overriding royalties and the final promotional terms, this override could be increased to 0.50% or as much as 1.0%.

Stan Conrad, as the manager, will receive an override of 0.25% over the prospects generated by his group.

As soon as the land on a prospect is put together, a meeting will be held, precise overrides will be agreed upon and a binding letter will be issued to that effect.

I wish to repeat that this applies to original prospects generated by each geologist. A similar commission will apply to selling the prospects. The above understanding and override bonuses will not apply to routine work conducted by the geologic staff, such as selection of federal, state and fee leases for purchase or filing, review of other material, compilation of data, geologic advice, etc.

JJG:jl

EXHIBIT "A"

IN THE DISTRICT COURT IN AND FOR THE

CITY AND COUNTY OF DENVER

STATE OF COLORADO

FLOYD E. MURRAY,	)	
	)	
Plaintiff,	)	Civil Action No. C-40599
	)	Courtroom 7
vs.	)	
	)	
JACK J. GRYNBERG,	)	AMENDMENT TO AMENDED COMPLAINT
	)	
Defendant.	)	

Plaintiff by his attorney, Russell W. Bartels, has amended his amended complaint as follows:

Paragraph six is amended to read as follows:

"6. The various prospects on which the Plaintiff is entitled to an overriding royalty includes the following:

Sugar Loaf	Lazy B
Bell Creek	West Clay Basin
Willow Creek	Blue Gravel
Jackknife Springs	Southwest Redwash
Higgins	

(Other areas were evaluated but no prospects developed.)"

Plaintiff has also amended the prayer of the complaint to read as follows:

"WHEREFORE the Plaintiff prays that he have and recover from the Defendant the sum of three million dollars ($3,000,000) together with interest thereon at the rate of six percent per annum from the 15th day of June, 1971. That Plaintiff further prays that the Court declare and establish a lien upon the real estate referred to herein for the amount awarded to the Plaintiff herein and that the Defendant be required to specifically perform said royalty agreement with respect to each and every prospect named above and that he be ordered to execute assignments of such royalty to the Plaintiff, and that Plaintiff recover his costs herein expended and such other and further relief as would be just and proper in the premises."

ORDER

On concurrence of counsel of Plaintiff and Defendant the foregoing amendments are allowed.

District Judge

Approved as to form:

MUSSER AND BUNCH
A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS AT LAW
400 OIL AND GAS BUILDING
MAIN AND ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102

R. CLARK MUSSER
DOYLE G. BUNCH
JAMES W. WEBER
STEVEN R. SCHATZ

AREA CODE 405
235-1766

July 20, 1981

Clerk of the Bankruptcy Court
1845 Sherman Street
Fourth Floor
Denver, Colorado 80203

Attention: Dolores B. Kopel,
United States Trustee

Re: Jack Grynberg
Case No. 81 B 00821 M

Dear Mrs. Kopel:

Please be advised that we are representing claimant Gulfstream Petroleum Corporation in the above captioned proceedings. Gulfstream claims the amount described on the enclosed Proof of Claim by virtue of an oil and gas Operating Agreement attached as an exhibit. The Agreement provides for an operator's lien on both the leasehold interest and proceeds of production. Please note the agreement calls for a well to be drilled in the center of the Southeast quarter (SE/4) of Section 12, Township 9 North, Range 22 East, Haskell County, Oklahoma. This initial well was completed and all drilling costs owed by the above named debtor have been paid.

The Walter Blaylock No. 1-12 well was drilled in the center of the NE/4 of Section 12, Township 9 North, Range 22 East, Haskell County, Oklahoma and completed as a producing gas well subject to the terms of the attached operating agreement. Gulfstream, as operator, has received no payment for the drilling costs attributable to the above named debtor's interest in this well.

At the time the initial well was drilled this interest was owned by Jack Grynberg d/b/a Jack Grynberg and Associates. Subsequent thereto, but prior to drilling of the Walter Blaylock No. 1-12, Jack Grynberg assigned his leasehold interest to Celeste Grynberg. Therefore, Gulfstream is filing a Proof of Claim against the above named debtor as well as in the bankruptcy proceeding of Celeste Grynberg, Case No. 81 B 00825 M, also pending before the Bankruptcy Court for the District of Colorado, until final disposition of this asset between the two estates has been determined. Finally, Gulfstream will place the proceeds of production attributable to the Grynberg interest into an escrow account pending the termination of the bankruptcy proceedings.

Very truly yours,

MUSSER AND BUNCH

Doyle G. Bunch

Doyle G. Bunch

DGB:dgh

JUL 27 1981

B10F 10
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 30 1991
BRADFORD L. DOLTON, Clerk
BY JO, DEPUTY CLERK

For the _____ District of Colorado

In re Jack J. Grynberg aka Jack Jakob Grynberg aka Jack Grynberg d/b/a Jack Grynberg and Associates d/b/a Jack Grynberg & Associates
*Debtor** SSN# 523-38-2422

Case No. 81 B 00821 M

(See In re Celeste Grynberg, Case No. 81 B 00825 M)

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership, composed of the undersigned and , of** , and doing business at** and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the VICE PRESIDENT, LAND of Gulfstream Petroleum Corporation, a corporation organized under the laws of Texas and doing business at** Houston, Texas and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** , is the agent of , of** , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 11,794.00

3. The consideration for this debt [*or* ground of liability] is as follows:
Drilling a gas well

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [~~xx cannot be attached for the reason set forth in the statement attached hereto~~]

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. None

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except None

9. No security interest is held for this claim except under Article VII B of the Operating Agreement dated July 16, 1979, covering Section 12, T9N, R22W, Haskell County, Oklahoma

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto. *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a ~~xx~~ (Secured) CLAIM.

$ 11,794.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: GULFSTREAM PETROLEUM CORPORATION
(Print or Type Full Name of Creditor)

Dated: Signed: John C. Brim

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address..

B10F 10
(Rev. 10/)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 30 1981
BRADFORD L. DOLTON, Clerk
BY JO
DEPUTY CLERK

For the _____ District of Colorado

In re Jack J. Grynberg aka Jack Jakob Grynberg aka Jack Grynberg d/b/a Jack Grynberg and Associates d/b/a Jack Grynberg & Associates
*Debtor** SSN# 523-38-2422

Case No. 81 B 00821 M

(See In re Celeste Grynberg, Case No. 81 B 00825 M)

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the VICE PRESIDENT, LAND of Gulfstream Petroleum Corporation,
a corporation organized under the laws of Texas
and doing business at** Houston, Texas
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or liable*] to this claimant, in the sum of $ 11,794.00

3. The consideration for this debt [*or* ground of liability] is as follows:
Drilling a gas well

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [~~xx cannot be attached for the reason set forth in the statement attached hereto~~]

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. None

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except None

9. No security interest is held for this claim except under Article VII B of the Operating Agreement dated July 16, 1979, covering Section 12, T9N, R22W, Haskell County, Oklahoma

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a ~~XX~~ (Secured) CLAIM.

$ 11,794.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: GULFSTREAM PETROLEUM CORPORATION
(Print or Type Full Name of Creditor)

Dated: Signed: John C. Brim

Penalty for Presenting Fraudulent Claim: Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

B0F 15
(Rev. 10/79)

United States Bankruptcy Court

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

For the _____ District of Colorado

JUL 29 1981

In re Jack J. Grynberg

Case No. 81-B-821

BY _____ DEPUTY CLERK

*Debtor**

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 2900 1st of Denver Plaza Denver, Colorado 80202, is the agent of Camay Drilling Company, of** 4250 Wilshire Boulevard, Los Angeles, CA 90010, and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $an amount to be entered by Judge Carrigan in Civil Action Numbers 78-C-694 & 79-C-1042. This amount is estimated between $1,750,000 & 2,000,0

3. The consideration for this debt [*or* ground of liability] is as follows: A Guaranty by Jack J. Grynberg of certain obligations of Universal Drilling Company

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. A judgment will be entered by Judge Carrigan in Civil Actions 78-C-694 & 79-C-1042

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except as reflected, if at all, in the judgment by Judge Carrigan.

9. No security interest is held for this claim except mortgages and assignments of income and security indenture copies of which, with recording information, are attached. Actions were commenced to foreclose, copies of the Complaints are attache

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Unsecured)~~ (Secured) CLAIM.
~~(Priority)~~

$ @2,000,000.
Total Amount Claimed

*The judgment will bear interest at 8% a copy of the judgment will be filed when entered.

Claim Number

(For Office Use Only)

Name of Creditor: Camay Drilling Company
(Print or Type Full Name of Creditor)

Dated: Signed: _____

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

FFI-MAS—7 21-80-BSCW 4494

G U A R A N T Y

FOR A GOOD AND VAULABLE CONSIDERATION, the receipt whereof is hereby acknowledged, the undersigned, Jack Grynberg, hereby guarantees to Camay Drilling Company: (a) the performance of each and every obligation on the part of Universal Drilling Company to be kept and performed pursuant to that certain Agreement of Purchase and Sale, dated July 1, 1977, made between said Camay Drilling Company, said Universal Drilling Company and the undersigned doing business under the fictitious firm name of Jack Grynberg & Associates; and (b) the payment when due of the Note, as defined in said agreement, made by said Universal Drilling Company in the principal sum of $2,125,000 in favor of said Camay Drilling Company.

The obligations under this Guaranty are independent of the obligations of said Universal Drilling Company and a separate action may be brought and prosecuted against the undersigned for performance hereunder, whether or not action be brought against said Universal Drilling Company.

The undersigned does hereby waive any right to require said Camay Drilling Company to (i) proceed against said Universal Drilling Company, (ii) proceed against or exhaust any security held by said Camay Drilling Company securing the performance of the obligations of said Universal Drilling Company under the aforesaid agreement or under said Note or (iii) pursue any other remedy.

The undersigned does hereby agree to pay, in addition to any and all monetary obligations hereby guaranteed, reasonable attorneys' fees and all costs and expenses which may be incurred by said Camay Drilling Company in the enforcement of this Guaranty.

Dated: July 1, 1977.

Jack Grynberg

BOF 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

APR 29 1982

BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

For the ____ District of Colorado

In re JACK J. GRYNBERG,
a/k/a Jack Jakob Grynberg,
a/k/a Jack Grynberg,
d/b/a Jack Grynberg and Associates,
d/b/a Jack Grynberg & Associates
*Debtor** SS #523-38-2422

Case No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

BEFORE THE
CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 16
Submitted by MESA
Hearing Date 5-17-82

is a member of , a partnership,
composed of the undersigned and
of**
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 1409 Executive Plaza Building Fort Worth, Texas , is the agent of the Central Tax Authority Texas , of** Parker County, Texas, P.O. Drawer V, Weatherford , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $1,394.58

3. The consideration for this debt [*or* ground of liability] is as follows: 1978 City and School ad valorem property taxes, as shown by the attached statements.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

If appropriate] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except for the tax lien held by the Central Tax Authority of Parker County, Texas.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Secured) CLAIM.
(Priority) Taxes

$1,394.58
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: CENTRAL TAX AUTHORITY, PARKER COUNTY, TEXAS
(Print or Type Full Name of Creditor)

I hereby attest and certify on May 11, 1982 that the foregoing is a true and correct copy of the document on file in my office.

Dated: Signed: on file

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

OWNER GRYBERG JACK J

ADDRESS 1050 17TH STE 1930
DENVER CO 80202

ACCOUNT NUMBER M0576-500-333-31 SUIT CODE - S

ADDITION/SURVEY DESCRIPTION JOSE MARIA MORA
P O MARTIN UNIT 000.875000

THE ABOVE BEING THAT PROPERTY MORE PARTICULARLY DESCRIBED IN VOLUME , PAGE OF THE DEED RECORDS, PARKER COUNTY, TEXAS.

TAXES DUE IF PAID IN APRIL, 1982

YEAR	TAX AMOUNT	PENALTY	TOTAL DUE	
1978	330.75	97.57	428.32	SCHOOL
			$.00	TOTAL CITY AMOUNT
			$428.32	TOTAL SCHOOL AMOUNT
	$330.75	$97.57	$428.32	TOTAL DUE

OWNER	GRYBERG JACK J
ADDRESS	1050 17TH STE 1950 DENVER CO 80202
ACCOUNT NUMBER	M0576-500-333-38
ADDITION/SURVEY DESCRIPTION	JOSE MARIA MORA MARTIN '81 UNIT

SUIT CODE - S

000.875000

THE ABOVE BEING THAT PROPERTY MORE PARTICULARLY DESCRIBED IN VOLUME , PAGE OF THE DEED RECORDS, PARKER COUNTY, TEXAS.

TAXES DUE IF PAID IN APRIL, 1982

YEAR	TAX AMOUNT	PENALTY	TOTAL DUE	
1978	684.90	202.04	886.94	SCHOOL
			$.00	TOTAL CITY AMOUNT
			$886.94	TOTAL SCHOOL AMOUNT
	$684.90	$202.04	$886.94	TOTAL DUE

OWNER GRYSERG JACK J

ADDRESS 1050 17TH STE 1930
DENVER CO 80202

ACCOUNT NUMBER MC576-50A-333-31

SUIT CODE - S

ADDITION/SURVEY DESCRIPTION JOSE MARIA MORA
MARTIN TAT UNIT

000.87>000

THE ABOVE BEING THAT PROPERTY MORE PARTICULARLY DESCRIBED IN VOLUME , PAGE OF THE DEED RECORDS, PARKER COUNTY, TEXAS.

TAXES DUE IF PAID IN APRIL, 1982

YEAR	TAX AMOUNT	PENALTY	TOTAL DUE	
1978	61.25	18.07	79.32	SCHOOL
			$.00	TOTAL CITY AMOUNT
			$79.32	TOTAL SCHOOL AMOUNT
	$61.25	$18.07	$79.32	TOTAL DUE

BOF 15
(Rev. 10/79)

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
APR 16 1982
BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

United States Bankruptcy Court

For the _____ District of COLORADO

In re JACK GRYNBERG d/b/a
JACK GRYNBERG AND ASSOCIATES

*Debtor**

Case No. 81B821M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the - of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 12101 E. 2nd Ave., Suite 202 Aurora, CO 80011, is the agent of Basin Inspection Service, Inc., of** Farmington, New Mexico, and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 4,692.00.

3. The consideration for this debt [*or* ground of liability] is as follows: judgment entered 12-7-78

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except in Superior Court, City & County of Denver, Action no. 85981, entered 12-7-78

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

none

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (~~Secured~~ ~~Priority~~) (Unsecured) CLAIM.

$ 4,692.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Basin Inspection Service, Inc.
(Print or Type Full Name of Creditor)

Dated: 4-12-82

Signed: JAMES G. ANDERSON, 12101 E. 2nd Ave., #202, Aurora,

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

15

B.O.F. 16
(Rev. 3/74)

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
FEB 11 1982
BRADFORD L. DOLTON, Clerk
BY ..... Deputy Clerk

United States District Court

For the ..... District of Colorado

In re Jack J. Grynberg

Bankrupt *

Bankruptcy No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at **

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at **

is a member of , a partnership,
composed of the undersigned and
of ** , and
doing business at **
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at **

is the Lebanon, Missouri President, of Empiregas of Douglas, Wyoming
a corporation organized under the laws of Wyoming
and doing business at ** Douglas, Wyoming
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at **
, is the agent of
, of ** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 6,389.45

3. The consideration for this debt [*or* ground of liability] is as follows:

4. [*If the claim is founded* on writing] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto].

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on December 15, 1981 , as shown by the itemized statement attached hereto.
Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a(n) (Unsecured) (~~Secured~~) (~~Priority~~) (XXXXXX) CLAIM.

$ 6,389.45
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Empiregas Inc. of Douglas
(Print or Type Full Name of Creditor)

Dated:

Signed: Miles J Hufft
Miles Hufft, President

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

ACK 2/11/82 PD-15c

FPI—MAR—8-26-79-125M-2376

B 10
(Rev. 10/79)

United States Bankruptcy Court

For the E I District of Colorado

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
FEB 2 1982
BRADFORD L. BOLTON, Clerk
BY DEPUTY CLERK

In re
JACK J. GRYNBERG

Case No. 81 B 0821 M

*Debtor**

AMENDED

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at*

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 633 17th Street, #2900, Denver Colorado 80202 , is the agent of Billy J. Green & Lawrence O. Griffi , of** P. O. Box 3669, Grand Junction, CO 81502 , and i authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $8,495.81 + $7,985.38 in prepetition interest = $16,481.19

3. The consideration for this debt [*or* ground of liability] is as follows: labor, services and materials rendered on Dragon Tail 44-6 Well

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto]. See Exhibit A

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on See Exhibit B , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. none

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except none

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, or under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$ 16,481.19
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Billy J. Green and Lawrence O. Griffith
(Print or Type Full Name of Creditor)

Dated: 2/1/82

Signed: William H. Rutter
Sherman & Howard by William H. Rutter

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

14

B 10
(Rev. 10/79)

United States Bankruptcy Court

For the F I District of Colorado

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
FEB 2 1982
BRADFORD L. PAYTON, Clerk
BY DEPUTY CLERK

In re
JACK J. GRYNBERG

Case No. 81 B 0821 M

*Debtor**

AMENDED

PROOF OF CLAIM

1. *[If claimant is an individual claiming for himself]* The undersigned, who is the claimant herein, resides at**

[If claimant is a partnership claiming through a member] The undersigned, who resides at**

is a member of , a partnership
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[If claimant is a corporation claiming through an authorized officer] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[If claim is made by agent] The undersigned, who resides at** 633 17th Street, #2900, Denver Colorado 80202 , is the agent of Billy J. Green & Lawrence O. Griffi , of** P. O. Box 3669, Grand Junction, CO 81502 , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted *[or liable]* to this claimant, in the sum of $8,495.81 + $7,985.38 in prepetition interest = $16,481.19

3. The consideration for this debt *[or ground of liability]* is as follows: labor, services and material's rendered on Dragon Tail 44-6 Well

4. *[If the claim is founded on writing]* The writing on which this claim is founded (or a duplicate thereof) is attached here to *[or cannot be attached for the reason set forth in the statement attached hereto]*. See Exhibit A

5 *If appropriate]* This claim is founded on an open account, which became *[or will become]* due on See Exhibit B , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. none

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except none

9. No security interest is held for this claim except

[If security interest in property of the debtor is claimed] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof *[or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. *[If priority is claimed, state the amount and basis thereof.]*

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$ 16,481.19
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Billy J. Green and Lawrence O. Griffith
(Print or Type Full Name of Creditor)

Dated: 2/1/82

Signed: William H. Rutter
Sherman & Howard by William H. Rutter

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

14

B.O.F. 18
(Rev. 8/74)

United States District Court

For the ---------- District of COLORADO ----------

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
DEC 1 1981
BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

In re

JACK J. GRYNBERG

Bankrupt *

Bankruptcy No. 81 B00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at **
c/o Bronson, Bronson & McKinnon, 555 California Street
San Francisco, Ca. 94104
[*If claimant is a partnership claiming through a member*] The undersigned, who resides at **

, is a member of , a partnership, composed of the undersigned and , of ** , and doing business at ** , and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at **

, is the of , a corporation organized under the laws of and doing business at ** , and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at **

, is the agent of , of ** , and is authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 2,700, plus interest at legal rate from July 28, 1978

3. The consideration for this debt [*or* ground of liability] is as follows:
See attached statement.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto]. See attached state
men

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on Not applicable., as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except Not applicable.

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. NONE.

8. This claim is not subject to any setoff or counter-claim except NONE.

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a(n) (Unsecured) (Secured) (Priority) CLAIM.

*Plus interest at legal rate from 7/28/78.

$ 2,700.00 * Total Amount Claimed

Claim Number (For Office Use Only)

Name of Creditor: Ann K. Lenway
(Print or Type Full Name of Creditor)

Dated: Nov. 26, 1981. Signed: Ann K. Lenway

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

145

Claimant owned a 50% interest in the U.S. Federal Lease Utah 11835 and Debtor owned the other 50%.

Debtor negotiated the sale of such lease to Sonja V. McCormick, and induced Claimant to assign her 50% interest in such lease to purchaser, which Claimant did.

On or about July 7, 1978, purchaser made payment of $9,000, the full purchase price, by check issued as to 50% to Debtor and as to 50% to Claimant. Debtor returned the check to the purchaser, asking that the entire check be made payable to him, and promising purchaser that he would pay $4,500, that is, Claimant's 50%, directly to Claimant. On or about July 28, 1978, Debtor collected the entire $9,000 sales price. Debtor advised Claimant that the purchase price had only been $3,600 and remitted to Claimant one-half, or $1,800, and fraudulently retained the balance of $2,700. Claimant only found out about this embezzlement on November 2, 1981. Copies of relevant correspondence are attached hereto.

Form 3106-5
February 1973

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

U-80,370

FORM APPROVED
OMB NO. 42-R1471

Serial No. USA-U-11835

LAND OFFICE USE ONLY
New Serial No.

ASSIGNMENT AFFECTING RECORD TITLE TO OIL AND GAS LEASE
PART I

1 SonJa V. McCormick
Annex 303
Kearns Building
Salt Lake City, Utah 84101

The undersigned, as owner of 100% percent of record title of the above-designated oil and gas lease issued effective (date) June 1, 1970, hereby transfers and assigns to the assignee shown above, the record title interest in and to such lease as specified below.

2 Describe the lands affected by this assignment (43 CFR 3101.2-1)
Grand County, Utah

In the event Assignee should desire to relinquish all or any part of the interest hereby assigned, it agrees to give written notice thereof to Assignor at least thirty (30) days in advance of the next anniversary date. Assignor will have fifteen (15) days in which to elect whether or not he will require a reassignment of such interest. Any such reassignment shall be free and clear of all burdens, encumbrances or outstanding interest other than those existing on the date hereof.

Assignor	Assignor	Assignee
Jack J. Grynberg	Ann K. Lenway	SonJa V. McCormick
Assignor	Assignor	Assignee

3a. What overriding royalty or production payments is the assignor reserving herein? (See instructions; specify percentage) 6.25 % of 8/8ths of 100% (6.26 percent of eight-eighths of one hundred percent)

b. What overriding royalties or production payments, if any, were previously reserved or conveyed? (Percentage only) none

It is agreed that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17½ percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

I CERTIFY That the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this 16th day of May, 1978

(Assignor's Signature)	(Assignor's Address)
Jack J. Grynberg 1050 17th Street, Suite 1950 Denver, Colorado 80265 50%	Ann K. Lenway c/o Robert O. Folkoff & Company 995 Market Street San Francisco, CA 94103 (City) 50% (State) (Zip Code)

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

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO } ss.

On this 24th day of May in the year one thousand nine hundred and 78 before me, Jean A. Ross, a Notary Public, State of California, duly commissioned and sworn, personally appeared Ann K. Lenway

known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the City & County of San Francisco the day and year in this certificate first above written.

OFFICIAL SEAL
JEAN A. ROSS
NOTARY PUBLIC - CALIFORNIA
SAN FRANCISCO COUNTY
My Comm. Expires AUG 28, 1981
555 California Street, San Francisco, CA 94104

Notary Public, State of California

My commission expires

Gaudery's Form No. 32 Acknowledgement General (C. C. Sec. 1190a) Printed 12/72

Annex 303 Kearns Building • Salt Lake City, Utah 84101 • Telephone (801) 322-4266

McCORMICK & KENDELL

Oil, Gas and Minerals

SonJa V. McCormick
Patricia V. Kendell

November 3, 1981

Bronson, Bronson & McKinnon
Bank of America Center
555 California Street
San Francisco, California

P. O. Box 7358
San Francisco, California 94120

Attention: Mr. Max Weingarten

Re: USA Federal Lease Utah 11835
Ann K. Lenway
Grand County, Utah

Dear Mr. Weingarten:

I am in receipt of your letter dated November 2, 1981.

On July 28, 1978, on behalf of my client, we paid Mr. Jack J. Grynberg $9,000.00 for the above-captioned Federal Oil and Gas Lease, my check numbered 3542, copy attached herewith.

In dealing with Mr. Grynberg on said lease, he stated that he was handling the sale of said lease for himself as well as Mrs. Ann K. Lenway. He billed me as per the statement dated May 16, 1978 for $3,600.00; $1,800.00 for Jack J. Grynberg and $1,800.00 for Ann K.Lenway. However, I refused to pay such statement as the consideration being paid for this lease was not $3,600.00, but $9,000.00. I had no authority to issue a check on his figures for Utah 11835.

On July 7, 1978, I made an attempt to pay by check #3442, payable to Jack J. Grynberg (50%) and Ann K. Lenway (50%) the total amount of $9,000.00 for sale of Utah 11835, (copy attached).

Mr. Grynberg returned my check #3442 on July 27, 1978, refusing to accept it with Ann K. Lenway's name on it for 50% interest. He indicated that he was her representative and that he would settle up with her after our negotiations. The company authorized me to do this only if he would send me a letter holding us harmle concerning the sale of Utah 11835 (copy attached).

We had negotiations with Mr. Grynberg on other leases at that time and I am enclosin herewith a copy of his letter to me dated June 22, 1978, indicating that he would distribute Mrs. Lenway's share to her.

If I can be of further assistance in this matter, please do not hesitate to call.

Also, lease Utah 11835 expired June 1, 1980; therefore the lease is no longer valid and all royalties are void.

Very truly yours,

SonJa V. McCormick

Enclosures

[illegible]

[illegible]

[illegible]

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL AND GEOPHYSICAL ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80202 • PHONE 303 – 572-1455

Nº 10956

May 16, 1978

SonJa V. McCormick
Annex 303
Kearns Building
Salt Lake City, Utah 84101

U-80,370 Bonus consideration for USA-U-11835, Grand County, Utah
T 24 S - R 20 E, SLM, 360.00 acres @ $10.00 per acre plus
1/16th overriding royalty $3,600.00

Please Remit:

Jack Grynberg
1050 17th Street, Suite 1950
Denver, Colorado 80265

$1,800.00

Ann K. Lenway
c/o Robert O. Folkoff & Company
995 Market Street
San Francisco, California 94103

$1,800.00

5/1978 - REFUSED TO PAY (client refuses to pay) Consideration due Grynberg (50%) Lenway (50%)

Issue check in both names 50/50 for $9,000.00. SVM

TOTAL $9,000.00

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

June 22, 1978

Sonja V. McCormick
A-303 Kearns Building
Salt Lake City, Utah 84101

Dear Sonja:

(deleted from copy - not applicable) SVM

I expect all the money owed me to be sent by return mail and I will distribute Mrs. Lenway's share to her.

Yours very truly,

JACK GRYNBERG AND ASSOCIATES

Jack J. Grynberg

JJG/kw

SonJa V. McCormick
Oil, Gas and Minerals

A-303 KEARNS BUILDING ☐ SALT LAKE CITY, UTAH 84101 ☐ (801) 322-4266

July 7, 1978

Mr. Jack J. Grynberg
1050 - 17th Street
Suite 1950
Denver, Colorado 80265

Re: USA Lease Utah 11835
Grand County, Utah

Dear Mr. Grynberg:

Enclosed herewith is my check numbered 3442 dated July 7, 1978 in the amount of $9,000.00 payable to Jack J. Grynberg (50%) and Ann K. Lenway (50%), which represents consideration paid for the sale of Utah 11835 containing 360.00 acres at the rate of $25.00 per acre.

Very truly yours,

SonJa V. McCormick

Enclosure

SONJA V. McCORMICK
BUSINESS ACCOUNT
A 303 KEARNS BUILDING 322-4266
SALT LAKE CITY, UTAH 84101

3442

July 7, 1978 97-154/1240

Pay to the order of Jack J. Grynberg (50%) Ann K. Lenway (50%) $ 9,000.00

**NINE THOUSAND AND NO/100---------- Dollars

BROADWAY-WEST TEMPLE OFFICE
VALLEY BANK AND TRUST COMPANY
80 WEST BROADWAY
SALT LAKE CITY, UTAH 84101

For Sale of Utah 11835
24S-20E, containing 360.00 acres @ $25.00 per acre

⑈1240⑈0154⑆ 21 01 928 2⑈

SonJa V. McCormick
Oil, Gas and Minerals

A-303 KEARNS BUILDING ☐ SALT LAKE CITY, UTAH 84101 ☐ (801) 322-4266

original letter delivered not accepted

July 7, 1978

Mr. Jack J. Grynberg
1050 - 17th Street
Suite 1950
Denver, Colorado 80265

Re: USA Lease Utah 11835
Grand County, Utah

Dear Mr. Grynberg:

Enclosed herewith is my check numbered 3442 dated July 7, 1978 in the amount of $9,000.00 payable to Jack J. Grynberg (50%) and Ann K. Lenway (50%), which represents consideration paid for the sale of Utah 11835 containing 360.00 acres at the rate of $25.00 per acre.

Very truly yours,

SonJa V. McCormick

Enclosure

My original letter & check returned by Grynberg - refused -

Returned # 3442 7/27/78

$9000.00 & Voided

To J J Grynberg (50)
& Ann K. Lenway (50)

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL, AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

Utah 11835

July 25, 1978

Ms. Sonja McCormick
A-303 Kearns Building
Salt Lake City, UT 84101

Dear Sonja:

It is my understanding that you will be sending me a check for $360 as a refund of a rental we paid as well as a check for $9,000 to finalize our deal, hopefully no hard feelings being on either side.

It is also my understanding you will be sending it immediately this week.

This letter will also indemnify and hold you harmless concerning the sale of Utah-11835.

Sincerely,

Jack J. Grynberg

JG:ll

Enclosure

July 27, 1978

Mr. Jack J. Grynberg
1050 - 17th Street
Suite 1950
Denver, Colorado 80265

Re: USA Lease Utah 11835
USA Lease Utah [redacted]
Grand County, Utah

Dear Jack:

Pursuant to our telephone conversation, enclosed herewith is my check in the amount of $9,000.00 payable to you, which represents full consideration for the purchase of Utah 11835 containing 360 acres at the rate of $25.00 per acre.

Also, enclosed herewith is my check in the amount of $320.00, which is reimbursement for the 1978-1979 rental payment affecting Utah [redacted] containing 640.00 acres at .50 per acre. N/A

Very truly yours,

SonJa V. McCormick

Enclosures

SONJA V. McCORMICK
BUSINESS ACCOUNT
A 303 KEARNS BUILDING 322-4266
SALT LAKE CITY, UTAH 84101

3542

July 28, 1978 97-154/1240

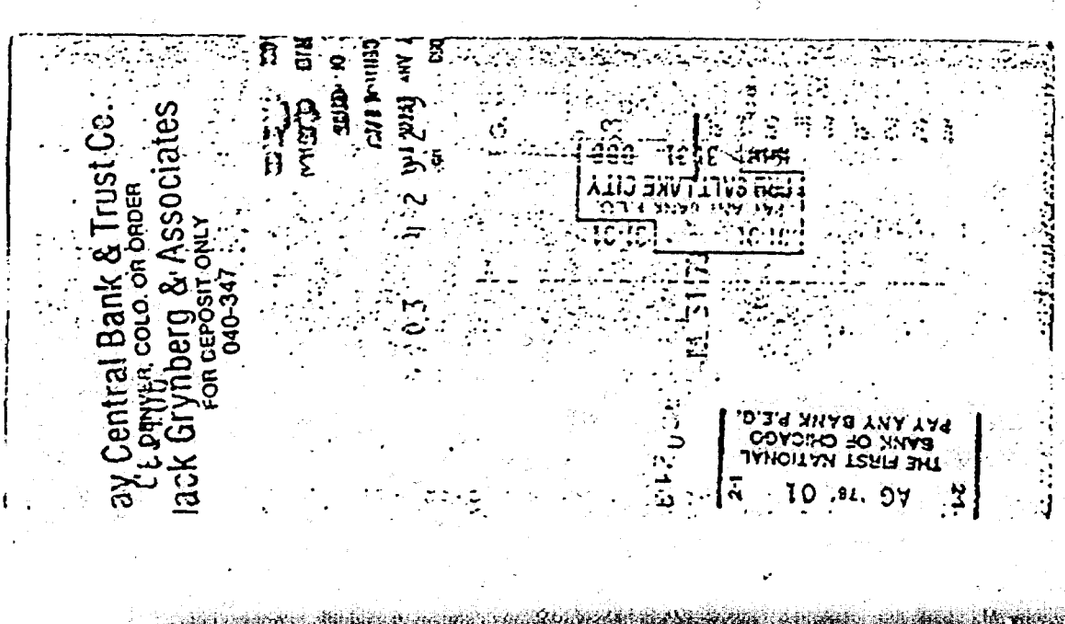
Pay to the order of JACK J. GRYNBERG $9,000.00

**NINE THOUSAND AND NO/100 Dollars

BROADWAY-WEST TEMPLE OFFICE
VALLEY BANK AND TRUST COMPANY
60 WEST BROADWAY
SALT LAKE CITY, UTAH 84101

For Full consideration for purchase of Tract 1183S containing 360.00 acres @ $25.00 per acre

⑈1240⑈0154⑈ 01 928 2⑈ 900000⑈



B 9 (Official Form 9)

United States District Court

For the District of Colorado

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
NOV 20 1981
BRADFORD L. BOLTON, Clerk
DEPUTY CLERK

In re Jack J. Grynberg - Jack Grynberg & Associated
1050 Prudential Plaza
Denver, CO. 80202
Bankrupt *

Bankruptcy No. 81B00821M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at **

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at **

is a member of , a partnership,
composed of the undersigned and ,
of ** , and
doing business at ** ,
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at ** P. O. Box 6, Craig, Colorado 81626 ,
is the County Treasurer of Moffat County, Colorado ,
a ~~corporation~~ political subdivision organized under the laws of Colorado ,
and doing business at ** 221 W. Victory Way, Craig, CO ,
and is authorized to make this proof of claim on behalf of the ~~corporation~~ political subdivision.

[*If claim is made by agent*] The undersigned, who resides at **
, is the agent of
, of ** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 15,011.94

3. The consideration for this debt [*or* ground of liability] is as follows:
1980 real estate and personal property taxes plus costs and penalty interest to

4. [*If the claim is founded* on writing] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto]. 12/31/8

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.

Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except none

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. none

8. This claim is not subject to any setoff or counterclaim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [or under a separate writing which (or a duplicate of which) is attached hereto, or under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a ~~xxx~~ (~~Unsecured~~) (~~Secured~~) (Priority) CLAIM.

1980 real estate and personal property taxes plus costs and interest to 12/31/81

$ 15,011.94
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: MOFFAT COUNTY, COLORADO
(Print or Type Full Name of Creditor)

Dated: November 18, 1981 Signed: Moffat County Treasurer

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

OFFICE OF THE TREASURER
COUNTY OF MOFFAT
P.O. BOX 6 - - PHONE 824-6670
CRAIG, COLORADO 81625

November 18, 1981

Mr. Ernest W. Lohf
Lohf & Parnhill, P. C.
Attorneys at Law
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265

Dear Sir:

Reference is made to your letter of November 10, 1981 pertaining to Jack J. Grynberg-Jack Grynberg Associates.

Enclosed please find a photocopy of Proof of Claim submitted by our office to the Clerk of the Bankruptcy Court for the District of Colorado.

Please be advised that the Moffat County Treasurer's office has not received any prior notice of a voluntary petition under Chapter 11 of the Bankruptcy Code from your office or the U. S. District Court; therefore we had proceeded with our normal procedures for the collection of delinquent taxes.

Your letter also refers to an "enclosed copy of notice"; however the copy was not with the letter.

Thanking you in advance for your kind cooperation in this matter, I remain

Very truly yours,

Ralph P. Razzano

RALPH P. RAZZANO
Moffat County Treasurer

RPR:r
Encl.
CC: District Court

LOHF & BARNHILL, P. C.
ATTORNEYS AT LAW
2410 PRUDENTIAL PLAZA
1050 SEVENTEENTH STREET
DENVER, COLORADO 80265
303 623-9224

ERNEST W. LOHF
KENNETH E. BARNHILL, JR.
R. LAUREN MORAN
ROBERT SHAIMAN
WILLIAM R. ROSS
MICHAEL O. MASSEY
STEPHEN H. EHRLICH
MATTHEW D. SKEEN
DAVID G. EBNER
STEPHEN E. [illegible]
DENNIS A. GRAHAM
RODRICK J. ENNS
NEIL E. AYERVAIS
PHILIP A. PEARLMAN

November 10, 1981

Treasurer of Moffat County
P. O. Box 6
Craig, Colorado 81625

Re: Jack J. Grynberg - Jack Grynberg & Associates

Dear Sir:

Enclosed herewith is a copy of notice issued by your office relating to taxes assessed against Jack J. Grynberg, who also does business under the name Jack Grynberg & Associates. The taxes appear to have accrued prior to February 20, 1981.

Please take notice that Jack J. Grynberg filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States District Court for the District of Colorado, Case No. 81 B 00821M, on February 20, 1981. We are acting as counsel to Mr. Grynberg in his Chapter 11 proceeding in which he has continued in possession of his property and is authorized to operate his business as a debtor-in-possession. In accordance with applicable provisions of the Bankruptcy Code, the filing of the voluntary petition automatically operated as an order for relief under the Bankruptcy Code. To the extent that the taxes which are the subject of the enclosed copy of notice became a liability of Mr. Grynberg before February 20, 1981, your office would appear to have a priority claim therefor in accordance with the Bankruptcy Code. We will cause his schedules to be amended to reflect the tax claim which is the subject of the enclosed copy of notice. Mr. Grynberg proposes to pay any taxes properly due when and as permitted to do so after allowance of claims by the Bankruptcy Court.

We direct your attention to Section 362 of the Bankruptcy Code, 11 U.S.C. §362, which in accordance with the terms automatically operates as a stay, applicable to all entities,

of various actions and proceedings, including "(4) any act to...enforce any lien against property of the estate" and "(6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title...." Any collection of any tax which may be due based on a tax liability accruing before February 20, 1981, whether by tax sale or otherwise, accordingly appears prohibited by paramount federal law.

We also enclose a proof of claim form for your use in the event you desire to file with the Clerk of the Bankruptcy Court for the District of Colorado a formal claim for any taxes, interest, penalties or other amounts which may be due.

Very truly yours,

Ernest W. Lohf

Ernest W. Lohf

EWL:df

Enc.

cc: Mr. Jack J. Grynberg

B.O.F. 15 (Rev. 5-74)

United States District Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

For the _____

In re Grynberg, Jack
Grynberg & Assoc.

NOV 19 1981

BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

Bankruptcy No. 81 B 00821 M

Bankrupt *

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at **

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at **

, is a member of , a partnership, composed of the undersigned and , of ** , and doing business at ** , and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at ** Post Office Box G Meeker, Colorado 81641, is the County Treasurer of Rio Blanco County, a ~~corporation~~ government sub-division under the laws of the State of Colorado and doing business at ** Rio Blanco County Court House, Meeker, Colorado 81641, and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at ** , is the agent of , of ** , and is authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [or liable] to this claimant, in the sum of $2,496.16 plus interest and penalities to December 31, 1981.

3. The consideration for this debt [or ground of liability] is as follows: Real Estate Taxes, Personal Property Taxes and Mining Claim taxes.

4. [*If the claim is founded* on writing] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto].

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on January 1, 1981., as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is expiained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counterclaim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. *Evidence of perfection of such security interest is also attached hereto.*

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a(n) ~~(Unsecured)~~ (Secured) ~~(Priority)~~ CLAIM.

$2,496.16
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Rio Blanco County Treasurer
(Print or Type Full Name of Creditor)

Dated: Nov. 16, 1981. Signed: Doris Warren

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

FPI-M1—11-21-74 SCCM-3125

1142

FROM THE
OFFICE OF COUNTY TREASURER

RIO BLANCO COUNTY
MEEKER, COLORADO

GRYNBERG & ASSOCIATES

1050 17TH ST. #1950

DENVER, COLO. 80265

August 1981

Code D

The records of this office show unpaid current PERSONAL tax assessed in your name as follows:

Personal Tax $ 47.14 , including August interest:

Personal Tax $ 47.59 , including September interest:

ADD $1.00 ADVERTISING FEE AFTER SEPTEMBER 17th.

Personal property advertising fees will be charged after Thursday, September 17th. Delinquent personal property tax will be advertised September 24, 1981.

The Colorado State Statutes provides that any time after the first day of October, the Treasurer shall enforce collection of delinquent taxes on personal property by distraining, seizing and selling such property.

Your attention to any delinquent taxes assessed in your name will be appreciated.

Yours very truly,

Doris Warren

DORIS WARREN,
COUNTY TREASURER

From the Office of County Treasurer
Rio Blanco County
Meeker, Colorado

GRYNBERG & ASSOC.
1050 17th ST. SUITE 1950
DENVER, COLORADO 80202

September, 1981

CODE D
SCHEDULE #3012

The records of this office show unpaid current 1980 tax assessed in your name as follows:

Real Estate Tax $ 2,261.85

Delinquent real estate advertising fee in the amount of $2.50 will be charged after October 26th, to the date of first publication of delinquent real estate tax on November 5, 1981, after which date the full amount of advertising costs will be charged. The real estate tax sale will be held on December 1, 1981.

Your attention to any delinquent taxes assessed in your name will be appreciated. Please return this letter with your remittance.

Yours very truly,

Doris Warren

Doris Warren, County Treasurer

From the Office of County Treasurer
Rio Blanco County
Meeker, Colorado

OCT 2[illegible] 1981

GRYNBERG, JACK
1050 17TH ST #1950
DENVER, CO. 80202

September, 1981

D-Mining Claim Sch.#55

The records of this office show unpaid current 1980 tax assessed in your name as follows:

Real Estate Tax $ 120.90

Delinquent real estate advertising fee in the amount of $2.50 will be charged after October 26th, to the date of first publication of delinquent real estate tax on November 5, 1981, after which date the full amount of advertising costs will be charged. The real estate tax sale will be held on December 1, 1981.

Your attention to any delinquent taxes assessed in your name will be appreciated. Please return this letter with your remittance.

Yours very truly,

Doris Warren

Doris Warren, County Treasurer

FORM NO 2238 ORDER BY NUMBER
MANLY OFFICE SUPPLY CO - PRINTERS - OKLA CITY

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

PROOF OF CLAIM

FORM NO 15—PROOF OF CLAIM

United States District Court for the NOV 16 1981 District of Colorado

BRADFORD L. BOLTON, Clerk
BY DEPUTY CLERK

In re

Jack J. Grynberg - SS#523-38-2422, Bankrupt

Bankruptcy No 81 B 00821M

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at * _____.

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at * _____, is a member of _____, a partnership, composed of the undersigned and _____, of * _____, and doing business at * _____, and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at * P. O. Box 697, Hennessey, Oklahoma, is the Secretary of Pioneer Transports, Inc., a corporation organized under the laws of Oklahoma and doing business at * Hennessey, Oklahoma, and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at * _____, is the agent of _____, of * _____, and is authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to the claimant, in the sum of $ 359.69.

3. The consideration for this debt [*or* ground of liability] is as follows:

As shown on Attachment "A"

4. [*If the claim is founded* on writing] The writing on which this claim is founded [or a duplicate thereof] is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto].

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on _____, as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except _____.

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except _____.

9. No security interest is held for this claim except _____.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

Dated: October 16, 1981

PIONEER TRANSPORTS, INC.
Signed: Alice Willis

Penalty for Presenting Fraudulent Claim.—Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

*State post-office address.

Ack 11/16/81

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ATTACHMENT "A"

FRAC TANKS

P.O. BOX 697
HENNESSEY, OKLA. 73742
PH. 405-853-7239

PIONEER TRANSPORTS, INC.

P.O. BOX 6582
FT. SMITH, ARK. 72901
PH. 501-646-8661

TO: JACK GRYNBERG & ASSOC
PO BOX 506
GRANBURY TX 76048

DATE 2/15/91
NO. 001218

LEASE: DICKEY

TERMS NET

SERVICES FURNISHED OUR FIELD TICKET 001218

2/02/91	FURNISHED 150 BBL TRANSPORT	2 HRS. @	47.50 PER HR	95.00
	FUEL SURCHARGE	2 HRS. @	7.84 PER HR	15.68
	SALTWATER DISPOSAL	.22 PER	150.00 BBLS	33.00
			INVOICE TOTAL	143.68

1.50 % INTEREST CHARGED AFTER 30 DAYS

"Your Work Is Our Pleasure"

OFFICE COPY

P.O. BOX 697
HENNESSEY, OKLA. 73742
PH. 405-853-7239

PIONEER TRANSPORTS, INC.

P.O. BOX 6582
FT. SMITH, ARK. 72901
PH. 501-646-8661

TO: JACK GRYNBERG & ASSOC
PO BOX 506
GRANBURY TX 76048

DATE 2/15/91
NO. 001219

LEASE: DICKEY

TERMS NET

SERVICES FURNISHED OUR FIELD TICKET 001219

2/02/91	FURNISHED 150 BBL TRANSPORT	2 HRS. @	47.50 PER HR	95.00
	FUEL SURCHARGE	2 HRS. @	7.84 PER HR	15.68
	SALTWATER DISPOSAL	.22 PER	150.00 BBLS	33.00
			INVOICE TOTAL	143.68

1.50 % INTEREST CHARGED AFTER 30 DAYS

"Your Work Is Our Pleasure"

OFFICE COPY

B OF 15
(Rev. 10/79)

United States Bankruptcy Court

For the District of COLORADO

In re JACK J. GRYNBERG, A/K/A
JACK JAKOB GRYNBERG, A/K/A
JACK GRYNBERG, DBA
Debtor* JACK GRYNBERG AND ASSOCIATES, DBA
JACK GRYNBERG & ASSOCIATES

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
AUG 3 1981
BY [illegible] Clerk

Case No. 81 B 00821 /

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partner
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at** P.O. Box 126 BRIDGEPORT, TEXAS 76026
is the VICE PRESIDENT of B-P SALES AND SERVICE COMPANY
a corporation organized under the laws of TEXAS
and doing business at** P.O. Box 126 BRIDGEPORT, TEXAS 76026
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , a
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liabl
this claimant, in the sum of $ 305.94

3. The consideration for this debt [*or* ground of liability] is as follows:

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is
tached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on
12-23-80 , as shown by the itemized statement attached here
Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable ins
ment has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.
NONE

7. The amount of all payments of this claim has been credited and deducted for the purpose of making
proof of claim.

8. This claim is not subject to any setoff or counter-claim except
NONE

9. No security interest is held for this claim except
NONE

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the wri
referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto
under a separate writing which cannot be attached hereto for the reason set forth in the statement attached here
Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, describe
paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Secured)~~ (Unsecured) CLAIM.
~~(Priority)~~

$ 305.94
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: B-P SALES AND SERVICE COMPANY
(Print or Type Full Name of Creditor)

Dated: 7-30-81

Signed: M.P. Scroggins

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more th
years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

G.E.T. — Fix GRYNBERG & ASSOCIATES — Bal. Fwd. $

DATE	DESCRIPTION	INV./CK. NO.	DR AMOUNT	CR CK./CR. MEMO	BALA DR (
M3D					
Dec 23		2111	19635		
Dec 23		2112	2363		
Dec 23		2113	2363		
Dec 23		2114	2363		
Dec 23		2115	1890		
Dec 23		2116	2781		
Dec 23		CM 2117		801	3

Note: Received check # 1379
on 2-19-81 for 365.94
Check returned 3-2-81 —
Account closed.

B.O.F. 16 (Rev. 3-71)

United States District Court

For the U.S. Bankruptcy Court District of Colorado

In re: JACK J. GRYNBERG, a/k/a
JACK JAKOB GRYNBERG, a/k/a
JACK GRYNBERG, d/b/a
JACK GRYNBERG AND ASSOCIATES, d/b/a
JACK GRYNBERG & ASSOCIATES, Debtor
Bankrupt *

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
AUG 3 1981
RICHARD L. SOLTON, Clerk
BY ..... DEPUTY CLERK

Bankruptcy No. 81 B 00821 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at **

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at **

is a member of , a partnership,
composed of the undersigned and ,
of ** , and
doing business at ** ,
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at ** 6249 Dillingham, Shreveport, Louisiana, 71106 ,
is the Vice President of Muslow Oil and Gas, Inc. ,
a corporation organized under the laws of Louisiana
and doing business at ** 1401 Commercial National Bank Bldg., Shreveport, Louisiana, 71101,
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at **
, is the agent of
, of ** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The bankrupt was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $

3. The consideration for this debt [*or* ground of liability] is as follows: Gas runs withheld in a court ordered escrow account from: three (3) Texas gas wells of which Muslow has a working interest

4. [*If the claim is founded* on writing] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [*or* cannot be attached for the reason set forth in the statement attached hereto].

5. [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counterclaim except

9. No security interest is held for this claim except court ordered escrow account

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [or under a separate writing which (or a duplicate of which) is attached hereto, or under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a(n) (~~Unsecured~~) (Secured) (~~Priority~~) CLAIM.

** $ 117,052.31
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Muslow Oil and Gas, Inc.
(Print or Type Full Name of Creditor)

**We make no representation as to the correctness of this figure as we have no independent information of which to base an opinion.

Dated: 7-29-81

Signed: JAMES MUSLOW JR.

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C., § 152.

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

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UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 31 1981
BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

IN RE	)	
	)	
JACK J. GRYNBERG,	)	
a/k/a JACK JAKOB GRYNBERG,	)	
a/k/a JACK GRYNBERG,	)	
d/b/a JACK GRYNBERG AND ASSOCIATES,	)	Case No. 81 B 00821M
d/b/a JACK GRYNBERG & ASSOCIATES,	)	
	)	
SSN: 523-38-2422	)	
	)	
Debtor.	)	

PROOF OF CLAIM
OF
HUNT ENERGY CORPORATION

The undersigned, whose office address is 2500 First National Bank Building (1401 Elm Street), Dallas, Texas 75202, is the President of Hunt Energy Corporation, a corporation organized under the laws of the State of Delaware and doing business at 2500 First National Bank Building (1401 Elm Street), Dallas, Texas 75202, and is authorized to make this Proof of Claim on behalf of the Corporation.

2. Debtor, Jack J. Grynberg, was at the time of filing the petition initiating this case, and still is, liable to this Claimant in the principal sum of $184,076.85, plus interest from the date said sums were received by him to the date of the petition initiating this case at the rate of 6% per annum.

3. This liability arises from a series of fraudulent acts and false representations perpetrated by Debtor on Claimant during the period from March through June, 1979, by which Debtor obtained from Claimant money in the principal sum of $184,076.85.

4. The particular transactions by which Debtor obtained said moneys involved the purported sale and assignment by Debtor to Claimant of certain federal oil and gas leases which Debtor falsely represented that he owned or controlled. Specifically, Debtor represented to Claimant that he owned or controlled certain federal oil and gas leases in the Counties

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of Ogemow, Oscoda and Crawford, Michigan, covering 17,863 surface acres, more or less. Debtor offered to sell and assign said leases to Claimant for $15.00 per acre plus an agreed overriding royalty, which offer was accepted by Claimant in reliance on Debtor's representations. Subsequently, in a series of transactions, Debtor delivered to Claimant assignments of specific federal leases, each expressly representing ownership of 100% of a federal oil and gas lease described therein, together with drafts for the agreed $15.00 per acre purchase price. Claimant honored said drafts and thereby paid money to Debtor. Twenty-four of the 30 lease assignments so delivered by Debtor, covering 12,271 surface acres, more or less, and relating to the federal lease serial numbers on Exhibit A annexed hereto, were worthless in that no federal lease had been, or could be, issued to Debtor, or its assignees, covering the acreage described in said assignments. In fact, Debtor's representation of ownership or control, both in the original sale and in the assignments to Claimant were false in that the acreage was either subject to prior valid federal oil and gas leases to other parties or involved acreage not subject to lease under the application procedure used by Debtor. Debtor's representation of facts either were known by Debtor to be false or, if not so known, constituted such a reckless disregard of truth and customary industry practices as to constitute fraud in the transaction.

5. The writings upon which this claim is founded cannot be attached hereto because of their voluminous nature.

6. No note or other negotiable instrument has been received for this claim, or any part of it.

7. No judgment has been rendered on the liability set forth in this Proof of Claim.

8. This claim is not subject to any setoff or counterclaim.

9. No security interest is held for this claim except that Claimant reserves the right to claim an equitable lien on any after-acquired title in the leases falsely assigned to it.

10. This claim is an unsecured claim, and Claimant reserves the right to seek an exception to discharge under 11 U.S.C. § 523.

Dated July 31, 1981.

HUNT ENERGY CORPORATION

BY: _____
Tom Hunt
President

All Notices With Respect To
This Claim Should Be Sent To:

Hunt Energy Corporation
2500 First National Bank Building
Dallas TX 75202

Attention: Mr. Jerry L. Head

and

Davis, Graham & Stubbs
P.O. Box 185
Denver CO 80201

Attention: Robert L. Shanstrom, Esq.

PENALTY FOR PRESENTING FALSE CLAIM: FINE OF NOT MORE THAN $5,000 OR IMPRISONMENT FOR NOT MORE THAN FIVE YEARS OR BOTH. TITLE 18, U.S.C. § 152.

EXHIBIT A

Federal Lease Serial Numbers

USA-ES-21219

USA-ES-21220

USA-ES-21221

USA-ES-21222

USA-ES-21223

USA-ES-21224

USA-ES-21225

USA-ES-21226

USA-ES-21233

USA-ES-21234

USA-ES-21235

USA-ES-21236

USA-ES-21237

USA-ES-21238

USA-ES-21239

USA-ES-21240

USA-ES-21241

USA-ES-21242

USA-ES-21243

USA-ES-21305

USA-ES-21306

USA-ES-21307

USA-ES-21308

USA-ES-21314

EXHIBIT A

Federal Lease Serial Numbers

USA-ES-21219

USA-ES-21220

USA-ES-21221

USA-ES-21222

USA-ES-21223

USA-ES-21224

USA-ES-21225

USA-ES-21226

USA-ES-21233

USA-ES-21234

USA-ES-21235

USA-ES-21236

USA-ES-21237

USA-ES-21238

USA-ES-21239

USA-ES-21240

USA-ES-21241

USA-ES-21242

USA-ES-21243

USA-ES-21305

USA-ES-21306

USA-ES-21307

USA-ES-21308

USA-ES-21314

EXHIBIT A

Federal Lease Serial Numbers

USA-ES-21219

USA-ES-21220

USA-ES-21221

USA-ES-21222

USA-ES-21223

USA-ES-21224

USA-ES-21225

USA-ES-21226

USA-ES-21233

USA-ES-21234

USA-ES-21235

USA-ES-21236

USA-ES-21237

USA-ES-21238

USA-ES-21239

USA-ES-21240

USA-ES-21241

USA-ES-21242

USA-ES-21243

USA-ES-21305

USA-ES-21306

USA-ES-21307

USA-ES-21308

USA-ES-21314

FILED
UNITED STATES BANKRUPTCY COURT
JUL 31 1981
BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

IN RE JACK J. GRYNBERG, a/k/a JACK JAKOB GRYNBERG, a/k/a JACK GRYNBERG, d/b/a JACK GRYNBERG AND ASSOCIATES, d/b/a JACK GRYNBERG & ASSOCIATES, SSN: 523-38-2422	)	Case No. 81B00821M

PROOF OF CLAIM

1. The undersigned, who resides at 7142 East Briarwood Drive, Englewood, Colorado 80112 is the Treasurer of the Colorado School of Mines Foundation, Inc., a Colorado non-profit corporation, doing business at 1800 Jackson Street, Golden, Colorado 80401, and is authorized to make this Proof of Claim on behalf of said corporation.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted or liable to this claimant for (a) the sum of $100,000 and (b) 50,000 shares of stock of Oceanic Exploration Company or, if the stock is sold pursuant to the terms of the Amendment to Voting Trust Agreement and Purchase Option Agreement dated June 2, 1976, the proceeds attributable to any such sale.

3. The consideration for the indebtedness described in paragraph 2 is as follows:

(a) the $100,000 pledge is a charitable subscription, the consideration for which is, among other things, action taken by this claimant in reliance upon the subscription; and

(b) the debtor made an unconditional gift to this claimant of his entire right, title and interest in 50,000 shares of Oceanic Exploration Company stock, subject to the terms and conditions of the Voting Trust Agreement dated February 10, 1976, as amended by

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Amendment to Voting Trust Agreement and Purchase Option Agreement dated June 2, 1976. The debtor's only interest in the 50,000 shares of stock is as trustee or nominee for this claimant.

4. The gift of 50,000 shares of stock of Oceanic Exploration Company is based upon a letter dated September 27, 1977 from Mr. Grynberg to the trustees of the Voting Trust Agreement dated February 10, 1976, as amended, a true copy of which is attached hereto as Exhibit A.

5. No judgment has been rendered on this claim.

6. The amount of all payments on this claim has been credited and deducted for the purposes of making this Proof of Claim.

7. This claim is not subject to any set-off or counterclaim.

8. No security interest is held to secure the $100,000 charitable subscription. This claimant, however, is the beneficial owner of the 50,000 shares of the stock of Oceanic Exploration Company, and the debtor's only interest in that stock is as trustee or nominee for this claimant.

9. This claim is a general unsecured claim, except to the extent that this claimant has an interest in the 50,000 shares of Oceanic Exploration Company stock.

DATED this 30th day of July, 1981.

Thomas Paterson

Thomas Paterson, Treasurer
Colorado School of Mines
Foundation, Inc.

Penalty for presenting a fraudulent claim: Fine of not more than $5,000 or imprisonment for not more than five years.

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TWX: 910-931-2565
TELECOPIER: 303-623-5224 GRYNBERG
CABLE: GRYNBERG, DENVER, COLORADO

September 27, 1977

Dr. Gene E. Burke
515 Littlejohn Lane
Houston, Texas 77024

Mr. Tony Healey
1220 Park Avenue
New York, New York 10028

Mr. Marc Waucquez
Traction et Electricite, S.A.
Rue de la Science, 31
1040 Bruxelles, Belgium

Registered-
Return Receipt Requested

Gentlemen:

A demand is placed upon you by the undersigned to transfer as a gift fifty thousand shares of Oceanic Exploration Company stock to the Colorado School of Mines Foundation, Inc. at 1800 Jackson Street, Suite 210, Golden Colorado 80401. Furthermore, a similar gift of fifty thousand shares should be transferred immediately to the United Jewish Appeal, Allied Jewish Federation at 300 South Dahlia Street, Denver, Colorado 80222. In addition to the above gifts, I want to sell immediately sixty-eight thousand shares of Oceanic stock on the open market, or whatever other amount may be lawfully sold by me, in accordance with Rule 144. A certificate for thirty-three thousand shares should be transferred to Phil Waldbaum, Vice-President of Dean Witter and Company at 821 Seventeenth Street, Denver, Colorado 80202. In addition, please transfer a million shares of Oceanic stock to the Mercantile Bank at Dallas, P.O. Box 5415, Dallas Texas 75222 to the attention of Jim Hamilton, Senior Vice-President as collateral for the purchase of four drilling rigs.

EXHIBIT A

Failure to perform any or all of these requests will cause a great deal of damage to my financial position and tax planning. You will be responsible for all the damages resulting from your actions. I want to assure you that I intend to and will collect every cent due me resulting from such damages.

Very truly yours,

JACK GRYNBERG AND ASSOCIATES

Jack J. Grynberg

JJG/rc

cc: Oceanic Exploration Company
George Patrick
Phil Waldbaum
Robert E. Loup, United Jewish Appeal
Bob Maytag, Chairman, Colorado School of Mines Foundation, Inc.
William K. Coors, Colorado School of Mines Resource Fund
Jim Hamilton, Mercantile National Bank at Dallas
Ted Stockmar, President, Board of Trustees, Colorado School of Mines

United States Bankruptcy Court

For the District of COLORADO

In re

JACK J. GRYNBERG

*Debtor**

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 9 1981
BRADFORD L. BOLTON, CLERK
BY DEPUTY CLERK

Case No. 81 B00821M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and ,
of** ,
doing business at** ,
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of ,
a corporation organized under the laws of ,
and doing business at** ,
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 11 Embarcadero West, #220, Oakland, CA 94607, is the agent of see attached Statement., of** , and is authorized to make this proof of claim on behalf of the claimant.

BEFORE THE
OIL & GAS CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 17
Submitted by Mesa
Hearing Date 5-17-82

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 6,742,993.92 plus interest at legal rate from 12/22/80

3. The consideration for this debt [*or* ground of liability] is as follows: see attached Statement.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto]. See Exhibit A.

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. Judgment has been entered for the full amount of this claim.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim. NONE

8. This claim is not subject to any setoff or counter-claim except NONE

9. No security interest is held for this claim except see Exhibits B-1 -- B-18.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Unsecured)~~ XXXXXXX (Secured) ~~(Priority)~~ XXXXXX CLAIM.

$ 6,742,993.92**
Total Amount Claimed

**Plus interest at legal rate from 12/22/80 and cost bills.

Claim Number
(For Office Use Only)

Name of Creditor: _____
(Print or Type Full Name of Creditor)

Dated: Signed: _____

I hereby attest and certify on _____ that the foregoing Proof of Claim is a full, true and correct copy of the original on file in my custody.

*Penalty for Presenting Fraudulent Claim: Fine of not more than $5,000 or imprisonment for not more than 5 years or both. Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

Clerk, United States Bankruptcy Court
District of Colorado

By: _____ Deputy Clerk

7-10-81

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Answer to Question 1:

The undersigned is one of the representative plaintiffs of the certified plaintiff class in that certain action entitled Danzig, et al. v. Jack Grynberg and Associates, Jack Grynberg and Celeste Grynberg being action number 462022-4 in the Superior Court for Alameda County, State of California, and by virtue of his position as a representative plaintiff of that certified class is authorized to make this Proof of Claim on behalf of said class; said class is a judgment creditor by virtue of the judgment entered on behalf of said class, and all of the members thereof, in said action.

Answer to Question 3:

Judgment entered in Danzig, et al. v. Jack Grynberg and Associates, Jack Grynberg and Celeste Grynberg being action number 462022-4 in the Superior Court for Alameda County, State of California, nunc pro tunc as of December 22, 1980.

Alternatively, the plaintiff class claims a pro rata interest in all leases (or the proceeds or consideration received therefor) of the debtor committed by the debtor to the Greater Green River Basin Drilling Program 72-73 limited partnership as more particularly alleged in the Complaint filed in the above-described matter, as well as the amount set forth in response to Question No. 2 as damages.

Answer to Question 9:

The plaintiff class claims a security interest in shares of stock held by the debtor in Oceanic Exploration Company and in all leases and other interests in real property held by the debtor in the States of Colorado and Wyoming and in the State of California, Counties of Ventura, San Benito, San Luis Obispo, Monterey, Fresno and Kern, and all assets of the debtor held by Central Bank of Denver as of January 20, 1981, and in the sum of $61,023.06 being held by Rocky Mountain Natural Gas Company by virtue of garnishments and judgment liens effectuated and recorded on behalf of the plaintiff class, and all members thereof, in the aforesaid lawsuit entitled Danzig, et al. v. Grynberg, et al., and in those funds and other interests held in escrow number 33-14908, by Bank of America, NT&SA, San Francisco Branch, pursuant to escrow agreements executed by the defendants and representatives of the members of the plaintiff class in said action. Attached hereto and incorporated herein by this reference are true and correct copies of the evidence of perfection of said judgment liens to wit: returns of garnishment upon the shares of stock in Oceanic Exploration Company (Exhibit B-1 - B-9a); judgment docket entered in the District Court of the City and County of Denver, State of Colorado in proceeding 81CV0088, and subsequently recorded (Exhibits B-10); Notice of judgments, entered in various counties of the State of Wyoming, and subsequently recorded (Exhibits B-11); Abstracts of Judgment recorded in the Counties of Ventura, San Benito, San Luis Obispo, Monterey, Fresno and Kern, State of California (Exhibits B-12 - B-16); copy of return of garnishment of Rocky Mountain Natural Gas Company (Exhibit B-17) and copy of form of escrow agreement executed by the parties with regard to escrow number 33-14908, by Bank of America, NT&SA, San Francisco Branch (Exhibit B-18). Note: Central Bank of Denver has refused to make a return on the garnishment served upon it, which said garnishment was served on or about January 20, 1981; claimant will apparently require a specific Order of this Court in order to obtain such return.

ATTACHMENT SHEET TO PROOF OF CLAIM

ENDORSED
FILED
FEB 04 1981
RENE C. DAVIDSON, County Clerk
By _____
ALICIA F. WILLIAMS, DEPUTY

SUPERIOR COURT, STATE OF CALIFORNIA

FOR THE COUNTY OF ALAMEDA

PAUL DANZIG, LOUIS DEGEN, HAROLD J. GOLDENBERG, ROBERT RUSSELL, and CARL R. ZWERNER, individually and on behalf of all other persons similarly situated,	
Plaintiffs,	
vs.	NO. 462 022-4
JACK GRYNBERG & ASSOCIATES, a sole proprietorship, JACK GRYNBERG, CELESTE GRYNBERG, FIRST DOE through FIFTIETH DOE, inclusive,	
Defendants.	

MODIFICATION OF JUDGMENT
(C.C.P. §662)

Trial of the within action commenced on February 14, 1980, before the Honorable Spurgeon Avakian presiding without a jury, the parties having waived trial by jury and stipulated to trial by the Court. Bancroft, Avery & McAlister by Sandra J. Shapiro and Janet Friedman appeared as attorneys for the plaintiff

EXHIBIT A

BANCROFT, AVERY & McALISTER
ATTORNEYS AT LAW
601 MONTGOMERY STREET
SUITE 900
SAN FRANCISCO CA 94111
788 6833

class and Fishman & Geman by William Fishman, Neil Ayervais and Haas & Pahlmeyer by Jason Pahlmeyer appeared as attorneys for defendants. Oral and documentary evidence was introduced, trial briefs were filed and the matter was submitted. The Court entered its Findings of Fact and Conclusions of Law on December 18, 1980 and, further, has entered additional Findings of Fact and Conclusions of Law pursuant to C.C.P. §662; and

A motion having been made pursuant to §662 of the Code of Civil Procedure of the State of California to modify the judgment previously entered by this Court, and the Court having determined to modify the judgment heretofore entered in this action:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. The agreements of subscription for purchase of limited partnership interests in that certain partnership known as the Greater Green River Basin Drilling Program 72-73 executed by each member of the plaintiff class herein, which said plaintiffs are listed on Exhibit A attached hereto and hereby incorporated herein by this reference, were legally rescinded by each said member of the plaintiff class and are of no further force and effect between the members of the plaintiff class and defendants herein, or any other parties.

2. That defendant Jack Grynberg & Associates shall restore to the plaintiff class the sum of $4,109,198.39; the sum which said defendant Jack Grynberg & Associates shall restore to each member of the plaintiff class is set forth on Exhibit B, column 1, which said exhibit is hereby incorporated herein by this refefence.

BANCROFT, AVERY & McALISTER
ATTORNEYS AT LAW
601 MONTGOMERY STREET
SUITE 900
SAN FRANCISCO, CA 94111
788 6655

3. That defendants Jack Grynberg and Celeste Grynberg, and each of them, shall pay to the plaintiff class as damages the sum of $4,109,198.39; the sum which said defendants Jack Grynberg and Celeste Grynberg, jointly and severally, shall pay to each member of the plaintiff class is set forth on Exhibit B, column 1, which said exhibit is hereby incorporated herein by this reference.

4. That defendants Jack Grynberg & Associates, Jack Grynberg and Celeste Grynberg, and each of them, shall pay to the plaintiff class as additional damages the sum of $2,202,714.47; the sum which said defendants Jack Grynberg & Associates and Jack Grynberg, and each of them, jointly and severally, shall pay to each member of the plaintiff class as such damages is set forth on Exhibit B, column 2, which said exhibit is hereby incorporated herein by this reference.

5. That defendant Jack Grynberg, only, shall pay to the plaintiff class as punitive damages the sum of $431,081.06; the sum which defendant Jack Grynberg shall pay to each member of the plaintiff class as such punitive damages is set forth on Exhibit B, column 3, which said exhibit is hereby incorporated herein by this reference.

6. That the members of the plaintiff class listed on Exhibit C hereto pay to Louis Degen and Peter Scott as escrow holders for the Dragon Trail wells 24-6, 44-6 and 44-29, the sums set forth on Exhibit C, columns 2 and 3 to the extent not already paid; that defendant Jack Grynberg & Associates pay to said escrow holders the sums set forth on Exhibit C, columns 2 and 3, which said exhibit is hereby incorporated herein by this reference; that the said escrow holders pay the obligations listed on Exhibits D,

BANCROFT, AVERY & McALISTER
ATTORNEYS AT LAW
601 MONTGOMERY STREET
SUITE 900
SAN FRANCISCO, CA 94111
788 [illegible]

E, F, G, H, and I (which said exhibits are attached hereto and incorporated herein by this reference) upon receipt of said funds; that said escrow holders pay any sums remaining in the escrow account for well 44-29 after payment of the obligations listed on Exhibits H and I to the participants in said escrow in proportion to their interest therein; and that defendant Jack Grynberg & Associates pay any and all other costs or expenses arising from wells 24-6, 44-6 and 44-29.

7. That the plaintiff class recover from defendants Jack Grynberg & Associates, Jack Grynberg and Celeste Grynberg, and each of them, its taxable costs of suit herein.

IT IS FURTHER ORDERED that this modified Judgment shall be entered and effective nunc pro tunc as of the date of entry of the original Judgment, to wit: December 22, 1980.

Dated: February 4, 1981.

/s/ Spurgeon Avakian
JUDGE OF THE SUPERIOR COURT

BANCROFT, AVERY & McALISTER
ATTORNEYS AT LAW
601 MONTGOMERY STREET
SUITE 900
SAN FRANCISCO, CA 94111
788-8833

EXHIBIT A
PLAINTIFF CLASS

NAME	CITY AND STATE
Sam Barshop	San Antonio, TX
BBL Associates	Chicago, IL
R. Stephen Berry	Chicago, IL
Alexander Brodsky, M.D.	Houston, TX
Thomas Burke, Jr.	Houston, TX
Francis Cannon (Assignee)	Fort Washington, PA
D. A. Casey	Cheswick, PA
Harvey M. Cohen, M.D.	Denver, CO
Wayne L. Conner, M.D.	Denver, CO
Paul Danzig (Denver Properties)	Oakland, CA
Louis Degen	Denver, CO
Richard S. Dinner	San Francisco, CA
Ernie Foreman, M.D.	Denver, CO
Joshua Freedman (Assignee)	Fort Washington, PA
Charles Friedman	Paradise Valley, AZ
N. J. Friedman	San Francisco, CA
Frances Geballe	Woodside, CA
Theodore Geballe	Woodside, CA
Alfred C. Glassell, Jr.	Houston, TX
Emmanuel Goldberg	Rochester, NY
Estate of H. J. Goldenberg	Minneapolis, MN
Rhoda H. Goldman	San Francisco, CA
Richard N. Goldman	San Francisco, CA
Jerome J. Goldstein	Denver, CO
Greater Miami Jewish Welfare Federation	Miami, FL
Evelyn Green	New York, NY
Estate of Mayer Greenberg	Beverly Hills, CA
Peter Haas	San Francisco, CA
Robert M. Hecht	Houston, TX
Lewis Heicklen (Assignee)	Philadelphia, PA
Estate of Louis Honig	San Francisco, CA
Joseph Kanter	Miami, FL
Lucien Katzenberg	Jenkintown, PA
John W. Kelsey	Houston, TX
Mavis P. Kelsey	Houston, TX
Daniel E. Koshland, Jr.	San Francisco, CA
Walter Landor	San Francisco, CA

BANCROFT AVERY & MCALISTER
ATTORNEYS AT LAW
[illegible] MONTGOMERY STREET
SUITE [illegible]
SAN FRANCISCO CA [illegible]
[illegible]

EXHIBIT A, Page 2
PLAINTIFF CLASS

NAME	CITY AND STATE
Richard Lansburgh	Baltimore, MD.
Sidney Lansburgh, Jr.	Baltimore, MD.
Frank R. Lautenberg	Clifton, NJ
Walter Leventhal (Assignee)	Philadelphia, PA
Ann K. Lenway	San Francisco, CA
Hannah Levy	Denver, CO
Martin J. Lichterman, Sr.	Memphis, TN
Lawrence J. Muller	Hewlett, NY
Margot Parke	Chicago, IL
Madeline H. Russell	San Francisco, CA
Robert Russell	Miami, FL
Peter J. Scott	South Orange, NJ
Philip S. Seltzer	Fort Washington, PA
Louis Stein	Philadelphia, PA
Ivan G. Straus	Chicago, IL
Richard Swig	San Francisco, CA
Martin Walsh	Media, PA
Pauline C. Walsh	Media, PA
Sidney Weinstein, M.D.	West Orange, NJ
C. H. Wilkins	San Francisco, CA
Arnold H. Zidell	San Francisco CA
Carl Zwerner	Hollywood, FL

ANCROFT AVERY & MCALISTER
ATTORNEYS AT LAW
CONTINENTAL STREET
SUITE 620
SAN FRANCISCO, CA 94111
TEL

Name	1. Net Sum Payable by Defendants as Return of Capital Contributions	2. Additional Damages	3. Punitive Damages
Sam Barshop	$46,995.75	$26,142.85	$5,000.00
BBL Associates	31,875.00	16,303.89	3,187.50
R. Stephen Berry	26,883.30	14,530.25	2,843.75
Alexander Brodsky, M.D.	107,462.10	58,326.17	11,375.00
Thomas Burke, Jr.	26,935.36	14,495.51	2,843.75
Francis Cannon (Assignee)	50,000.00	25,670.77	5,000.00
D. A. Casey	53,870.75	29,234.31	5,687.50
Harvey M. Cohen, M.D.	17,957.02	9,669.69	1,895.83
Wayne L. Conner, M.D.	17,956.84	9,671.60	1,895.83
Paul Danzig (Denver Properties)	53,870.75	29,333.54	5,687.50
Louis Degen	53,870.75	27,659.64	5,687.50
Richard S. Dinner	53,870.75	29,322.98	5,687.50
Ernie Foreman, M.D.	17,956.89	9,663.98	1,895.83
Joshua Freedman (Assignee)	50,000.00	25,670.77	5,000.00
Charles Friedman	26,935.36	14,614.98	2,843.75
N. J. Friedman	26,935.36	14,614.15	2,843.75
Frances Geballe	23,497.88	13,136.33	2,500.00
Theodore Geballe	23,497.88	13,136.33	2,500.00
Alfred C. Glassell, Jr.	215,483.07	116,563.57	22,750.00
Emmanuel Goldberg	107,741.52	58,462.82	11,375.00
Estate of H. J. Goldenberg	46,995.75	26,220.52	5,000.00

EXHIBIT 5
DAMAGES TO WHICH MEMBERS OF THE PLAINTIFF CLASS ARE ENTITLED

MCPOFT, AVERY & MCALISTER
ATTORNEYS AT LAW
CONTGOMERY STREET
SUITE 800
FRANCISCO CA 94111

Name	1. Net Sum Payable by Defendants as Return of Capital Contributions	2. Additional Damages	3. Punitive Damages
Rhoda H. Goldman	$53,870.75	$29,246.87	$5,687.50
Richard N. Goldman	53,870.75	29,246.87	5,687.50
Jerome J. Goldstein	113,750.00	53,101.41	11,375.00
Greater Miami Jewish Welfare Federation (Assignee)	135,858.66	75,722.70	14,787.50
Evelyn Green	215,483.07	116,638.86	22,750.00
Estate of Mayer Greenberg	200,715.32	106,304.86	21,273.22
Peter Haas	53,870.75	29,254.55	5,687.50
Robert M. Hecht	46,995.75	26,032.85	5,000.00
Lewis Heicklen (Assignee)	46,995.75	25,345.04	5,000.00
Estate of Louis Honig	26,938.92	14,618.77	2,843.75
Joseph Kanter	79,625.00	40,818.77	7,962.50
Lucien Katzenberg	46,995.75	26,076.69	5,000.00
John W. Kelsey	26,935.36	14,301.89	2,843.75
Mavis P. Kelsey	53,870.75	29,128.44	5,687.50
Daniel E. Koshland, Jr.	46,995.75	26,272.30	5,000.00
Walter Landor	26,935.36	14,547.37	2,843.75
Richard Lansburgh	13,547.99	7,300.46	1,421.88
Sidney Lansburgh, Jr.	13,387.39	7,229.38	1,421.88
Frank R. Lautenberg	53,870.75	29,078.12	5,687.50
Ann K. Lenway	53,870.75	28,841.64	5,687.50
Walter Leventhal (Assignee)	46,995.75	25,345.04	5,000.00
Hannah Levy	53,870.75	28,846.65	5,687.50
Martin J. Lichterman, Sr.	46,995.75	26,256.49	5,000.00

EXHIBIT 6
DAMAGES TO WHICH MEMBERS OF THE PLAINTIFF CLASS ARE ENTITLED

...CROFT AVERY
...MCALISTER
...TTORNEYS AT LAW
...THGOMERY STREET
SUITE 900
...NCISCO CA 9411...
...00 6633

Name	Net Sum Payable by Defendants as Return of Capital Contributions	Additional Damages	Punitive Damages
Lawrence J. Muller	$53,870.75	$29,272.66	$5,687.50
Margot Parke	23,497.85	13,023.18	2,500.00
Madeline H. Russell	107,741.52	58,444.86	11,375.00
Robert Russell	107,741.52	58,337.46	11,375.00
Peter J. Scott	215,483.07	117,904.11	22,750.00
Philip S. Seltzer	65,000.00	33,372.11	6,500.00
Louis Stein	162,815.70	87,057.74	17,682.84
Ivan G. Straus	23,497.85	13,023.18	2,500.00
Richard Swig	53,870.75	29,312.93	5,687.50
Martin Walsh	180,000.00	92,645.46	18,000.00
Pauline C. Walsh	93,750.00	47,746.74	9,375.00
Sidney Weinstein, M.D.	215,483.06	117,376.72	22,750.00
C. H. Wilkins	46,995.75	26,092.99	5,000.00
Arnold H. Zidell	53,870.75	28,782.01	5,687.50
Carl Zwerner	107,741.52	58,322.12	11,375.00
TOTAL	$4,109,198.39	$2,202,714.47	$431,081.06

EXHIBIT B
DAMAGES TO WHICH MEMBERS OF THE PLAINTIFF CLASS ARE ENTITLED

NCROFT, AVERY & MCALISTER
ATTORNEYS AT LAW
MONTGOMERY STREET
SUITE 800
FRANCISCO CA 94111

Required Contributions of Escrow Participants

1. Participating Limited Partner	2. Well 24-6 (Pro Rata Share of $170,000)	3. Well 44-6 (Pro Rata Sha of $132,146.1
Swig	$ 1,062.50	$ 825.91
N. Friedman	531.25	412.96
Degen	1,062.50	825.91
Dinner	1,062.50	825.91
Goldstein	2,125.00	1,651.83
M. Russell	2,125.00	1,651.83
Zwerner	2,125.00	1,651.83
Honig	531.25	412.96
BBL	2,125.00	1,651.83
Goldenberg	1,062.50	825.91
R. Russell	10,625.00	8,259.14
M. Kelsey	1,062.50	825.91
M. Kelsey, Trustee	531.25	412.96
Muller	1,062.50	825.91
Lichterman	1,062.50	825.91
Hecht	1,062.50	825.91
Burke	531.25	412.96
Katzenberg	2,125.00	1,651.83
Levy	1,062.50	
Strauss	1,062.50	825.91
Weinstein	4,250.00	3,303.65
Barshop	1,062.50	825.91
Landor	531.25	412.96
Brodsky	2,125.00	1,651.83
Goldman, Rhoda	1,062.50	825.91
Goldman, Richard	1,062.50	825.91
Haas	1,062.50	825.91
F. & T. Geballe	1,062.50	825.91
Foreman	353.60	274.86
Green	4,250.00	3,303.65
Lenway	1,062.50	825.91
Glassell	8,500.00	6,607.31
Cohen	353.60	274.86
Conner	353.60	274.86
Scott	12,750.00	9,910.96
Zidell	1,062.50	825.91
Kanter	4,250.00	3,303.65
Berry	2,125.00	1,651.83
General Partner	$81,279.55	$62,355.11
Jack Grynberg & Associates Jack J. Grynberg (Pro Rata Share of Costs to $170,000 and All costs over $170,000.)	$165,577.94	$69,791.05

EXHIBIT C

1 C

CROFT, AVERY McALISTER
ATTORNEYS AT LAW
MCGOWEN STREET
SUITE 900
SAN FRANCISCO, CA 94111
788 0633

EXHIBIT D

ACCOUNTS PAYABLE, WELL NO. 24-6
(Excluding Payable to or Paid by
Jack Grynberg & Associates)

Universal Drilling Co.	$ 630.00
BI-CO Rental, Inc.	75.00
BI-CO Rental, Inc.	1,652.41
A. J. Carter	1,615.79
Dowell	51,050.39
Colorado Well Service, Inc.	16,677.71
Equipment Renewal Co.	159.85
Dresser Industries	2,025.19
BI-CO Rental, Inc.	1,339.00
Pollard Contracting Co., Inc.	32.13
B & M Service Co., Inc.	621.00
Brady Brothers Construction, Inc.	525.00
Dennis Oilfield Service	1,544.88
B & M Service Co., Inc.	1,349.62
Pollard Contracting Co., Inc.	442.00
TWT Exploration Inc.	42,984.50
Rooks Husky Service	1,613.67
Northwest Carriers, Inc.	3,907.01
Dowell	4,004.81
Bancroft, Avery & McAlister	247.35
R & R Well Service Company, Inc.	4,070.80
TOTAL	$136,568.11

CROFT AVERY MCALISTER

EXHIBIT E

ACCOUNTS PAYABLE, WELL NO. 44-6
(Excluding Payable to or Paid by
Jack Grynberg & Associates)

BI-CO Rental, Inc.	$ 2,818.83
Colorado Well Service, Inc.	28,056.04
A. J. Carter	1,615.79
Colorado Air Drilling, Inc.	8,495.81
Colorado Well Service, Inc.	2,225.92
Land & Marine Rental Co.	4,328.24
Dresser Industries, Inc.	2,306.74
B & M Service Co., Inc.	107.57
Pollard Contracting Co., Inc.	106.55
BI-CO Rental, Inc.	5,360.14
Transport Clearings	158.00
Dowell	8,775.65
Colorado Well Service, Inc.	4,379.86
Less duplicate charge for lease rentals	(382.00)
TOTAL	$68,353.14

ANCROFT, AVERY & MCALISTER
ATTORNEYS AT LAW
100 MONTGOMERY STREET
SUITE XX
SAN FRANCISCO, CA 9411
TEL: (415)

EXHIBIT F

ACCOUNTS PAYABLE, WELL NO. 44-29
(Excluding Payable to or Paid by
Jack Grynberg & Associates)

BI-CO Rental, Inc.	$ 634.10
Colorado Well Service	2,561.42
Kump Contracting Co., Inc.	43.20
TOTAL	$3,238.72

EXHIBIT G

ACCOUNTS PAYABLE TO JACK GRYNBERG & ASSOCIATES
ACCOUNTS PAYABLE PAID BY JACK GRYNBERG & ASSOCIATES,
WELL NO. 24-6

Jack Grynberg & Associates	$ 181.96
Jack Grynberg & Associates	285.98
Jack Grynberg & Associates	6,762.98
Less improper charge for Jack Grynberg time (Invoice #10178)	(2,304.00)
White River Roustabout Service	448.20
Warnke Trucking	175.00
Armco National Supply	2,777.83
Dalgarno Transportation	225.00
TWT Exploration - Judgment	25,000.00
Halliburton	881.10
Central Welding Service	112.00
TOTAL	$34,546.05

ANCROFT AVERY
& MCALISTER
ATTORNEYS AT LAW
CONTINENTAL STREET
SUITE 800
FRANCISCO CA 94111

EXHIBIT H

ACCOUNTS PAYABLE TO JACK GRYNBERG & ASSOCIATES
ACCOUNTS PAYABLE PAID BY JACK GRYNBERG & ASSOCIATES,
WELL NO. 44-6

Jack Grynberg & Associates	$ 181.96
Jack Grynberg & Associates	285.98
Jack Grynberg & Associates	702.68
Jack Grynberg & Associates	10,322.33
Less improper charge for Jack Grynberg time (Invoice No. 10177)	(2,304.00)
White River Roustabout	381.90
Land & Marine Rental	3,453.87
Donham Oil Tool	867.00
R. W. Jones Trucking	498.15
TOTAL	$ 14,389.87

CROFT AVERY
& MCALISTER
ATTORNEYS AT LAW
SUITE 900
FRANCISCO CA 94111

EXHIBIT I

ACCOUNTS PAYABLE TO JACK GRYNBERG & ASSOCIATES
ACCOUNTS PAYABLE PAID BY JACK GRYNBERG & ASSOCIATES,
WELL NO. 44-29

Jack Grynberg & Associates	$ 574.19
Jack Grynberg & Associates	181.96
TWIN Arrow, Inc.	4,006.20
Tempel & Robinson	303.50
White River - Roustabout	571.65
Grand Junction Oilfield & Mining Supply	82.40
TOTAL	$5,719.90

MCDOFF AVERY & MCALISTER
ATTORNEYS AT LAW
MONTGOMERY STREET
SUITE 600
FRANCISCO CA 94111
TEL 9733

No. 209. WRIT OF GARNISHMENT — [illegible] Bradford Publishing Co. [illegible]

IN THE DISTRICT COURT

IN AND FOR THE

COUNTY OF DENVER

AND STATE OF COLORADO

PAUL DANZIG, et al.,

Plaintiff(s)

vs.

JACK GRYNBERG & ASSOCIATES, et al.,

Defendant(s)

81-CV-0088
Civil Action No. _____ Div. _____

WRIT OF GARNISHMENT WITH INTERROGATORIES

AFFIDAVIT

The undersigned swears that he is authorized to act for and on behalf of the judgment creditor in this action and that the following is a true and correct statement as of January 19, 1981.

1. Original Amount of Judgment	$ 431,081.06	
2. Amount paid on Judgment	$ None	
3. Balance now owing on Judgment	$ 431,081.06	$ 431,081.06
4. Interest owing on Judgment		$ 2,321.20
5. Taxable costs to date		$ ----
6. TOTAL AMOUNT NOW DUE AND OWING		$ 433,402.26

[1]Plus additional court costs not available to date and which may accrue.

This Writ (is) (is not) issued pursuant to an order for the support of any person. If so, set forth the period to which support payments apply, and whether or not the judgment debtor is supporting a dependent child, or spouse, other than the judgment creditor.

Paul S. Sanzo (10681) Paul S. Sanzo (Signature)
Ireland, Stapleton & Pryor, P.C., Attorneys (Type signature, title, address, phone below)
for Plaintiffs, 1675 Broadway, Suite 2600, Denver, Colorado 80202 (303) 623-2700

Subscribed and sworn to before me this 17th day of January, 1981

My commission expires: 7/2/84

Notary Public or Deputy Clerk

WRIT OF GARNISHMENT

The People of the State of Colorado to the Sheriff of ANY COLORADO COUNTY:

You are directed to attach and make available assets, in the amount set forth on Line 6 above of Jack Grynberg

judgment debtor(s) in the possession or control of the within named garnishee, whether now due or to become due hereafter by serving this Writ of Garnishment upon Carolyn E. Lucas, Agent for Trustees of Oceanic Exploration Company Stock Voting Trust, as Amended, Gene E. Burke, Douglas Ball and Howard Greyber, Trustees, 1050 Seventeenth Street, Suite 1900, Denver, Colorado Garnishee.

TO THE GARNISHEE:

You are hereby notified that you are summoned as Garnishee in the above entitled action. You are to withhold only those amounts authorized by law from the judgment debtor and in no case any more than is stated on Line 6 above. Any assets in excess of this amount are not attached and are unaffected by this Writ of Garnishment.

You have [twenty (20)] [thirty (30)][3] days from the date of service of this Writ of Garnishment to answer to the court. Failure to answer will cause you to be in default and judgment may be entered against you.

This Writ of Garnishment applies only to that amount earned or held up to the date and time this Writ is served.

No employer may discharge any employee by reason of the fact that his earnings have been subject to garnishment for a consumer related debt.

(SEAL)

Issued by _____ (Deputy) Court Clerk

Date _____, 197__

Answer INTERROGATORIES on reverse side, please.

CLERK OF THE DISTRICT COURT

[illegible] EXHIBIT 6-1

[1]Pursuant to CRCP 90(a) and (b)(1), this Writ of Garnishment shall also constitute a Writ of Execution with respect to "disposable earnings" under Federal Law [15 U.S.C. § 1671 et seq. and 29 C.F.R. § 870.1 et seq.]

[2]For a Federal Employee, set forth the judgment debtor's social security number and date of birth, and [employee's name or title of department, rank or grade, active or retired status, address of present office or location of duty station, armed service claim number, and names of caretaker, parent and child involved, if appropriate.

[3]Since as a corporate Federal garnishee have thirty days to respond.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 18
Submitted by Mesa
Hearing Date 5-17-82

I hereby attest and certify on May 11 1982
that the document affixed hereto is a full,
true and correct copy of the original on file
in my office and in my legal custody.
Clerk, U.S. Bankruptcy Court
District of Colorado
By: Jean A. Hubert
Clerk

202-1

G 00710

REEL 1457 PAGE 575

NAME AND ADDRESS OF ATTORNEY	TELEPHONE	FOR COURT USE ONLY
BANCROFT, AVERY & McALISTER Sandra J. Shapiro 601 Montgomery St., Ste 900 San Francisco, CA 94111 ATTORNEY FOR (Name) Plaintiffs	415-788-8855	REQUEST OF attorneys JAN 8 10 20 AM '81 OFFICE OF RECORDER COUNTY OF MONTEREY SALINAS, CALIFORNIA 13 Cert.

Insert name of court, judicial district or branch court, if any, and post office and street address:
SUPERIOR COURT OF THE STATE OF CALIFORNIA, COUNTY OF ALAMEDA
1225 Fallon Street
Oakland, CA 94612

PLAINTIFF
PAUL DANZIG, et al

CASE NUMBER
462022-4

DEFENDANT
JACK GRYNBERG & ASSOCIATES, et al

FOR RECORDER'S USE ONLY

ABSTRACT OF JUDGMENT

1. The judgment creditor represents that the judgment debtor's
   a. Social Security number is: _____
      [XX] unknown.
   b. Driver's license number is: _____
      [XX] unknown.

I certify that the following is a true and correct abstract of the judgment entered in this action.

2. Judgment creditor (State full name as it appears in judgment):
   SEE ATTACHMENT EXHIBIT A PLAINTIFF CLASS

2a. Judgment debtor (State full name as it appears in judgment):
   JACK GRYNBERG
   1050 17th Street, Suite 1950
   Denver, Colorado 80265

3. Total amount of judgment as entered
   a. Principal: $ 6,742,993.92
   b. Attorney fees: $
   c. Interest: $
   d. Costs: $
   e. Total: $ 6,742,993.92

4. Judgment entered on (Date): December 22, 1980

5. Judgment entered in (complete when applicable)
   a. [XX] judgment book [ ] minute book [ ] docket
   b. Volume no.: 617 Page no.: 8

6. A lien in favor of a judgment creditor pursuant to CCP 688.1 is
   a. [XX] not endorsed on the judgment
   b. [ ] endorsed on the judgment as follows
      (1) amount: $
      (2) in favor of (Name):

7. A stay of execution has
   a. [XX] not been ordered by the court
   b. [ ] been ordered by the court effective until (Date):

8. This abstract of judgment is issued on (Date):

(SEAL)

Clerk, By John A Lagunas, Deputy

EXHIBIT B-13

EXHIBIT A REEL 1457 PAGE 576
PLAINTIFF CLASS

NAME	CITY AND STATE
Sam Barshop	San Antonio, TX
BBL Associates	Chicago, IL
R. Stephen Berry	Chicago, IL
Alexander Brodsky, M.D.	Houston, TX
Thomas Burke, Jr.	Houston, TX
Francis Cannon (Assignee)	Fort Washington, PA
D. A. Casey	Cheswick, PA
Harvey M. Cohen, M.D.	Denver, CO
Wayne L. Conner, M.D.	Denver, CO
Paul Danzig (Denver Properties)	Oakland, CA
Louis Degen	Denver, CO
Richard S. Dinner	San Francisco, CA
Ernie Foreman, M.D.	Denver, CO
Joshua Freedman (Assignee)	Fort Washington, PA
Charles Friedman	Paradise Valley, AZ
N. J. Friedman	San Francisco, CA
Frances Geballe	Woodside, CA
Theodore Geballe	Woodside, CA
Alfred C. Glassell, Jr.	Houston, TX
Emmanuel Goldberg	Rochester, NY
Estate of H. J. Goldenberg	Minneapolis, MN
Rhoda H. Goldman	San Francisco, CA
Richard N. Goldman	San Francisco, CA
Jerome J. Goldstein	Denver, CO
Greater Miami Jewish Welfare Federation	Miami, FL
Evelyn Green	New York, NY
Estate of Mayer Greenberg	Beverly Hills, CA
Peter Haas	San Francisco, CA
Robert M. Hecht	Houston, TX
Lewis Heicklen (Assignee)	Philadelphia, PA
Estate of Louis Honig	San Francisco, CA
Joseph Kanter	Miami, FL
Lucien Katzenberg	Jenkintown, PA
John W. Kelsey	Houston, TX
Mavis P. Kelsey	Houston, TX
Daniel E. Koshland, Jr.	San Francisco, CA
Walter Landor	San Francisco, CA
Richard Lansburgh	Baltimore, MD.
Sidney Lansburgh, Jr.	Baltimore, MD.
Frank R. Lautenberg	Clifton, NJ
Walter Leventhal (Assignee)	Philadelphia, PA
Ann K. Lenway	San Francisco, CA
Hannah Levy	Denver, CO
Martin J. Lichterman, Sr.	Memphis, TN
Lawrence J. Muller	Hewlett, NY
Margot Parke	Chicago, IL
Madeline H. Russell	San Francisco, CA
Robert Russell	Miami, FL
Peter J. Scott	South Orange, NJ
Philip S. Seltzer	Fort Washington, PA
Louis Stein	Philadelphia, PA
Ivan G. Straus	Chicago, IL
Richard Swig	San Francisco, CA
Martin Walsh	Media, PA
Pauline C. Walsh	Media, PA
Sidney Weinstein, M.D.	West Orange, NJ
C. H. Wilkins	San Francisco, CA
Arnold H. Zidell	San Francisco CA
Carl Zwerner	Hollywood, FL

END OF DOCUMENT

RECORDING REQUESTED BY

338

BOOK 7851 PAGE 262

202-1

NAME AND ADDRESS OF ATTORNEY:	TELEPHONE	FOR COURT USE ONLY
BANCROFT, AVERY & McALISTER Sandra J. Shapiro 601 Montgomery St., Ste 900 San Francisco, CA 94111 ATTORNEY FOR (Name): Plaintiffs SAE	415-788-8855	

Insert name of court, judicial district or branch court, if any, and post office and street address:
SUPERIOR COURT OF THE STATE OF CALIFORNIA, COUNTY OF ALAMEDA
1225 Fallon Street
Oakland, CA 94612

PLAINTIFF: PAUL DANZIG, et al

CASE NUMBER: 462022-4

DEFENDANT: JACK GRYNBERG & ASSOCIATES, et al

FOR RECORDER'S USE ONLY
RECORDED IN OFFICIAL RECORDS OF FRESNO COUNTY, CALIFORNIA,
AT 12 MIN. PAST 2 P M
JAN 2 1981
GALEN LARSON, County Recorder
FEE $5

ABSTRACT OF JUDGMENT

1. The judgment creditor represents that the judgment debtor's
   a. Social Security number is: _____
      [XX] unknown.
   b. Driver's license number is: _____
      [XX] unknown.

I certify that the following is a true and correct abstract of the judgment entered in this action.

2. Judgment creditor (State full name as it appears in judgment):
   SEE ATTACHMENT EXHIBIT A PLAINTIFF CLASS

2a. Judgment debtor (State full name as it appears in judgment):
   JACK GRYNBERG

3. Total amount of judgment as entered
   a. Principal: $ 6,742,993.92
   b. Attorney fees: $
   c. Interest: $
   d. Costs: $
   e. Total: $ 6,742,993.92

4. Judgment entered on (Date): December 22, 1980

5. Judgment entered in (complete when applicable)
   a. [XX] judgment book [ ] minute book [ ] docket
   b. Volume no.: 617 Page no.: 8

6. A lien in favor of a judgment creditor pursuant to CCP 688.1 is
   a. [XX] not endorsed on the judgment
   b. [ ] endorsed on the judgment as follows
      (1) amount: $
      (2) in favor of (Name):

7. A stay of execution has
   a. [XX] not been ordered by the court
   b. [ ] been ordered by the court effective until (Date):

8. This abstract of judgment is issued on (Date):

(SEAL)

Clerk. By John A. Lyons, Deputy

EXHIBIT B-14

No. 209. WRIT OF GARNISHMENT ... Colorado Publishing ... Colorado ...

IN THE DISTRICT COURT

FEB 13 4 57 PM '81

IN AND FOR THE

CITY AND COUNTY OF DENVER

AND STATE OF COLORADO

PAUL DANZIG, et al.,

Plaintiff(s)

vs.

JACK GRYNBERG & ASSOCIATES, et al.,

Defendant(s)

81CV0088

Civil Action No. _____ Div. _____

WRIT OF GARNISHMENT
WITH INTERROGATORIES

AFFIDAVIT

The undersigned swears that he is authorized to act for and on behalf of the judgment creditor in this action and that the following is a true and correct statement as of January 20, 1981

1. Original Amount of Judgment		$ 6,311,912.86
2. Amount paid on Judgment		$ none
3. Balance now owing on Judgment	$6,311,912.86	$ 6,311,912.86
4. Interest owing on Judgment		$ 33,987.24
5. Taxable costs to date		$ -------
6. TOTAL AMOUNT NOW DUE AND OWING		$ 6,345,900.10

[1]Plus additional court costs not available to date and which may accrue.

This Writ (is) (is not) issued pursuant to an order for the support of any person. If so, set forth the period to which support payments apply, and whether or not the judgment debtor is supporting a dependent child, or spouse, other than the judgment creditor.

Paul S. Sanzo (Signature)

(Type signature, title, address, phone below)

Paul S. Sanzo (10681)
IRELAND, STAPLETON & PRYOR, P.C.
Attorneys for Plaintiffs
1675 Broadway, Suite 2600
Denver, Colorado 80202

Subscribed and sworn to before me this 20th day of January, 1981

My commission expires: 2/2/84

Irene K. Okuma
Notary Public ~~ex-Deputy Clerk~~

WRIT OF GARNISHMENT

The People of the State of Colorado to the Sheriff of ANY COLORADO COUNTY:

You are directed to attach and make available assets, in the amount set forth on Line 6 above of Jack Grynberg & Associates, and Jack Grynberg

judgment debtor(s) in the possession or control of the within named garnishee, whether now due or to become due hereafter by serving this Writ of Garnishment upon Orville M. Shockley, 1600 Sherman Street, Denver, CO., Registered agent for Rocky Mountain Natural Gas Company, Garnishee.

TO THE GARNISHEE:

You are hereby notified that you are summoned as Garnishee in the above entitled action. You are to withhold only those amounts authorized by law from the judgment debtor and in no case any more than is stated on Line 6 above. Any assets in excess of this amount are not attached and are unaffected by this Writ of Garnishment.

You have [twenty (20)] [thirty (30)][2] days from the date of service of this Writ of Garnishment to answer to the court. Failure to answer will cause you to be in default and judgment may be entered against you.

This Writ of Garnishment applies only to that amount earned or held up to the date and time this Writ is served.

No employer may discharge any employee by reason of the fact that his earnings have been subject to garnishment for a consumer related debt.

DEPUTY SHERIFF JAN 29 1981 AM

EDWARD S. NAKAYAMA
CLERK OF THE DISTRICT COURT
(SEAL)

Issued by _____ (Deputy) Court Clerk

Date JAN 21 1981, 19__

Answer INTERROGATORIES on reverse side, please.

EXHIBIT B-17

[2]Pursuant to CRCP 69(a) and (b), this Writ of Garnishment shall also constitute a Writ of Execution with respect to "disposable earnings" under Federal Law [15 U.S.C. § 1671, et seq., and 29 C.F.R. § 870.1, et seq.]

[3]If a federal employee, set forth the judgment debtor's social security number and date of birth, and branch of service or name of department, rank or grade, active or retired status, address of present office or location of duty station, and name and address of [illegible]

INTERROGATORIES

1. On the date and time this Writ of Garnishment was served upon you, were you indebted to the above named judgment debtor for wages, commissions, moneys or credits? Yes X No ___
If "No" give reason: _____

If "Yes", answer the following:
Inclusive dates of "Pay Period": From no wages thru _____, 19___.
Number of days and/or hours affected by this Garnishment _____
GROSS PAY due at time of garnishment service . . . . . $ _____
LESS Legal Deductions (FWT, SWT, FICA, CT, Other) . . . . . $ _____
Equals DISPOSABLE EARNINGS . . . . . $ _____
LESS Automatic Statutory Exemption* . . . . . $ _____
Equals amount to be withheld and paid into the Registry of the Court . . . . . $ _____

EXEMPTION FORMULAS FOR PAY PERIODS

Weekly . . . . . 30 × Federal Minimum Hourly Wage or 75% of disposable earnings
Bi-Weekly . . . . . 60 × Federal Minimum Hourly Wage or 75% of disposable earnings
Twice Monthly . . . . . 65 × Federal Minimum Hourly Wage or 75% of disposable earnings
Monthly . . . . . 130 × Federal Minimum Hourly Wage or 75% of disposable earnings
(For other pay periods, see § 5-5-105, C.R.S. 1973)

*The AUTOMATIC STATUTORY EXEMPTION formula to be applied is the formula that provides the judgment debtor with the LARGER amount of exemption. However, if the garnishment is pursuant to an order of court for the support of any person the exemption is as follows:

1. Where judgment debtor is supporting his spouse or dependent child (other than a spouse or child with respect to whom the order is issued) the exemption is 50%.
2. Where the judgment debtor is not supporting his spouse or dependent child (other than a spouse or child with respect to whom the order is issued) the exemption is 40%.
3. If the period for which the support is ordered is more than 12 weeks prior to the work week for which wages are being garnished then the exemption in (1) above shall be 45% and in (2) above shall be 35%.

MAIL YOUR CHECK, PAYABLE TO THE CLERK OF THIS COURT, with your answers on this form. SHOW CASE NUMBER ON CHECK, PLEASE.

2. On the date and time this Writ of Garnishment was served on you, did you have any checking accounts, savings accounts, or other deposits, or any credits, effects, debts, choses in action, money, escrows, or other personal property of the judgment debtor(s) in your possession or under your control?
Yes X No ___

If "Yes", give all particulars, including a description of property, a statement of its value and state why you have possession or control of the property. Assets NOT EXCEEDING the amount stated on Line 6 of the affidavit must be held pending court disposition.

ANSWER: $ 61,023.06 was owed by Garnishee to Jack Grynberg & Associates for purchase of natural gas. Funds will be held by Garnishee pending receipt of a Court Order regarding payment.

The undersigned swears that he is authorized to act for and on behalf of the Garnishee in this action and that the above is a true and correct statement.

G. L. Parsons — Vice President
Signature of Garnishee or Agent — Title
(Type signature, address and phone below)

D. L. Parsons
1600 Sherman St.
Denver, Co. 80203

Subscribed and sworn to before me this 10th day of Feb., 1981

My commission expires: 11/22/83

Jane M Duncan
Notary Public

SHERIFF'S RETURN OF SERVICE

STATE OF COLORADO,
_____ County of _____

I do hereby certify that I have duly served this Writ of Garnishment on 1-26-81, by (State date, place, and manner of service.) (illegible)

SHERIFF'S FEES

Service . . . . . $ _____
Mileage . . . . . $ _____
Return . . . . . $ _____
TOTAL . . . . . $ _____

_____ SHERIFF
By _____
Deputy Sheriff

B6F 15 (1979)

RECEIVED

JUL 31 1981

CREDIT DEPT.

United States Bankruptcy Court

FILED

UNITED STATES BANKRUPTCY COURT

For the District of COLORADO

JUL 6 1981

BRADFORD L. BOLTON, Clerk

In re JACK GRYNBERG & ASSOC

Case No. 81 B 00821 M

*Debtor**

BY..... DEPUTY CLERK

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the Vice-President of Petrolite Corp., Tretolite Division
a corporation organized under the laws of Delaware
and doing business at** 369 Marshall Avenue, St. Louis, MO. 63119
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 308.48

3. The consideration for this debt [*or* ground of liability] is as follows:
Chemicals furnished as per statement attached on open account

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on 3/5/81
, as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim ~~except~~.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim ~~except~~

9. No security interest is held for this claim ~~except~~

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (~~Secured~~) (Unsecured) (~~Priority~~) CLAIM.

$ 308.48
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Petrolite Corporation, Tretolite Division
(Print or Type Full Name of Creditor)

Dated: 7-6-81

Signed: C. Webb Farish
C. Webb Farish

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

ACK 7-9-81

EDI-WEST-7-21 80-ECCM-4484

37

PETROLITE CORPORATION

TRETOLITE DIVISION

369 Marshall Avenue / Saint Louis, Missouri 53119 / 961-3500

REMIT TO:
P.O. BOX 14513 B
ST. LOUIS, MISSOURI 63178

34501

JACK GRYNBERG AND ASSOC
1050 17TH STREET SUITE 1950
DENVER CO 80202

07/06/81
STATEMENT DATE

1
PG. NO.

TERMS: NET 30 DAYS
FROM INVOICE DATE

18% INTEREST PER ANNUM, OR LEGAL RATE IF LOWER, WILL BE CHARGED ON ALL PAST DUE ACCOUNTS.

STATEMENT OF ACCOUNT

INVOICE/ CREDIT DATE	INVOICE NUMBER	CREDIT CODE*	CREDIT MEMO NO.	DEBITS	CREDITS	BALANCE-DUE
01/13/81	090575			102.83		
02/05/81	092029			205.65		
						308.48

*RP REFERS TO PAYMENT ON ACCOUNT: MP REFERS TO OUR CREDIT MEMO ADJUSTING YOUR ACCOUNT.

NOTE: THE ITEMS LISTED ABOVE ARE OPEN IN YOUR ACCOUNT AS OF THE DATE OF THIS STATEMENT, PURCHASES OR PAYMENTS [illegible] THIS DATE MAY NOT BE INCLUDED.

ORIGINAL

B10F 15
(Rev. 10/79)

FILED
U.S. BANKRUPTCY COURT
DISTRICT OF COLORADO
JUL 7 1981
BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

United States Bankruptcy Court

For the _____ District of Colorado

In re Jack J. Grynberg,

Debtor*

Case No. 81B00821H

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of ~~composed of the undersigned and~~ , a partnership, ~~of**~~ , and ~~doing business at**~~ and is ~~authorized to make this proof of claim on behalf of the partnership.~~

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at** 717 Seventeenth Street, Suite 2150, Denver, Colorado 80202 is the President of Fishman & Geman, P.C. a corporation organized under the laws of the State of Colorado and doing business at** 717 Seventeenth Street, Suite 2150, Denver, CO 80202 and is authorized to make this proof of claim on behalf of the corporation.

~~[*If claim is made by agent*] The undersigned, who resides at** , is the agent of , of** , and is authorized to make this proof of claim on behalf of the claimant.~~

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 8,374.60.

3. The consideration for this debt [*or* ground of liability] is as follows: for professional (legal) services rendered.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. none

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except none

9. No security interest is held for this claim except none

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) ~~(Secured)~~ ~~(Priority)~~ CLAIM.

$ 8,374.60
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Fishman and Geman, P.C.
(Print or Type Full Name of Creditor)

Dated: July 6, 1981.

Signed: William R. Fishman

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post-office address.

FISHMAN & GEMAN, P.C.
ATTORNEYS AT LAW
2150 ENERGY CENTER
717 SEVENTEENTH STREET
DENVER COLORADO 80202
(303) 572-1551
CABLE ADDRESS: WRFLAW
FACSIMILE NO. (303) 571-4262

WILLIAM R. FISHMAN
MARC N. GEMAN
TED E. ORF
MILES K. GERSH
JOSEPH H. SCHMITT
PAUL G. BURSIEK, JR.
DONALD T. TRINEN
NOLA S. DYAL
JULIE HAYWARD BIGGS
STEPHANIE M. SMITH

CHICAGO OFFICE
SUITE 1416
134 N. LA SALLE STREET
CHICAGO, ILLINOIS 60602
(312) 372-2990

MALCOLM D. CRAWFORD, P.C.
OF COUNSEL

July 1, 1981

Jack Grynberg and Associates
Suite #1950
1050 Seventeenth Street
Denver, Colorado 80265

STATEMENT OF ACCOUNT:

Re: Account No. 68.00

Balance owing on account per Statement #1101 of December 8, 1980	$ 12,374.60
Less: Adjustment for payment via Check #48225 not previously credited	- 4,000.00
Balance due:	$ 8,374.60

BOF 15
(Rev. 10/79)

United States Bankruptcy Court

For the _____ District of Colorado

81 JUN 29 AM : 47

In re Jack J. Grynberg
aka Jack Jakob Grynberg
aka Jack Grynberg
dba Jack Grynberg & Assoc.
Debtor dba Jack Grynberg and Assoc.
SSN: 523-38-2442

Case No. 81 B 00821 M

BY _____ DEPUTY CLERK

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**
1090 S. Estes Court, Lakewood, CO 80226
is the Area Credit Manager - of Dresser Industries
a corporation organized under the laws of Delaware
and doing business at** 1600 Metro Bank Bldg. 475 17th Street Denver, CO 80202
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 1,785.45

3. The consideration for this debt [*or* ground of liability] is as follows: Dresser Atlas Division Charges

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on February 5, 1977, as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$1,785.45
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Dresser Industries Inc.
(Print or Type Full Name of Creditor)

Dated: 6-29-81

Signed: James R. Kuiken

Penalty for Presenting Fraudulent Claim: Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

FILED BOOK 4284

KDP000 01 05 31 81

JACK GRYNBERG & ASSOC

K

BANKRUPTCY

RP1A	1=5=77	68938	41211	R	2,025.19		
RP1A	3=4=77	7235		R		92.27	
HORN	3=1=78	206		H		147.47	

1,785.45

BOF 15
(Rev. 10/79)

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JUN 17 1981
BRADFORD K. BOLTON, Clerk
BY ..... DEPUTY

United States Bankruptcy Court

For the ..... District of Colorado

In re Jack J. Grynberg

Debtor*

Case No. 81 B00821

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**
701 Sinclair, Midland, Texas 79701

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corooration organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 108.72

3. The consideration for this debt [*or* ground of liability] is as follows:
Sale of crude oil (Parker Co., Tex)

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

If appropriate) This claim is founded on an open account, which became [*or* will become] due on
February 11, 1981 , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Secured)~~ (Unsecured) (Priority) CLAIM.

$ 108.72
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: J. G. Chauncey
(Print or Type Full Name of Creditor)

Dated: Signed: J. G. Chauncey

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address..

We Charge Your Account and Return Herewith for Reasons Marked by Letter in Reason Column

REASON	MAKER	DRAWN ON	AMOUNT
8	Jack Grynberg	1392	108.72

328-6[illegible]1 0

J G Chauncey
701 Sinclair
Midland, Tx. 79701

TOTAL 108.72

DATE 3-5-81

THE MIDLAND NATIONAL BANK
MIDLAND, TEXAS

23-19

JACK GRYNBERG & ASSOCIATES
SPECIAL ACCOUNT
1050 - 17th Street Suite 1950
Denver, Colorado 80265

- 2 - 2 7 - 8 1

No 1392

Central Bank of Denver
Denver, Colorado 80292
23-53/1020

EXACTLY [illegible] 108 72

SHORT
FEB 25 '81
23-53

PAY TO THE ORDER OF

J. G. Chauncey
701 Sinclair
Midland, TX 79701

DATE 2/11/81

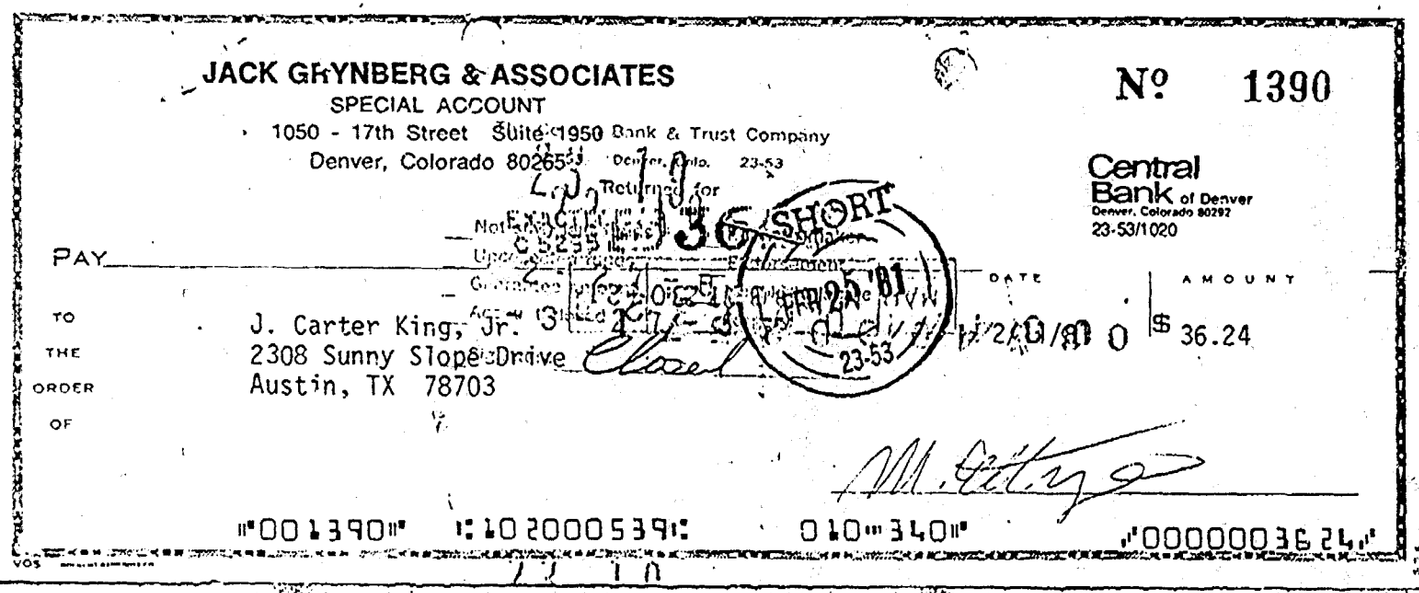
AMOUNT $ 108.72

23-19

M. Ettinger

⑈001392⑈ ⑆102000539⑆ 010⑈340⑈ ⑈00000108 72⑈

- 2 - 2 7 - 8 1



JACK GRYNBERG & ASSOCIATES
SPECIAL ACCOUNT
1050 - 17th Street Suite 1950
Denver, Colorado 80265

Central Bank of Denver
Denver, Colorado 80202
23-53/1020

Bank & Trust Company
Denver, Colo. 23-53

Returned for
SHORT
MAR 25 '81

Nº 1390

PAY

DATE 3/20/81

AMOUNT $ 36.24

TO THE ORDER OF
J. Carter King, Jr.
2308 Sunny Slope Drive
Austin, TX 78703

"001390" "102000539" 010"340" "00000036 24"

BOF 15
(Rev. 10/79)

United States Bankruptcy Court

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

For the _____ District of _____

JUN 12 1981

BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY

In re JACK J. GRYNBERG

Case No. 81B00825M

*Debtor**

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at** 2308 SUNNY SLOPE DR., AUSTIN, TX 78703

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership, composed of the undersigned and of** , and doing business at** and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at** is the of a corporation organized under the laws of and doing business at** and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** , is the agent of , of** , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 36.24

3. The consideration for this debt [*or* ground of liability] is as follows: The attached check was insufficiently covered at the bank.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$ 36.24
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: J CARTER KING, JR
(Print or Type Full Name of Creditor)

Dated: Signed: Carter King Jr.

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

A1

(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAY 12 1981
BRADFORD C. SCOTT, Clerk
DEPUTY CLERK

For the District of Colorado

In re Jack Grynberg & Associates

Case No. 81-B-00821

*Debtor**

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership, composed of the undersigned and of** , and doing business at** and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at** 551 Pierremont Rd., Shreveport, LA 71106 is the Domestic Credit Manager of Tri-State Oil Tool Industries, Inc. a corporation organized under the laws of California and doing business at** 2570 E. Texas, Bossier City, LA 71111 and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** , is the agent of , of** , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 30,000

3. The consideration for this debt [*or* ground of liability] is as follows: materials and labor supplied on wells as requested by debtor

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except an assignment given by debtor on an account receivable due by AMCAN Oil Producers to Grynberg & Associat

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (~~Unsecured~~) (Secured) (~~Priority~~) CLAIM.

$ 30,000+9%int. from 6/9/78
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Tri-State Oil Tool Industries, Inc.
(Print or Type Full Name of Creditor)

Dated: Signed: Charles E. Chavanne

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

PROMISSORY NOTE

$30,000.00

Denver, Colorado
June 9, 1978

The undersigned, Jack J. Grynberg, d/b/a/ Jack Grynberg and Associates, 1050 17th Street, Denver, Colorado 80265, hereby promises to pay to the order of Tri-State Oil Tools Industries, Inc., the sum of Thirty Thousand Dollars and no/100 Cents ($30,000.00), together with interest thereon at the rate of Nine Percent (9%) per annum computed from June 9, 1978. Said principal amount and interest shall be paid in one lump sum payment on or before June 1, 1979. (1)

In the event the payment is not made when due, or within thirty (30) days thereafter, the Holder shall have the right to declare the full unpaid principal and accrued interest balance to be immediately due and payable, which election shall be signified by notice in writing, sent certified mail, return receipt requested, to the Maker at 1050 17th Street, Suite 1950, Denver, Colorado 80265. (2)

The maker, endorser and guarantor of this installment promissory note severally waive presentment for payment, demand protest and notice of protest and non-payment thereof. If placed in an attorney's hands for collection, maker agrees to pay all expenses of collection, including a reasonable sum for attorney's fees. (3)

WITNESS:

BY: _____
Jack J. Grynberg
d/b/a/ Jack J. Grynberg and Associates

_____

DATE: June 9, 1978

STATE OF COLORADO)
) ss.
City and County of Denver)

The foregoing instrument was acknowledged before me this 9th day of June, 1978, by Jack J. Grynberg

Witness my hand and official seal.

My commission expires: April 24, 1981

_____
Notary Public

Original note
in D+P

TRI-STATE OIL TOOL INDUSTRIES, INC. Shreveport • Bossier City
Reply to P O Box 5757, Bossier City, Louisiana 71111 • Telephone (318) 746-3800 Telex No 50-7469 • Cable TriState Shreveport

February 25, 1980

Mr. Jack J. Grynberg
Jack J. Grynberg & Associates
1050 17th Street, Suite 1950
Denver, Colorado 80202

Re: Promissory Note Dated 6-9-78 - $30,000.00

Gentlemen:

This will serve as our final request for payment of the above referred to note.

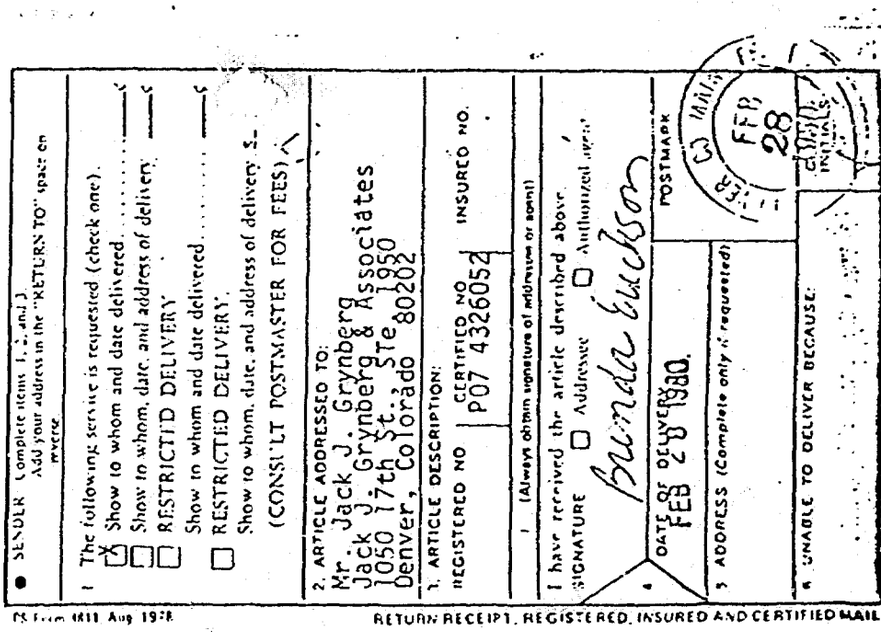
Failure to remit funds to clear this with our company within the 30 days called for in the note will necessitate our taking immediate legal action to effect collection.

Kindest regards,

Tri-State Oil Tool Industries, Inc.

Charles E. Chavanne, Credit Manager
Credit Department

CEC/lf



FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAY 11 1981
BRADFORD L. BOLTON, Clerk
BY ..... DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

In re:

Jack J. Grynberg
a/d/a Jack Jakob Grynberg
a/k/a Jack Grynberg
d/b/a Jack Grynberg and Associates
d/b/a Jack Grynberg & Associates
SSN: 523-38-2422

Debtor.

Proof of Claim by Inexco Oil Company as secured creditor

81B821 M

1. Complete name and mailing address of claimant:

Inexco Oil Company
1100 Milam Building
19th Floor
1100 Milam Street
Houston, Texas 77002

2. Excluding interest and costs, as of May 5, 1981, Jack J. Grynberg is indebted to the claimant in the principal amount of $162.20 which debt arose as follows:

Under terms of Section 12.5 Operators Lien of Unit Operating Agreement dated July 30, 1971 for the Central Hilight Unit, Campbell County, Wyoming, ratified by Jack J. Grynberg on October 23, 1971, pursuant to which Inexco Oil Company as Unit Operator has a lien upon the interest of Jack J. Grynberg secured by his interest in and to the production from said unit.

3. Copies of invoices, the Unit Operating Agreement for the Central Hilight Unit, and the Ratification by Jack J. Grynberg are attached hereto.

4. No part of the amount claimed has been received by the creditor by way of payment or offset.

5. Interest is accruing on the amount shown in Paragraph 2 at the rate of ten percent (10%) per annum.

6. There are no set-offs or counterclaims to the debt.

7. This claim is filed as a secured claim to the extent of any production attributable to the interest of Jack J. Grynberg from the Central Hilight Unit, Campbell County, Wyoming.

Dated this 7th day of May, 1981.

INEXCO OIL COMPANY

BY: Michael J. August
Michael J. August,
Vice President-Financial

-4

Proof of Authority to file Proof of Claim:

The undersigned states that he is the Vice President-Finance of Inexco Oil Company, the claimant herein, a corporation incorporated under the laws of Delaware, and that he is an officer duly authorized to file the Proof of Claim which is filed herewith.

Dated May 7th, 1981

Michael J. August

Sworn to and subscribed before this 7th day of May, 1981.

Judy A. Dobbs
Notary Public

My Commission Expires:

JUDY A. DOBBS
Notary Public, State of Texas
My Commission Expires November 29 1982

B0F 15
(Rev. 10/79)

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAY 1 1981
BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

United States Bankruptcy Court

For the _____ District of COLORADO

In re
JACK J. GRYNBERG, aka Jack Jacob Grynberg
aka Jack Grynberg, dba Jack Grynberg
and Associates, dba Jack Grynberg &
Associates
SSN: 523-38-2422
*Debtor**

Case No. 81B 00821 M

PROOF OF CLAIM

1. ~~[If claimant is an individual claiming for himself] The undersigned, who is the claimant herein, resides at**~~

~~[If claimant is a partnership claiming through a member] The undersigned, who resides at**~~

~~is a member of~~ ~~a partnership~~
~~composed of the undersigned and~~
~~of**~~ ~~and~~
~~doing business at**~~
~~and is authorized to make this proof of claim on behalf of the partnership~~

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**
P.O. Box 456, Rangely, Colorado 81648
is the President of CRC Bi-Co Rental, Inc.
a corporation organized under the laws of Texas
and doing business at** 2603 Main Street, Rangely, Colorado 81648
and is authorized to make this proof of claim on behalf of the corporation.

~~[If claim is made by agent] The undersigned, who resides at**~~
~~is the agent of~~
~~for**~~ ~~and is~~
~~authorized to make this proof of claim on behalf of the claimant.~~

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 26,032.70

3. The consideration for this debt [*or* ground of liability] is as follows: Equipment rental for wells known as 24-6 and 44-6 located in Section 6, T2S, R102W, 6th P.M., and well 44-29 in Section 29, T1S, R102W, 6th P.M., Rio Blanco County, Colorado.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5. [*If appropriate*] This claim is founded on an open account, which became ~~[or will become]~~ due on December 30, 1976 through January 31, 1977, as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim ~~except~~.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim ~~except~~

9. No security interest is held for this claim *except* liens on wells and equipment pursuant to Colorado Revised Statutes, 1973, §38-24-101, et seq. The value of such wells and equipment is unknown, but may be less than $1,000.00.
[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) ~~(Priority)~~ CLAIM.

$ 26,032.70
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: CRC Bi-Co RENTAL, INC.
(formerly Bi-Co Rental Incorporated)
(Print or Type Full Name of Creditor)

Dated:

Signed: A B Bolton Pres

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

3

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(Rev. 10/79)

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
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BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK

United States Bankruptcy Court

For the _____ District of COLORADO

In re
JACK J. GRYNBERG, aka Jack Jacob Grynberg, aka Jack Grynberg, dba Jack Grynberg and Associates, dba Jack Grynberg & Associates,
SSN: 523-38-2422
*Debtor**

Case No. 81 B 00821 M

PROOF OF CLAIM

1. ~~[If claimant is an individual claiming for himself] The undersigned, who is the claimant herein, resides at**~~

~~[If claimant is a partnership claiming through a member] The undersigned, who resides at**~~

~~is a member of~~ ~~a partnership~~
~~composed of the undersigned and~~
~~all~~*
~~doing business at**~~
~~and is authorized to make this proof of claim on behalf of the partnership.~~

[If claimant is a corporation claiming through an authorized officer] The undersigned, who resides at**
P.O. Box 456, Rangely, Colorado 81548
is the Vice President of CRC Colorado Well, Inc.
a corporation organized under the laws of Texas
and doing business at** 2603 East Main Street, Rangely, Colorado 81648
and is authorized to make this proof of claim on behalf of the corporation.

~~[If claim is made by agent] The undersigned, who resides at**~~
~~is the agent of~~
~~all~~*
~~and is authorized to make this proof of claim on behalf of the claimant.~~

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 92,809.63

3. The consideration for this debt [*or* ground of liability] is as follows: Well drilling, completing, and servicing for wells known as 24-6 and 44-6 located in Section 6, T2S, R102W, 6th P.M. and well 44-29 in Section 29, T1S, R102W, 6th P.M., Rio Blanco County, Colorado.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [~~or will become~~] due on December 3, 1976 through January 20, 1977, as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim ~~except~~.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim ~~except~~.

9. No security interest is held for this claim except liens on wells and equipment pursuant to Colorado Revised Statutes 1973, §30-24-101, et seq. The value of such wells and equipment is unknown, but may be less than $1,000.00.
[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (~~Priority~~) CLAIM.

$ 92,809.63
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: CRC Colorado Well, Inc.
(formerly Colorado Well Service, Inc.)
(Print or Type Full Name of Creditor)

Dated: Signed: _____

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

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T 256—Corporation Proof of Claim, OF15 & 11-F14 9.

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TYPE OR PRINT ALL NECESSARY PARTS. INCOMPLETE OR ILLEGIBLE CLAIMS MAY RESULT IN DISALLOWANCE.

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAY 1 1981
BRADFORD L. BOLTON, Clerk
BY..... DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF

In re JACK GRYNBERG AND ASSOCIATES

Debtor

Include here all names used by debtor within last 6 years.

CASE NO. 81 B 00821

PROOF OF CLAIM

PENALTY FOR PRESENTING FRAUDULENT CLAIMS.—Fine of not more than $5,000 or imprisonment for not more than five years or both—Title 18, U.S.C., Sec. 152.

1. The undersigned, who resides at * ST. PAUL, MINNESOTA

is the DIRECTOR OF CREDIT of MINNESOTA MINING & MANUFACTURING COMPANY, a corporation organized under the laws of DELAWARE and doing business at * 3M CENTER, BOX 33388, ST, PAUL, MINNESOTA 55144

and is authorized to make this proof of claim on behalf of the corporation.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [or liable] to the claimant, in the sum of $ 405.10

FOUR HUNDRED FIVE AND 10/100----------DOLLARS

3. The consideration for this debt [or ground of liability] is as follows:

Goods, wares, and merchandise sold and delivered to said JACK GRYNBERG AND ASSOCIATES as per statement attached herewith and made a part hereof,

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached hereto [or cannot be attached for the reason set forth in the statement attached hereto]

5. [*If appropriate*] This claim is founded on an open account, which became [or will become] due on 1980 as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except NONE

7. The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except NONE

9. No security interest is held for this claim except NONE

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [or under a separate writing which (or a duplicate of which) is attached hereto, or under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

Dated: APRIL 29, 1981

Signed: J. Grynberg

Type or Print Name Signed J. D. NYGREN, DIRECTOR OF CREDIT

* State post-office address.

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Statement

Form [illegible]

P.O. BOX 33388
ST. PAUL MINNESOTA
55133

YOUR ACCOUNT NUMBER IS
KH02215
PLEASE REFER TO THIS NUMBER IN ALL CORRESPONDENCE OF YOUR ACCOUNT

J GRYNBERG
4661 S DASA DE
ENGLEWOOD CO
80110

PAGE 1 **

THIS STATEMENT INCLUDES ALL ITEMS PROCESSED THROUGH
04/24/81

PLEASE DETACH AND RETURN THIS PORTION WITH YOUR REMITTANCE

DATE	CUSTOMER ORDER NUMBER	REFERENCE NUMBER	CHARGES OR CREDITS
09-26-80		31 TU05696	405.10
		BALANCE	405.10

PLEASE ADDRESS ALL CORRESPONDENCE TO:
P. O. BOX 33211
ST. PAUL, MINNESOTA.
55133
REMIT TO ADDRESS SHOWN AT TOP OF STATEMENT.

B0F 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAY 4 1981
BRADFORD L. COLTON, Clerk
BY _____ DEPUTY CLERK

For the _____ District of _____

In re

Case No. _____

Debtor*

F/L 821

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** Box "U", Malta, Montana
, is the ~~agent of~~ Clerk & Recorder
, of** Phillips County , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 24.00

3. The consideration for this debt [*or* ground of liability] is as follows: Recording fees for Assignments of Oil & Gas Leases

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$ 24.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: PHILLIPS COUNTY
(Print or Type Full Name of Creditor)

Dated: ~~XXXXXX~~ 4-29-81 Signed: INGELEF I. SCHWARTZ
CLERK & RECORDER

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address..

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JACK GRYNBERG & ASSOCIATES
1050 - 17th. Street - Suite 1950
Denver, Colorado 80202

No L 5366

Central Bank of Denver
Denver, Colorado 80292
23-53/1020

PAY THE SUM 24 AND 00

TO THE ORDER OF

Phillips County Clerk & Recorder
South 2nd Avenue West
Box "U"
Malta, MT 59538

DATE 2/3/81

AMOUNT $ 24.00

"005366" :102000539: 040"347" "000002400"

PHILLIPS COUNTY

COUNTY COMMISSIONERS

DUANE W. COMPTON, Chairman
Malta, Montana

DANN M. GARRISON
Saco, Montana

SHERMAN DOUCETTE
Wagner, Montana

District Judge
LEONARD H. LANGEN
Glasgow, Montana

Clerk and Recorder
INGELEF I. SCHWARTZ

Treasurer
MARION K. GOULET



Assessor
HELEN WATERS

Sheriff
MIKE CAMP

Clerk of Court
DORIS D. RUMMEL

Superintendent of Schools
DOLORES HUGHES

County Attorney
WILLIS M. McKEON

Coroner
GARRY ADAMS

Public Administrator
B. J. GOODHEART

Justice of Peace
CARL F. EATON

MALTA, MONTANA
59538

APRIL 24th, 1981

Bradford L. Balton, Clerk
U. S. Bankruptcy Court
District of Colorado
400 Columbine Building
1845 Sherman Street
Denver, Colorado 80203

Dear Sir:

We have check No. 1 5366 in the amount of $24.00 for recording fees, issued to Phillips County Clerk & Recorder, Malta, Mt., 59538. This has been returned due to insufficient funds in account of Jack Grynberg & Associates. We understand he has filed for bankruptcy and would like to have a claim sent to us, as we believe this is a legitimate claim. The $24.00 was recording fees for four (4) Assignments of Oil & Gas Leases, which were duly recorded and returned.

Thank you.

Ingelef I. Schwartz
Clerk & Recorder
Phillips County
Box "U"
Malta, Montana

RECEIVED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
APR 27 1981
BRADFORD L. BALTON, Clerk
BY.....
DEPUTY CLERK

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this _____ day of November, 1979, by and between T.W.T. EXPLORATION, INC., a Utah corporation (hereinafter "TWT") and Jack Grynberg, doing business as "JACK GRYNBERG AND ASSOCIATES," a Sole Proprietorship (hereinafter "JGA"), and Jack J. Grynberg, individually (hereinafter "Grynberg"), who resides or has a business address in Denver, Colorado.

RECITALS

WHEREAS, on or about September 28, 1977 TWT as Plaintiff, commenced a Civil Action in the DISTRICT COURT IN AND FOR THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO (Civil Action No. C-74650) against JGA, as Defendant for non-payment of sums due and owing by JGA to TWT on an Agreement entered into between those parties on or about October 21, 1976 (hereinafter Agreement"); and

WHEREAS, pursuant to the Agreement TWT was to be paid the total sum of $54,792.50 by JGA for TWT's Agreement to perform certain drilling services for JGA on property located in Rio Blanco County, State of Colorado upon completion of such services; and

WHEREAS, up and until the date of filing such Civil Action, and continuing to the date of this Agreement, TWT had only been paid the sum of $12,150.00 from JGA, which left an unpaid balance of $42,642.50 on the contract price pursuant to the Agreement; and

WHEREAS, the Agreement provided for interest to accrue on any unpaid balance at the rate of 1 1/2% per month; and

WHEREAS, the Agreement also provides for the payment of reasonable attorney's fees in the event that TWT had to commence any legal action for collection of the Contract price pursuant to the Agreement from JGA; and

WHEREAS, JGA, after notice and demand, failed to pay the balance of the Contract price pursuant to the Agreement and TWT commenced the Civil Action referred to above and trial of such Civil Action is scheduled to commence on December 3, 1979 in the Denver District Court;

and

WHEREAS, the parties have reached an Agreement whereby all disputes and claims contained in or incident to the Complaint filed in the Civil Action referred to above are to be resolved according to the terms and conditions of this Settlement Agreement;

and

WHEREAS, none of the parties to this Agreement concedes liability to the other except where specifically set forth herein.

NOW THEREFORE, in consideration of the Recitals contained above and of the mutual covenants, agreements, undertakings, and promises contained herein the parties to this Agreement hereby agree as follows:

1. Settlement Amount(s).

In order to completely settle all claims arising out of the Complaint filed by TWT, as Plaintiff, against JGA, as Defendant, the parties hereby agree to the following terms and conditions:

A. Simultaneously with the execution of this Agreement JGA or Grynberg shall pay to the order of TWT and/or its Attorney, Howard J. Glicksman, the total sum of Twenty-Five Thousand ($25,000) Dollars in cash or certified funds.

B. In conjunction with the payment referenced in sub-paragraph A of this Paragraph 1, JGA and Jack J. Grynberg shall execute their joint and several Promissory Note in the total principal amount of Forty Thousand ($40,000.00) Dollars, which principal amount shall bear simple interest at 1% over the prime interest rate charged by the United Bank of Denver, N.A., to its best corporate customers during the entire term of such Promissory

Note. It is the intent of the parties that the interest rate enumerated above shall be a floating interest rate during the term of this Agreement and shall be based on one percentage point over the prime interest rate which is charged by the United Bank of Denver, N.A., to its best corporate customers. The term of such Note shall be for twelve months from the date of execution of such Promissory Note and such Note shall be executed jointly and severally by Grynberg and JGA. Furthermore, the Note shall be in a form which confesses judgment to the Creditor in the event that such Note is not paid in full, as to both principal and accrued interest, on its stated due date or on any other applicable due date according to the terms of this Agreement. Such Note shall make provision that the Debtor will not raise any defenses or bring any action to prevent Plaintiff or Plaintiff's attorney from confessing judgment against JGA or Grynberg if the entire Note and accrued interest is not paid when due. A copy of Promissory Note and any Schedule thereto are attached hereto and made a part of this Agreement by this reference as Exhibit "A". Additionally, the legal validity of the Note shall be subject to all terms and conditions contained in this Agreement which effect payment of the Promissory Note referred to herein.

C. Furthermore, such Promissory Note shall be secured by the property(s) noted on Schedule 1. attached to and made a part of Exhibit "A" and specifically made a part of this Agreement by this reference.

2. Alternative Settlement.

JGA and Grynberg hereby warrant and represent that they have a Civil Action in the Superior Court in and for the County of Alameda State of California against the Limited Partners of the Greater Green River Basin Limited Partnership and will bring another action against Ian Cumming and John D. Archer, both of whom reside in Salt Lake City, Utah. Such actions concern, in part, sums of money due and owing to JGA and/or Grynberg.

It is believed by JGA and Grynberg that the Escrow Agents appointed pursuant to certain Escrow Agreements maintained in furtherance of such litigation have in their possession sums of money which are properly due and owing to JGA and/or Grynberg.

JGA and Grynberg, jointly and severally, hereby agree to subrogate, for the benefit of TWT, the first $45,000.00 of any judgment that they may obtain pursuant to the trials of said Actions wherein such Actions in Superior Court of Alameda County, California is to commence on February 11, 1980. Such subrogation, in the total amount of $45,000.00, shall be accomplished by the anticipatory assignment of such judgment to the extent of $45,000.00 to TWT, which anticipatory assignment shall be executed by JGA and Grynberg simultaneous with the execution of this Agreement.

On the date that any final judgment is obtained by JGA and/or Grynberg in such Action referred to above, JGA and Grynberg shall be obligated to date and complete the Assignment of Judgment attached hereto as Exhibit "B" and made a part of this Agreement by this reference. In the event that for any reason JGA and Grynberg refuse to complete such Assignment, Grynberg and JGA hereby consent to a Court of Competent Jurisdiction specifically enforcing such complete execution. JGA and Grynberg hereby waive any and all defenses that they may have to the aforesaid specific enforcement. For the purposes of this Agreement, the term "Final Judgment" shall mean the latest date that any of the Defendants in the Civil Action referenced above may file an appeal against any Decision, Order and/or Judgment rendered against such Defendants. Provided however, that in the event that Grynberg and/or JGA is the losing party in such action or makes any other motion or appeal on the grounds that the judgment received by them is inadequate, such motion or appeal shall be ineffective to delay or abate the operation of the provisions contained in Paragraph 3 of this Agreement.

3. Acceleration of Promissory Note.

In the event that any final judgment rendered for the

benefit of JGA and/or Grynberg is in an amount less than the $45,000.00 referred to in Paragraph 2 of this Agreement, and Grynberg and/or JGA make an appropriate motion(s) and/or appeal(s) such decision and order, the Promissory Note referred to in Paragraph 2 of this Agreement shall be accelerated and become due and payable in full on the date that such motion and/or appeal is filed, unless the losing party(s) in such Action have additional time in which to file an appeal. In such event the Promissory Note's due date shall be accelerated on the day following the last day in which such losing party(s) have in which to appeal such adverse decision, order or judgment. Provided however, that in the event that the Defendants in the Action are the losing party(s) in such Action and appeal such adverse order, decision, or judgment then the Promissory Note shall not be accelerated until such time that any appeal becomes a "Final Judgment." Provided further, however, that if an appeal is filed and such proceedings extend beyond the stated due date of the Promissory Note the due date of such Promissory Note shall not be delayed and TWT may enforce the provisions of such Promissory Note including the full payment of Principal and Accrued Interest thereon.

4. Settlement of Civil Action.

In the event that JGA and/or Grynberg and the Defendants in the Civil Action settle their disputes before a final judgment is rendered in such action and such settlement provides Grynberg and/or JGA with funds of $45,000.00 or more, the total sum of $45,000.00 shall be paid over and assigned to TWT as soon as such settlement and/or stipulation becomes effective.

In the event that such settlement is in an amount less than $45,000.00, all amounts received by Grynberg and/or JGA pursuant to such settlement shall be paid over to TWT as payment on their Promissory Note and any remaining balance of principal or accrued interest on such Promissory Note, if any, shall become

benefit of JGA and/or Grynberg is in an amount less than the $45,000.00 referred to in Paragraph 2 of this Agreement, and Grynberg and/or JGA make an appropriate motion(s) and/or appeal(s) such decision and order, the Promissory Note referred to in Paragraph 2 of this Agreement shall be accelerated and become due and payable in full on the date that such motion and/or appeal is filed, unless the losing party(s) in such Action have additional time in which to file an appeal. In such event the Promissory Note's due date shall be accelerated on the day following the last day in which such losing party(s) have in which to appeal such adverse decision, order or judgment. Provided however, that in the event that the Defendants in the Action are the losing party(s) in such Action and appeal such adverse order, decision, or judgment then the Promissory Note shall not be accelerated until such time that any appeal becomes a "Final Judgment." Provided further, however, that if an appeal is filed and such proceedings extend beyond the stated due date of the Promissory Note the due date of such Promissory Note shall not be delayed and TWT may enforce the provisions of such Promissory Note including the full payment of Principal and Accrued Interest thereon.

4. Settlement of Civil Action.

In the event that JGA and/or Grynberg and the Defendants in the Civil Action settle their disputes before a final judgment is rendered in such action and such settlement provides Grynberg and/or JGA with funds of $45,000.00 or more, the total sum of $45,000.00 shall be paid over and assigned to TWT as soon as such settlement and/or stipulation becomes effective.

In the event that such settlement is in an amount less than $45,000.00, all amounts received by Grynberg and/or JGA pursuant to such settlement shall be paid over to TWT as payment on their Promissory Note and any remaining balance of principal or accrued interest on such Promissory Note, if any, shall become

due and payable on the date that the settlement becomes effective. Thus, any settlement of the Civil Action will accelerate the due date of the Promissory Note in the event that such settlement is in an amount less than $45,000.00.

5. Parties to Execute Joint Stipulation.

Upon the execution of this Agreement and supporting or ancillary documents, TWT and JGA shall execute a joint stipulation to be filed with the Denver District Court striking the trial date scheduled to commence on December 3, 1979, in Civil Action No. C-74650.

This Settlement Agreement and all Exhibits hereto and supporting or ancillary documents shall be attached to such Joint Stipulation and specifically made a part of such Stipulation.

6. Mutual Releases and Dismissal With Prejudice Of Civil Action No. C-74650.

Upon full compliance with the terms of this Agreement by all parties to this Agreement, TWT and JGA and Grynberg shall execute appropriate mutual releases to each of the other, which releases will relate to the Complaint filed in Civil Action No. C-74650.

Simultaneous with the execution of such Mutual Release(s), Counsel to TWT and Counsel to JGA and Grynberg shall make a motion to dismiss Civil Action No. C-74650, with Prejudice.

7. Benefit.

The provisions of this Agreement shall inure to the benefit of any successors-in-interest to the parties hereto, including their personal representatives, if applicable.

8. Governing Law.

The provisions of this Agreement shall be construed according to the laws of the State of Colorado.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

"JGA"

By _____
Jack J. Grynberg

"TWT"

By _____
Robert Pinder, President

APPROVED BY:

_____
Howard J. Glicksman #6363
Attorney for TWT
One Park Central, Suite 690
1515 Arapahoe Street
Denver, CO 80202
Telephone: 629-0043

APPROVED BY:

_____
Bruce Teichman #7175
Attorney for JGA and Grynberg
510 American Nat'l Bank Bldg.
818 Seventeenth Street
Denver, CO 80202

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

I hereby certify that on this 27 day of November, 1979, Jack J. Grynberg personally appeared before me, who, being by me first duly sworn that he signed the foregoing instrument and that the statements contained therein are true.

In witness whereof I have hereunto set my hand and seal this 27 day of November, 1979.

_____
Notary Public

My Commission Expires:
Jan 16, 1981

STATE OF UTAH

COUNTY OF

I hereby certify that on this 7th day of December, 1979, personally appeared before me Robert Pinder, who being by me first duly sworn, declared that he is the President of T.W.T. EXPLORATION, INC. that he signed the foregoing instrument and that the statements conatined therein are true.

In witness whereof I have hereunto set my hand and seal this 7th day of December, 1979.

_____
Notary Public

My Commission Expires:
Jan 16, 1980

Proof of Claim for Internal Revenue Taxes

(Bankruptcy Code Cases)

Department of the Treasury/Internal Revenue Service

Form 6338
(12-79)

Case Number	81 B 00821 M
Type of Bankruptcy Case	Chapter 11
Date of Petition	03-10-81
Taxpayer Identifying Number	
Social Security Number	523-38-2422
Employer Identification Number	

United States Bankruptcy Court for the _____
District of Colorado

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
APR 30 1981
BRADFORD L. BOLTON, Clerk
By JO

In the Matter of: JACK J. GRYNBERG
1050 17th Street
Denver, CO 80265

1. The undersigned, whose business address is 1050 17th Street, Denver, CO 80265, is the agent of the Department of Treasury, Internal Revenue Service, and is authorized to make this proof of claim on behalf of the United States.
2. The debtor is indebted to the United States in the sum of $ 1,245,362.20
3. The ground of liability is taxes due under the Internal revenue laws of the United States.

A. Secured Claims (Notice of Federal tax lien filed under internal revenue laws before petition date)

Kind of Tax	Tax Period	Date Tax Assessed	Tax Due $	Interest to Petition Date $	Notice of Tax Lien Filed: Date	Notice of Tax Lien Filed: Office Location

Penalty to date of petition ..... $ _____
Post-petition penalty to the date of this claim ..... $ _____
Post-petition interest to the date of this claim ..... $ _____

B. Unsecured Priority Claims under section 507(a)(6) of the Bankruptcy Code

Kind of Tax	Tax Period	Date Tax Assessed	Tax Due $	Interest to Petition Date $
Income	12-31-74	*See below	82,814.00	37,931.64
Income	12-31-75	" "	139,461.00	52,770.70
Income	12-31-76	" "	262,981.00	81,100.81
Income	12-31-77	" "	214,745.00	51,635.87
Income	12-31-78	" "	264,999.00	47,819.61
Income	12-31-79	" "	8,215.00	888.57

*The tax liability shown for each tax year is a proposed deficiency assessment to be made against the above named taxpayer.

C. Unsecured General Claims

Kind of Tax	Tax Period	Date Tax Assessed	Tax Due $	Interest to Petition Date $

Penalty to date of petition ..... $ _____* $ _____**
Post-petition penalty to date of this claim ..... $ _____* $ _____**
Post-petition interest to date of this claim ..... $ _____* $ _____**

4. Total pre-petition penalty ..... $ To be assessed
5. Total post-petition penalty to the date of this claim ..... $ --
6. Total tax and pre-petition interest as of the date of this claim ..... $ 1,245,362.00
7. Total Interest from petition date to date of this claim ..... $ --
8. Dollar amount per day at which interest will accrue after date of this claim ..... $
9. No note or other negotiable instrument has been received for the account or any part of it, except None.
10. No judgment has been rendered on this claim, except None.
11. The amount of all payments on this claim has been credited and deducted for the purpose of making this claim.
12. This claim is not subject to any setoff or counterclaim, except None, which is a secured claim under section 506(a).
13. No security interest is held, except for the secured claims listed in item 3A above and None.

* These amounts pertain to unsecured general claims.

** These amounts pertain to unsecured priority claims under section 507(a)(6) of the Bankruptcy Code.

17

Penalty for Presenting Fraudulent Claim—Fine of not more than $5,000 or imprisonment for not more than 5 years or both—Title 18, U.S.C. Section 152.

Signature Gail Powell — Gail Powell — Date 4-20-81

Title Acting Chief, Special Procedures Staff — Telephone Number 837-3323

Part 1—For Court (or Fiduciary if required by local procedures) — Form 6338(12-79)

B0F 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
APR 27
BRADFORD L. BOWMAN
BY ..... DEPUTY

For the ..... District of .....

In re JACK J. GRYNBERG
aka Jack Jakob Grynbert
aka Jack Grynberg
dba Jack Grynberg and Associates
dba Jack Grynberg & Associates

Debtor* SSN: 523-38-2422

Case No. 81 B 00825 M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**
P. O. Box 2205, Fort Worth, Texas 76102

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the - of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and i
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 396.30

3. The consideration for this debt [*or* ground of liability] is as follows: Check No. 1014 dated 3/2 in the amount of $396.30 in payment of royalties which was returned un

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto]:
$Xerox copy of check attached.

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. none

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except none.

9. No security interest is held for this claim except unpaid check.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$396.30
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: W. E. Pope
(Print or Type Full Name of Creditor)

Dated: Signed: W E Pope

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

16

JACK GRYNBERG & ASSOCIATES
SPECIAL ACCOUNT
1050 - 17th Street Suite 1950
Denver, Colorado 80265

23-19

No. 1396

Central Bank of Denver
Denver, Colorado 80202
23-53/1020

PAY

DATE

AMOUNT

TO THE ORDER OF

W. E. Pope
P.O. Box 2205
Ft. Worth, TX 76102

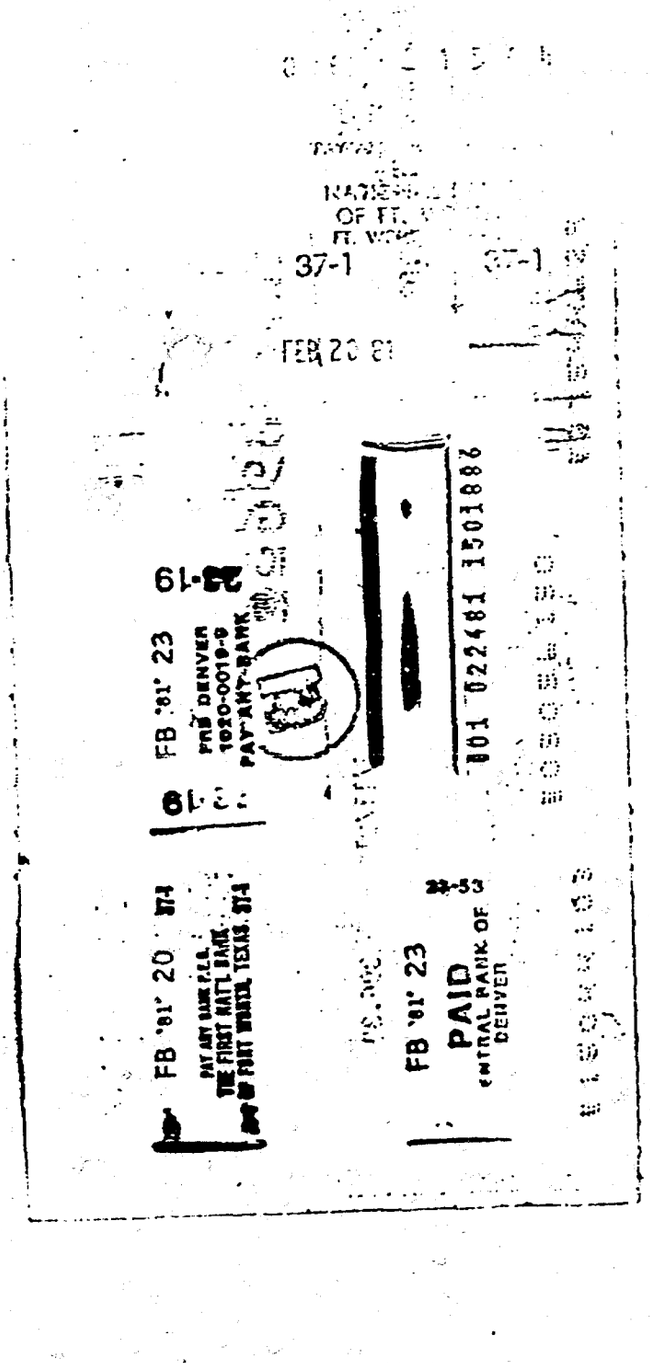
$ 396.30

Returned for
- Not sufficient funds
- Uncollected funds
- Guarantee amount
- Account closed
- Refer to maker
- Endorsement 2/11/81
- Unable to locate
- Forgery

Signature

"001396" :102000539: 010"340" "00000396.30"

FOR DEPOSIT ONLY
FORT WORTH, TEXAS
W. E. POPE



B0F 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

APR 29 1981

BRADFORD L. BOLTON, CLERK
BY..... DEPUTY CLERK

For the_____ District of_____

In re

Case No. 81B521M

*Debtor**

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and ,
of** , and
doing business at** ,
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**
710 Brassie Drive Grand Junction, Co. 81501 ,
is the President of Rippy, Inc ,
a corporation organized under the laws of Colorado
and doing business at** P. O. Box 66 Grand Junction, Co 81501 ,
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $2,659.02

3. The consideration for this debt [*or* ground of liability] is as follows:

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5 [*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$2,659.02
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Rippy, Inc.
(Print or Type Full Name of Creditor)

Dated: 4/26/81 Signed: William L. Rippy

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

Rippy, Inc.
P. O. Box 66
Grand Junction, Co. 81502

Date 14 April 19 81

To Jack Grynberg and Assoc
Address 1950 Prudential Plaza Tower
1050 Seventeenth Street
City Denver, Co. 80265

PAST DUE INVOICES	
1978 June Invoice 610G	724.45
2 years 9 months interest	358.54
1979 February Invoice 740G	175.00
2 years 1 month interest	65.63
1979 March invoice 761G	175.00
2 years interest	63.00
1979 April Invoice 795G	175.00
1 year 11 months interest	60.43
1979 April Invoice 796G	100.00
1 year 11 months interest	34.50
1979 May invoice 804G	175.00
1 year 10 months interest	57.80
1979 May invoice 805G	100.00
1 year 10 months interest	33.00
1979 June Invoice 822G	175.00
1 year 9 months	55.17
1979 June Invoice 823G	100.00
1 year 9 months interest	31.50
	$2,659.02

Rest requested 1½% per month or 18% per year on accounts over 30 days old

Rediform 8K 882

STATEMENT

United States Bankruptcy Court

APR 2

For the _____ District of COLORADO

In re JACK J. GRYNBERG, a/k/a Jack Jakob Grynberg, a/k/a Jack Grynberg, d/b/a Jack Grynberg and Associates, d/b/a Jack Grynberg & Associates

*Debtor**

Case No. 81 B 00821 M

PROOF OF CLAIM

1. ~~[*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**~~

~~[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**~~

~~is a member of~~ ~~, a partnership,~~
~~composed of the undersigned and~~
~~of**~~ ~~, and~~
~~doing business at**~~
~~and is authorized to make this proof of claim on behalf of the partnership.~~

~~[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**~~

~~is the~~ ~~of~~
~~a corporation organized under the laws of~~
~~and doing business at**~~
~~and is authorized to make this proof of claim on behalf of the corporation.~~

[*If claim is made by agent*] The undersigned, who resides at** 503 Mission Drive, Robinson, Illinois, , is the agent of Frank J. Weber and Wanda A. Weber of 503 Mission Drive of ~~of~~** Robinson, Illinois, , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 25,000.00

3. The consideration for this debt [*or* ground of liability] is as follows: Surface damages to real estate by spillage of salt water, occupying land with machinery, equipment and materials, and allowing unplugged wells and open salt water and slush pits to remain on said premise

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5

If appropriate] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except. Default judgment order entered Nov. 26, 1979. Subsequently vacated by agreement and case still pending in Circuit Court of Crawford County, Illinois.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except none.

9. No security interest is held for this claim except lien claimed on all oil and gas wells, pipe, casings, machinery, equipment and materials located on the premises of claimant as well as oil produced from the premises and not previously paid out by Marathon Oil Company to the bankrupt.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a ~~(x)~~ (n) (Secured) CLAIM.

$ 25,000.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Frank J. Weber and Wanda A. Weber
(Print or Type Full Name of Creditor)

Dated: April 27, 1981

Signed: Frank J. Weber
FRANK J. WEBER

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

3

B0F 15
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

APR 20 1981

BRADFORD L. BENTON, Clerk
BY ..... DEPUTY CLERK

For the ..... District of Colorado

In re Jack Grynberg & Associates

Debtor*

Case No. 81 B 00821M

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at** 6501 N. Broadway Extension, Oklahoma City, Oklahoma 73116
is the Vice President-Controller of Grace Petroleum Corporation
a corporation organized under the laws of Delaware
and doing business at** 6501 N. Broadway Extension, Oklahoma 73116
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 6501 N. Broadway, Oklahoma City, Oklahoma 73116 , is the agent of Grace Petroleum Corporation , of** 6501 N. Broadway, Oklahoma City, Oklahoma 73116 , and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 22,341.94

3. The consideration for this debt [*or* ground of liability] is as follows: See paragraph 4 below.

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto]. Operating Agreement,

5 see attached. Joint obligation of Jack Grynberg and Celeste C. Grynberg.

If appropriate] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except None

9. No security interest is held for this claim except See attached Operating Agreement

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~(Unsecured)~~ ~~(Secured)~~ (Priority) CLAIM.

$ 22,341.94
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Grace Petroleum Corporation
(Print or Type Full Name of Creditor)

Dated: April 16, 1981 Signed: David E. Lewis

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

11

BOF 15
(Rev. 10/79)

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
APR
BRADFORD L. POLTON, Clerk
BY

United States Bankruptcy Court

For the _____ District of _____

In re JACK J. GRYNBERG
a/k/a Jack Jakob Grynberg
a/k/a Jack Grynberg
d/b/a Jack Grynberg and Associates
*Debtor** SSN: 523-38-2422

Case No. 82B00821 M

11

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**
C.G. YOUNG (YOUNG DRILLING CO.)
1201 BAYLOR DR. ROSWELL, N. MEX. 88201

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of**. , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corporation organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of**
authorized to make this proof of claim on behalf of the claimant.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 19
Submitted by Mesa
Hearing Date 5-17-82 , and is

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 13,104.00

3. The consideration for this debt [*or* ground of liability] is as follows: DRILLING OF WELL AND LEASE HOLDING ON RIO FELIX PROSPECT, CHAVES CO. TS 14S. RG.24E. Sect 25 NMPM

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [~~or is set forth in the statement attached hereto~~]. IS ATTACHED

5

[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Unsecured) (Secured) (Priority) CLAIM.

$ 13,104.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: C.G. YOUNG
(Print or Type Full Name of Creditor)

Dated: 4/6/1982 Signed: C.G. Young

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

I hereby attest and certify on May 4, 1982 that the document affixed hereto is a full, true and correct copy of the original on file in my office and in my custody.

Clerk, United States Bankruptcy Court
District of Colorado

By: Jeanne Hebert
Clerk

*Include all names used by Debtor within last 6 years.
**State post office address.

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAR 24 1981
BRADFORD L. SCHLOM, Clerk
DEPUTY CLERK

In re:

JACK J. GRYNBERG
aka Jack Jakob Grynberg
aka Jack Grynberg
dba Jack Grynberg and Associates
dba Jack Grynberg & Associates
SSN: 523-38-2422

Debtor.

Case No. 81-B-00821 M

NOTICE FOR MEETING OF CREDITORS
WITH NOTICE OF AUTOMATIC STAY

To the debtor, his creditors, and other parties in interest:

An order for relief under 11 U.S.C., Chapter 11 having been entered on a petition filed by JACK J. GRYNBERG dba Jack Grynberg and Associates of 1050 Prudential Plaza - 1050 Seventeenth Street - Denver, Colorado 80265 on February 20, 1981, notice is hereby given, that:

1. A meeting of creditors pursuant to 11 U.S.C. § 341(a) shall be held at 1845 Sherman Street - Room 303, Third Floor - Denver, Colorado 80203 on Friday, May 1, 1981 at 1:30 P.M.

2. The debtor shall appear in person at that time and place for the purpose of being examined.

You are further notified that:

The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to creditors.

At the meeting the creditors may file their claims, examine the debtor, and transact such other business as may properly come before the meeting.

As a result of the filing of the petition, certain acts and proceedings against the debtor and his property are stayed as provided in 11 U.S.C. § 362(a).

The debtor has filed, or will file, a list of creditors and equity security holders pursuant to Rule 1007. Any creditor holding a listed claim which is not listed as disputed, contingent, or unliquidated as to amount, may, but need not, file a proof of claim in this case. Creditors whose claims are not listed or whose claims are listed as disputed, contingent, or unliquidated as to amount and who desire to participate in the case or share in any distribution must file their proof of claim. Any creditor who desires to rely on the list has the responsibility for determining that he is accurately listed. Proof of claims should be filed with the Clerk of the Bankruptcy Court, 1845 Sherman Street - Fourth Floor, Denver, Colorado 80203. Notice of the last date for filing claims will be sent at a later time.

DATED: March 24, 1981

Adolaron B. Kapel
United States Trustee

The debtor's attorney is:

Ernest W. Lohf
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
(303) 623-5224

UST-2
11 Individual

This Letter was Certified To

JACK AND CELESTE GRYNBERG & ASSOCIATES
1050 17thSTREET SUITE 1950
DENVER, COLORADO, 80265

C.O. YOUNG
1201 BAYLOR DR.
ROSWELL. N.M. 88201
MARCH 9, 1961

RE: RIO FELIX PROSPECT, CHAVES CO. NM.
TOWNSHIP 14 SOUTH RANGE 24E. NMPM
SECTION 25

STATEMENT FOR LEASE HOLDING AND DRILLING

STARTING FROM THE 16TH DAY OF JANUARY THROUGH THE 20 TH DAY OF FEBRUARY TOTAL NO OF DAYS THIRTY SIX(36) AT THE SUM OF $350.00 PER DAY.

$350.00 X36----------TOTAL $12,600.00
NEW MEX. TAX 4%------- $ 504.00

TOTAL AMT. DUE _____ $13,104.00

PS. MR. GRYNBERG: I HAVE LEFT FOR YOUR BENFIT ON THE SAID RIO FELIX LOCATION 30 FEET OF 10 INCH CASING IN THE HOLE, AND ONE SET OF 10 INCH ELEVATORS AND ONE SET OF SLIP BOWLS.

THE SAID PROPERTY MUST BE RETURNED OR PAID FOR PLUS SIX: WE ARE ADDING TO THE ABOVE BILL 14 % INT. STARTING FROM THE 5 TH DAY OF FEB. 1961 THAT WAS 5 DAYS FROM THE DAY OUR MONEY WAS TO BE PAID AND AN NOTIFYING YOU THAT YOU ARE TO BE CHARGED WITH ANY AND ALL FEES INCURED IN COLLECTING THIS ACCOUNT. ALSO ALL TELEPHONE BILLS INCURED FROM THE 16 DAY OF JAN. THAT I HAVE TRIED TO REACH YOU IN ORDER TO COLLECT THIS BILL.

I AM ALSO INFORMING YOU THAT IT WOULD BE TO YOUR ADVANTAGE TO PAY THIS VERY SOON AS I AM READY TO TAKE ACTION (IN MORE WAYS THAN ONE) AS OF 10 DAYS FROM THIS NOTICE.

SINCERLY

C.O. YOUNG

JY

B0F 15
(Rev. 10/79)

United States Bankruptcy Court

For the _____ District of Colorado

APR 2 1981

In re JACK J. GRYNBERG
aka Jack Jakob Grynberg
aka Jack Grynberg
dba Jack Grynberg and Associates
dba Jack Grynberg & Associates
*Debtor** SSN: 523-38-2422

BRADFORD L. BOLTON, Clerk
BY _____ DEPUTY CLERK
Case No. 81 B00821 M

11

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**
Oklahoma City, Oklahoma
is the Controller of Drilling Mud, Inc., Div. TRG Drilling Corp.,
a corporation organized under the laws of Delaware
and doing business at** 11318 N. May, Oklahoma City, OK 73120
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at**
, is the agent of
, of** , and is
authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $

3. The consideration for this debt [*or* ground of liability] is as follows:

4. [*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].

5
If appropriate] This claim is founded on an open account, which became [*or* will become] due on
, as shown by the itemized statement attached hereto.. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.

6. No judgment has been rendered on the claim except.

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except

9. No security interest is held for this claim except

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 her [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which c..nnot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) ~~Secured~~ (Unsecured) ~~Priority~~ CLAIM.

$ 5,000.00
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Drilling Mud, Inc., a Division of TRG Drilling Corp.
(Print or Type Full Name of Creditor)

Dated: 3/31/81

Signed: Bill Le Williams Controller

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

**Include all names used by Debtor within last 6 years.*
***State post office address.*

FP:-MAR—7-21-80-BOOK-4484

5

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAR 24 1981
BRADFORD L. BOLTON, Clerk
DEPUTY CLERK

In re:

JACK J. GRYNBERG
aka Jack Jakob Grynberg
aka Jack Grynberg
dba Jack Grynberg and Associates
dba Jack Grynberg & Associates
SSN: 523-38-2422

Debtor.

Case No. 81-B-00221 M

NOTICE FOR MEETING OF CREDITORS
WITH NOTICE OF AUTOMATIC STAY

To the debtor, his creditors, and other parties in interest:

An order for relief under 11 U.S.C., Chapter 11 having been entered on a petition filed by JACK J. GRYNBERG dba Jack Grynberg and Associates of 1950 Prudential Plaza - 1050 Seventeenth Street - Denver, Colorado 80265 on February 20, 1981, notice is hereby given, that:

1. A meeting of creditors pursuant to 11 U.S.C. § 341(a) shall be held at 1845 Sherman Street - Room 303, Third Floor - Denver, Colorado 80203 on Friday, May 1, 1981 at 1:30 P.M.

2. The debtor shall appear in person at that time and place for the purpose of being examined.

You are further notified that:

The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to creditors.

At the meeting the creditors may file their claims, examine the debtor, and transact such other business as may properly come before the meeting.

As a result of the filing of the petition, certain acts and proceedings against the debtor and his property are stayed as provided in 11 U.S.C. § 362(a).

The debtor has filed, or will file, a list of creditors and equity security holders pursuant to Rule 1007. Any creditor holding a listed claim which is not listed as disputed, contingent, or unliquidated as to amount, may, but need not, file a proof of claim in this case. Creditors whose claims are not listed or whose claims are listed as disputed, contingent, or unliquidated as to amount and who desire to participate in the case or share in any distribution must file their proof of claim. Any creditor who desires to rely on the list has the responsibility for determining that he is accurately listed. Proof of claims should be filed with the Clerk of the Bankruptcy Court, 1845 Sherman Street - Fourth Floor, Denver, Colorado 80203. Notice of the last date for filing claims will be sent at a later time.

DATED: March 24, 1981

Alvin B. Kapel
United States Trustee

The debtor's attorney is:

Ernest W. Lohf
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
(303) 623-5224

UST-Y
11 Individual

ASSIGNMENT

WHEREAS, Jack J. Grynberg, 1050 17th Street, Suite 1950, Denver, Colorado 80202, ("Grynberg"), owes Drilling Mud, Inc., Suite 323, One Park Central, 1515 Arapahoe St., Denver, Colorado, 80202, ("Drilling Mud"), the sum of $ 7,972.09 for services rendered to Grynberg by Drilling Mud and

WHEREAS, Grynberg has entered into a partnership agreement with Amcan Oil Producers, 150 East 58th Street, New York, New York 10022, ("Amcan"), dated September 3, 1974, pursuant to which Amcan has agreed to contribute to the partnership the sum of $750,000 to be used by Grynberg to pay for the cost of drilling certain test and exploratory wells, as more fully set forth in the partnership agreement which is attached hereto and made a part hereof, and

WHEREAS, Grynberg hereby represents, covenants and warrants that he has performed the services required by the partnership agreement and is thereby owed the sum of $ 783,208.36 , after deducting all just off-sets, payments and credits, by Amcan under the partnership agreement, and

Paid 7,972.09 1-3-77

WHEREAS, Grynberg desires to secure the payment of the $ 7,972.09 he owes Drilling Mud by assigning to Drilling Mud $7,972.09 of the $ 783,208.36 owed Grynberg by Amcan under the partnership agreement together with an additional amount sufficient to reimburse Drilling Mud for all costs, including attorneys' fees, incurred by it in collecting the $7,972.09 from Amcan, and

WHEREAS, Drilling Mud agrees that if it receives from Grynberg full payment of the amount owed it by him, it will promptly void and release this Assignment.

NOW THEREFORE, FOR AND IN CONSIDERATION OF $1.00 and other good and valuable consideration, the receipt of which is hereby acknowledged, Grynberg does hereby assign, transfer and set over to Drilling Mud its successors and assigns, all right, title and interest in and to $7,972.09 of the $ 783,208.36 owed Grynberg by Amcan pursuant to that certain partnership agreement between Grynberg and Amcan dated September 3, 1974, and if Drilling Mud is forced to pursue legal remedies to collect the aforesaid $7,972.09 Grynberg hereby assigns, transfers and sets over to Drilling Mud its successors and assigns, all right, title and interest in and to an additional $1,594.41 of the $ 783,208.36 owed Grynberg by Amcan pursuant to the partnership agreement to pay Drilling Mud's costs of such legal remedies.

Grynberg hereby consents and authorizes Amcan to pay to Drilling Mud the first $7,972.09 of the $783,208.36 owed by it to Grynberg.

It is expressly understood that execution of this Assignment by Grynberg in no way releases Grynberg from the debt owed by him to Drilling Mud and Drilling Mud retains each and every right it has against Grynberg to collect that debt from him until Drilling Mud receives payment therefor in full.

It is further expressly understood that Drilling Mud may file this Assignment pursuant to Title 4, Article 9 of the Colorado Revised Statutes, 1973, in the office of the Secretary of State of the State of Colorado.

Grynberg hereby authorizes Drilling Mud its agents, attorneys, successors and assigns, to receive, sue for, collect and receipt for the aforesaid amounts in his name or otherwise and to do and perform every act and thing necessary and proper to be done to collect such amounts.

IN WITNESS WHEREOF, Grynberg has hereto set his hand and seal this 5th day of February 1976.

Jack J. Grynberg

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 5th day of February 19 76 by Jack J. Grynberg. Witness my hand and official seal.

Notary Public

My commission expires: December 8, 1979.

B27
(Rev. 10/79)

United States Bankruptcy Court

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
MAR 20 1981
BRADFORD L. DOLTON, Clerk
BY ..... DEPUTY CLERK

For the ..... District of COLORADO

In re Jack Jacob Gryberg
d/b/a Jack Grynberg and
Associates

Debtor*

Case No. 81B821M

11

PROOF OF CLAIM

1. [*If claimant is an individual claiming for himself*] The undersigned, who is the claimant herein, resides at**

[*If claimant is a partnership claiming through a member*] The undersigned, who resides at**

is a member of , a partnership,
composed of the undersigned and
of** , and
doing business at**
and is authorized to make this proof of claim on behalf of the partnership.

[*If claimant is a corporation claiming through an authorized officer*] The undersigned, who resides at**

is the of
a corooration organized under the laws of
and doing business at**
and is authorized to make this proof of claim on behalf of the corporation.

[*If claim is made by agent*] The undersigned, who resides at** 2020 First National Bank Building Denver, Colorado 80293, is the agent of Paul Gwaltney d/b/a Lovelace Enterprises, of** 28 Peninsula Drive, Granburg, Texas 76048, and is authorized to make this proof of claim on behalf of the claimant.

2. The debtor was, at the time of the filing of the petition initiating this case, and still is indebted [*or* liable] to this claimant, in the sum of $ 23,596.47

3. The consideration for this debt [*or* ground of liability] is as follows: services rendered and materials supplied

4. ~~[*If the claim is founded on writing*] The writing on which this claim is founded (or a duplicate thereof) is attached here to [*or* cannot be attached for the reason set forth in the statement attached hereto].~~ Copy of judgment attached.

5 ~~[*If appropriate*] This claim is founded on an open account, which became [*or* will become] due on , as shown by the itemized statement attached hereto. Unless it is attached hereto or its absence is explained in an attached statement, no note or other negotiable instrument has been received for the account or any part of it.~~

6. No judgment has been rendered on the claim except. Judgment entered 2/18/81 in favor of claimant and against Debtor; District Court of Hood County, Texas 29th Judicial Distric

7. The amount of all payments of this claim has been credited and deducted for the purpose of making this proof of claim.

8. This claim is not subject to any setoff or counter-claim except None

9. No security interest is held for this claim except Contractors' liens in Hood County and Parker County Texas and the judgment referred to in paragraph 6.

[*If security interest in property of the debtor is claimed*] The undersigned claims the security interest under the writing referred to in paragraph 4 hereof [*or* under a separate writing which (or a duplicate of which) is attached hereto, *or* under a separate writing which cannot be attached hereto for the reason set forth in the statement attached hereto]. Evidence of perfection of such security interest is also attached hereto.

10. This claim is a general unsecured claim, except to the extent that the security interest, if any, described in paragraph 9 is sufficient to satisfy the claim. [*If priority is claimed, state the amount and basis thereof.*]

11. This claim is filed as a (n) (Secured) CLAIM.
~~(Priority)~~
~~(Unsecured)~~

$ 23,596.47
Total Amount Claimed

Claim Number
(For Office Use Only)

Name of Creditor: Paul Gwaltney d/b/a Lovelace Enterprises
(Print or Type Full Name of Creditor)

Dated: Signed: H A McCollister - attorney #219

Penalty for Presenting Fraudulent Claim. Fine of not more than $5,000 or imprisonment for not more than 5 years or both-Title 18, U.S.C., §152.

*Include all names used by Debtor within last 6 years.
**State post office address.

EPI—MAR—5-E BC 4GOV 3000

No. 6705

PAUL GWALTNEY, d/b/a LOVELACE ENTERPRISES, et al	I	IN THE DISTRICT COURT OF
vs.	I	HOOD COUNTY, TEXAS
JACK GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES	I	29th JUDICIAL DISTRICT

JUDGEMENT

FILED MAR 2 '81

On the 15th day of December, 1980, came on to be heard the above styled and numbered cause. The Plaintiffs, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES and R&G PRODUCTION SERVICES, a Partnership, appeared in person and by attorney and announced ready. The Defendant, JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES, appeared in person and by attorney and announced ready. A jury of twelve citzens was duly empaneled and sworn, whereupon began the present action of evidence.

On the 18th day of December, 1980, the case was submitted to the jury on Special Issues. On the 18th day of December, 1980, the jury returned their verdict which was accepted by the Court.

The verdict of the jury is incorporated herein for all purposes is if set out verbatim.

Based upon the pleadings, the evidence, argument of counsel and the verdict of the jury, the Court finds that the Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES is entitled to judgement in the amount of $12,381.90 plus interest at the rate of 9% per annum from August 15, 1977. The Court further finds that the Plaintiff, R&G PRODUCTION SERVICES, a Partnership is entitled to judgement in the sum of $2,259.85. The Court further finds the Plaintiff jointly recover the sum of $[illegible]00.00 as reasonable attorneys fees incurred through the trial of this case.

The Court further finds that the Defendant suffered no damage by any fraudulent act which may have been committed upon him and that therefore the Defendant takes nothing by way of Defendants Counterclaim.

It is therefore ORDERED, ADJUDGED AND DECREED that:

1) Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES have and recover from JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES the sum of $12,381.90 plus interest in the amount of $3,714.57 from August 15, 1977 until December 15, 1980 plus interest at the rate of 9% per annum from December 15, 1980 until paid.

2) Plaintiff, R & G PRODUCTION SERVICES, a partnership, have and recover from JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES the sum of $2,259.85 plus interest from August 15, 1977 until December 15, 1980 in the sum of $677.95 plus interest at the rate of 9% per annum from December 15, 1980 until fully paid.

3) The Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES and R& G PRODUCTION SERVICES, a partnership jointly have and recover the sum of $7,500.00 as a fair and reasonable attorney fee through trial and that Plaintiffs jointly recover an additional $1,500.00 attorney fee in the event of an appeal to the Court of Civil Appeal and an additional $1,000.00 in the event of an appeal to the Texas Supreme Court.

4) That Counter-Plaintiff take nothing by way of its counterclaim.

5) That the Contractor's Lien filed by Plaintiffs pursuant to Art. 5476-A in Hood County and Parker County, Texas are valid and proper and that Plaintiff is entitled to foreclose on said liens, for which lot execution issue.

6) That all costs of court be taxed against the Defendant for which lot execution issue.

7) That order of sale and all other writs and documents necessary to the execution and enforcement of this judgment be issued.

8) All other relief not expressly granted herein is denied.

SIGNED and entered this 15th day of January, 1981.

Judge Presiding
20th Judicial District

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 20
Submitted by MESA
Hearing Date 5-17-82

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

In Re	)	Case Number 81 B 00821 M
JACK J. GRYNBERG a/k/a Jack Jakob Grynberg a/k/a Jack Grynberg d/b/a Jack Grynberg and Associates d/b/a Jack Grynberg & Associates	)	SECOND MODIFIED JOINT PLAN OF REORGANIZATION
Debtor,	)	
and	)	
CELESTE C. GRYNBERG a/k/a Celeste Constance Grynberg, a/k/a Celeste Grynberg,	)	Case Number 81 B 00825 M
Debtor.	)	

Jack J. Grynberg and Celeste C. Grynberg, the above-named debtors, propose the following Second Modified Joint Plan of Reorganization, which supersedes the Joint Plan of Reorganization filed herein on August 31, 1981, as previously modified on October 14, 1981.

DEFINITIONS

1. "Debtors" means Jack J. Grynberg and Celeste C. Grynberg; references to them individually may be by their respective names.

2. "Court" means the United States Bankruptcy Court for the District of Colorado, including the United States Bankruptcy Judge presiding in the Proceedings.

3. "Proceedings" means the above-captioned proceedings commenced by the respective Debtors under Chapter 11 of the Bankruptcy Code; references to either of the Proceedings may be by their respective case numbers.

4. "Claim" means a duly scheduled or timely filed claim against the Debtors or either of them which is allowed and ordered paid by the Court.

5. "Debt" means liability upon a Claim which shall include interest to the full extent payable under contract, applicable state law or as the Court may determine to be equitable under the Bankruptcy Code.

6. "Creditors" means all creditors of the Debtors or of Jack J. Grynberg or Celeste C. Grynberg holding Claims against the Debtors or either of them for unsecured debts, liabilities, demands or claims of any character whatsoever.

7. "Secured Creditors" means all Creditors who hold a lien, security interest, or other encumbrance which has been properly perfected as required by law in respect to property of the

I hereby attest and certify on ... that the document affixed hereto is a full, true and correct copy of the original on file in my office and in my legal custody.
Clerk, U.S. Bankruptcy Court
District of Colorado

Debtors or either of them or property otherwise subject to this Plan.

8. "Disputed Creditors" and "Disputed Claims" refer to Creditors or Claims, as the case may be, in respect to which the pertinent Debt (a) has not been allowed or ordered paid by the Court, (b) was scheduled in the Proceedings by the Debtors or either of them as disputed, contingent or unliquidated and (c) is the subject of a proof of claim duly filed in the Proceedings against the Debtors or either of them on or before July 31, 1981 or, if not so scheduled, is the subject of a proof of claim filed in the Proceedings which the Debtors or either of them dispute.

9. "Danzig Creditors" means those Disputed Creditors who have filed a proof of claim in the Proceedings based in whole or in part upon a non-final judgment entered before commencement of the Proceedings against the Debtors in Civil Action No. 462 022-4 by the Superior Court of the County of Alameda, California.

10. "Judgment Creditors" means those Disputed Creditors (other than the Danzig Creditors) who have reduced or hereafter reduce their Claim or Claims to a judgment entered by a court against the Debtors or either of them or to an order of the Court allowing their Claims, which judgment or order has not become final and is subject to being set aside or otherwise modified by any court of competent appellate jurisdiction.

11. "Other Disputed Creditors" means all Disputed Creditors other than Danzig Creditors and Judgment Creditors, including all Disputed Creditors holding Claims previously reduced to a judgment or order of allowance which has been set aside, reversed or otherwise vacated for any reason.

12. "Subordinated Creditors" shall mean Creditors whose Claims against the Debtors or either of them are subordinated to all other Creditors and who participate as Class V Creditors as herein classified.

13. "Plan" means this Joint Plan of Reorganization in its present form or as it may be amended or supplemented.

14. "Creditors' Committee" means that Creditors Committee as appointed by the United States Trustee for the District of Colorado for purposes of Case No. 81 B 00821 M, the members thereof and any successor members on and after the "Effective Date" defined below.

15. "Custodian" means a bank or other person selected by the Debtors and the Creditors' Committee and approved by the Court, which shall perform the duties and have the rights and obligations described in Article IV of this Plan, and the successor or successors of such bank, banks or other person or persons acting in such capacity.

16. "Effective Date" means the date on which the order of the Court confirming the Plan becomes final and non-appealable.

17. "Grynberg Entities" means any one of the following:

(a) irrevocable trusts for the benefit of the Debtors' children established on October 1, 1968, for which Celeste C. Grynberg and Dean G. Smernoff, M.D. (no relation to the Debtors) are co-trustees, known as the "Rachel Susan Trust," the "Stephen Mark Trust" and the "Miriam Zella Trust";

(b) irrevocable trusts for the benefit of the Debtors' children established for the benefit of the Debtors' children

on March 29, 1974, for which Celeste C. Grynberg is the sole trustee, known as "The Rachel Susan Grynberg Trust," "The Stephen Mark Grynberg Trust" and "The Miriam Zella Trust";

(c) an irrevocable trust for the benefit of the Debtors' children established on May 25, 1965, for which Celeste C. Grynberg is sole trustee;

(d) Jack J. Grynberg (husband of Celeste C. Grynberg);

(e) Celeste C. Grynberg (wife of Jack J. Grynberg);

(f) Rachel Susan Grynberg (child of Debtors);

(g) Stephen Mark Grynberg (child of Debtors);

(h) Miriam Zella Grynberg (child of Debtors);

(i) Alexander Ramati (brother of Jack J. Grynberg);

(j) Betty Bachove (Mother of Celeste C. Grynberg);

(k) Ethyl Gushner (Aunt of Celeste C. Grynberg);

(l) Olympic Uranium Company, a Nevada corporation;

(m) Park Coal Company, a Colorado corporation;

(n) Universal Drilling Services, Inc., a Colorado corporation;

(o) Universal Drilling Contractors, Inc., a Colorado corporation;

(p) Columbine Rig & Construction Company, a Colorado corporation;

(q) Universal Drilling Company, a Colorado corporation;

(r) David Enterprises, a motion picture joint venture in which Jack J. Grynberg and Alexander Ramati have interests;

(s) David Productions, a motion picture joint venture ih which Jack J. Grynberg and Alexander Ramati have interests;

(t) Transworld Resources Corporation, a Colorado corporation;

(u) Universal Drilling, S.A., a Panamanian corporation;

(v) Universal Exploration, S.A., a Panamanian corporation;

(w) Transworld Exploration, S.A., a Panamanian corporation; and

(x) Oceanic Holding Company, a Colorado corporation which was dissolved by operation of law on January 1, 1981.

18. "Dedicated Property" means the producing gas properties and other interests held by the Debtors or either of them as described in Schedule I to this Plan (and such other properties or interests as may be substituted therefor in accordance with the Plan) in order initially to secure and protect the proper

interests of all Disputed Creditors pending final determination of liability (if any) of the Debtors or either of them in respect to Disputed Claims.

19. "Substitute Protection" means cash, securities issued or guaranteed by the United States or national bank certificates of deposit (collectively the "Investments") segregated by the Custodian after the Effective Date specifically for the protection of those holders of Disputed Claims who are entitled to Substitute Protection pursuant to the Plan. To any extent not represented by Investments Substitute Protection may consist of bank letters of credit in an amount and on terms satisfactory to the Custodian which have been issued for the protection of holders of Disputed Claims who are entitled to Substitute Protection pursuant to the Plan. The Investments or any such bank letters of credit at all times shall have a value or be in an amount in dollars, as determined by the Custodian upon such segregation or thereafter, in respect to the Disputed Claims for which Substitute Protection is afforded as follows:

(a) to the extent that any Disputed Claim has been reduced to a judgment which is subject to being set aside or otherwise modified on appeal or otherwise, such value shall be at least 100 percent of the total amount, including interest, costs or other amounts, owing thereon if the judgment were then deemed final and no longer subject to being set aside or otherwise modified; and

(b) to the extent that any Disputed Claim has not been reduced to judgment or was previously reduced to a judgment which has been set aside, reversed or otherwise modified, such value shall be the same as if the Disputed Claim had been reduced to judgment subject, however, to the right of the Debtors or either of them, upon ten days' notice to the Creditor, to apply to the Court to fix a lower value for purposes of such segregation unless the Creditor shall, by proper showing, establish a substantial probability that the amount claimed by the Creditor is likely of ultimate adjudication in favor of the Creditor.

20. "Senior Debt" means priority indebtedness to banks (including, without limitation, Bank of America National Trust and Savings Association and Central Bank of Denver) to be incurred by the Debtors or either of them before, upon or after confirmation of the Plan, which shall not exceed $5,000,000 in aggregate principal amount at any one time; shall be secured by assignments of leases, related agreements, revenues, equipment or otherwise; shall be incurred only to facilitate development, production and sale of reserves of natural gas, oil or other hydrocarbons contained in the Dedicated Property; and shall otherwise be in accordance with the terms and conditions set forth in the governing instruments evidencing the Senior Debt.

21. "Current Charges" means all amounts currently payable on or after the Effective Date by the Debtors, or either of them in respect to the Dedicated Property for principal or interest upon the Senior Debt, taxes, operating expenses, drilling or development costs or other charges currently payable from time to time for such development of natural gas, oil or other hydrocarbon reserves and the production and sale of natural gas, oil or other hydrocarbons from the Dedicated Property as, in the reasonable judgment of the Debtors, is necessary or advisable.

ARTICLE I
CLASSIFICATION OF CLAIMS

1.1 Class I -- Costs and expenses of administration as defined in the Bankruptcy Code for which a Claim, application for or for allowance is filed prior to the Effective Date, as the same are allowed, approved and ordered paid by the Court.

1.2 Class II -- All other claims entitled to priority under the Bankruptcy Code, as the same are allowed, approved and ordered paid by the Court.

1.3 Class III -- Secured Creditors of the Debtors or either of them as their Claims existed on February 20, 1981, the date of filing of the original Petition herein, as finally allowed and ordered paid by the Court and to the extent that such Claims are not greater than the value of assets of the Debtor or either of them which the Court finds are valid security for such Claims.

1.4 Class IV -- Claims of all Creditors of the Debtors or either of them, excluding those in Classes I, II, III and V, as the same are allowed and ordered paid by the Court, including (but not limited to) Creditors whose Claims may arise out of the rejection of executory contracts and Creditors claiming security to the extent that the Court finds that the same are unsecured, in whole or in part.

1.5 Class V -- Creditors who include the Grynberg Entities or Creditors whose claims are founded, directly or indirectly, upon Claims of the Grynberg Entities, to the extent that such claims are allowed and ordered paid by the Court subject to subordination provisions set forth in the Plan.

ARTICLE II
CLAIMS NOT IMPAIRED UNDER THE PLAN

2.1 Class I and Class II Creditors shall be paid in cash and in full, as and when their claims are allowed and ordered paid by the Court. Class IV Creditors who have been scheduled by the Debtors or either of them as undisputed or who have duly filed Claims which are not disputed by the Debtors or either of them shall be paid in cash and in full, as and when their Claims are allowed and ordered paid by the Court. Class III Creditors who are not Disputed Creditors and are not included in Class V shall retain unaltered their legal, equitable and contractual rights as they existed on February 20, 1981, the date of filing of the original petitions herein, to the extent, if any, that their Claims have not been otherwise discharged since February 20, 1981.

2.2 The proper interests (if any) of all Class II, Class III and Class IV Creditors who are Disputed Creditors will be paid in cash and in full as and when their Claims are finally allowed and ordered paid by the Court.

2.3 All Claims described in this Article II are not impaired under the Plan by virtue of the following:

(a) To the extent that any such Claims have been allowed and ordered paid by the Court on the Effective Date, such Claims will be paid in full on or as soon as practicable after the Effective Date.

(b) To the extent that any such Claims have not been allowed and ordered paid on the Effective Date by reason of

unresolved disputes or otherwise, the proper interests (if any) of holders of such Claims, including their possible right to priority of payment over other claimants, are preserved and protected by the security interests in and liens upon the Dedicated Property and other protections afforded by Article IV of this Plan, including its restrictions upon disbursements of funds and requirements for Substitute Protection.

ARTICLE III
TREATMENT OF CLASSES THAT ARE IMPAIRED UNDER THE PLAN

3.1 Class V Creditors shall retain unaltered their legal, equitable and contractual rights as they existed on February 20, 1981, the date of filing of the original Petitions herein, except that any payment in respect to their Claims shall be subordinated to prior payment or other discharge in full of all other Creditors, for which provision is made in this Plan, against the Debtors or either of them to the extent the Claims of such other Creditors are allowed and ordered paid by the Court or are otherwise provided for in the Plan. Pending such payment or other discharge of all Claims of such other Creditors, the confirmation of the Plan shall operate as a stay, applicable to all holders of Class V Claims, of all acts or actions as specified in subsections (1) through (7) of Section 362(a) of the Bankruptcy Code.

ARTICLE IV
MEANS FOR EXECUTION OF PLAN

4.1 To the extent that Creditors are to be paid in cash as set forth in Section 2.1 of Article II, the Debtors shall, on the Effective Date or as soon as practicable thereafter, deposit with the Custodian cash in an amount sufficient to pay all Creditors entitled to payment on the Effective Date. The names of the Creditors to be so paid, the nature of their Claims and the amount or approximate amount to be paid to each are set forth in Schedule II to the Plan. Cash to be deposited with the Custodian pursuant to this Section 4.1 may consist of any unrestricted, unencumbered cash available to the Debtors or either of them from any source at the time of such deposit and may be obtained, if necessary, through sale or encumbrance of any or all properties or interests of the Debtors or either of them which are not included in the Dedicated Property.

4.2 The names of the Danzig Creditors, the Judgment Creditor and the Other Disputed Creditors, the nature of each Disputed Claim and the approximate amount claimed (to the extent known to the Debtors) by each Disputed Creditor are set forth in Schedule III to the Plan. To any extent that proceedings are not pending upon filing of the Plan in the Court or elsewhere seeking a final determination of any Disputed Claim, the Debtors or either of them will file objections to such Disputed Claim in the Court on or before the Effective Date unless the pertinent disputes have been previously resolved otherwise. As, when and to the extent that the Disputed Claims are finally allowed and ordered paid by the Court, holders of such Disputed Claims will be paid in full in accordance with this Article IV.

4.3 All proper interests of Danzig Creditors are fully protected by Debtor Jack J. Grynberg's having deposited with the Clerk of the Court funds pursuant to the Court's "Order Authorizing Substitution of Collateral," entered in the Proceedings on September 22, 1981, which funds shall continue on deposit in accordance with the terms of said Order pending final allowance or disallowance of Claims of the Danzig Creditors by the Court.

4.4 All Judgment Creditors, to any extent that their proper interests are not otherwise adequately protected by liens or other security interests in property (other than the Dedicated Property) of the Debtors (or either of them), or otherwise shall be afforded Substitute Protection by the Custodian on or as soon as practicable after the Effective Date, or on such later date on which Disputed Creditors become Judgment Creditors, pending final allowance or disallowance of their Claims. To any extent that funds available to the Custodian are insufficient to afford such Substitute Protection, additional funds are to be furnished by the Debtors in conformity with Section 4.15.

4.5 In order to protect all proper interests of Other Disputed Creditors, the Debtors shall, as of the Effective Date, grant or cause to be granted to the Custodian a lien upon or security interest in all of the Dedicated Property. Such lien or security interest shall be expressly subject and subordinate to all liens and security interests in property of the Debtors collateralizing the Senior Debt upon or after the Effective Date; and the claims of all Other Disputed Creditors for principal, interest or otherwise shall be subordinated to all indebtedness comprising the Senior Debt in accordance with such instruments, to be executed by the Custodian and the Debtors, as all holders of the Senior Debt may reasonably request. Such lien or security interest shall supersede all security interests or liens, if any, held by the Other Disputed Creditors as of February 20, 1981, on property of the Debtors or either of them, whether or not included in the Dedicated Property; and all such property not included in the Dedicated Property shall be free and clear of any and all claims or interests of all Disputed Creditors on and after the Effective Date except as herein expressly provided in respect to Danzig Creditors and Judgment Creditors.

4.6 The Debtors also shall, as of the Effective Date, assign or cause to be assigned to the Custodian 100 percent of all net revenues payable from time to time to the Debtors or either of them from the Dedicated Property after payment or provision for all Current Charges then payable. To the extent, if any, that revenues derived from the Dedicated Property are insufficient to pay any of the Current Charges when due, the Debtors agree to advance to the Custodian such funds as may be required from time to time to pay the Current Charges when due. In the event that the Debtors or either of them at any time fail, within 15 days after written notice from the Custodian, to advance funds required for such purposes, then and in such event the Custodian may, in its sole and exclusive discretion, for that purpose use funds in its possession or, absent sufficient available funds, require the Debtors to sell, or borrow money against, so much of the interest of the Debtors or either of them in the Dedicated Property as may be necessary to provide funds to pay so much of such Current Charges as then may be due and owing. Neither of the Debtors nor any of their affiliates shall, directly or indirectly, be a purchaser at any such sale.

4.7 The Debtors shall execute and deliver to the Custodian such assignments, agreements or other instruments of transfer as may be necessary to vest in the Custodian the liens, security interests and other rights in respect to the Dedicated Property as are contemplated by the Plan. The Custodian shall give written notice to all known holders of other liens or encumbrances on the Dedicated Property of the Custodian's security interest therein. Title to and ownership of the Dedicated Property shall, however, remain vested in the Debtors or either of them, as their interests may appear; and nothing herein contained shall constitute a transfer to the Custodian of such title and

ownership or any rights incidental thereto. The Custodian shall, however, approve all sales or other dispositions of any interest of the Debtors or either of them in and to the Dedicated Property including, without limitation, the use of such interest to secure any making or refinancing of loans, including the Senior Debt, after the Effective Date.

4.8 As soon as practicable after the Effective Date, the Debtors shall cause $1,000,000 (the "Segregated Fund") to be segregated for the sole purpose, unless the Court shall authorize otherwise upon due application after notice to the Custodian and all other parties in interest in the Proceedings who shall have filed a written request with the Custodian to receive such notice, of possible future remittance to the Custodian in the event that funds then available to the Custodian are insufficient for the Custodian to make any payment then required pursuant to the Plan. Pending any such remittance, the Debtors may cause the Segregated Fund to be invested in securities issued by the United States, bank certificates of deposit, or "money-market" mutual fund shares. The Segregated Fund and all related investments shall be maintained or carried in a separate account or accounts, in the name(s) of either or both of the Debtors as trustees pursuant to a declaration of trust establishing a trust to be designated as the "Grynberg Reorganization Trust." The declaration of trust shall be in such form as may be approved by the Court and shall terminate upon the first to occur of the following:

(a) the reduction of undetermined Disputed Claims of Other Disputed Creditors who have not been afforded Substitute Protection to an aggregate amount which is $5,000,000 or less; or

(b) discharge of the Custodian pursuant to the Plan.

4.9 To the extent that funds are received by the Custodian from the Dedicated Property or otherwise pursuant to the Plan, the Custodian shall, until disbursement of the funds is required or permitted pursuant to the Plan, cause such funds to be invested, as the Custodian in its sole and exclusive discretion may determine, to the fullest extent practicable in securities issued or guaranteed by the United States or in bank certificates of deposit. All such funds, proceeds and income from such investments shall be retained by the Custodian for possible use pursuant to the Plan (a) to pay Claims of Other Disputed Creditors which are finally allowed and ordered paid by the Court; (b) to afford Substitute Protection for holders of Claims of Other Disputed Creditors not so allowed and ordered paid; and (c) as otherwise provided in the Plan.

4.10 As, when and to the extent that any Claim or part of a Claim of an Other Disputed Creditor shall be finally allowed and ordered paid by the Court, the Custodian shall, subject to the provisions of Section 4.11, cause such Claim or portion to be paid in full from funds available to or obtainable by the Custodian. In the absence of sufficient available funds for such payment or receipt thereof within 30 days after written demand therefor upon the Debtors by the Custodian, the Custodian may, in its sole discretion, require the Debtors or either of them promptly to sell, or to borrow money for delivery to the Custodian against, any or all of the Dedicated Property if, by so doing, all Claims of Other Disputed Creditors which have been finally allowed and ordered paid by the Court would be paid in full and Substitute Protection would be afforded in respect to all such Claims which have not then been so allowed and ordered paid. If any such sale or borrowing does not result within 90 days after the aforesaid written demand in delivery to the

Custodian of funds sufficient to pay such Claims of Other Disputed Creditors and to afford Substitute Protection as set forth in the preceding sentence, the Debtors shall immediately apply to the Court for a modification of the Plan or for a dismissal of the Proceedings or other relief as the Court shall determine to be in the best interests of the Debtors' estates.

4.11 All disbursements upon Claims of Other Disputed Creditors which shall be finally allowed and ordered paid by the Court shall be made by the Custodian. All such disbursements shall be made only in accordance with the following:

(a) No disbursement shall be made to any holder of any such Class III or Class IV Claim unless and until all such Class II Claims which constitute or may constitute proper liabilities of the Debtors or either of them have been paid in full or Substitute Protection has been afforded in respect thereto; and no disbursement shall be made to any holder of such Class IV Claim unless and until all such Class III Claims which may constitute proper liabilities of the Debtors or either of them have been paid in full or Substitute Protection has been afforded in respect thereto.

(b) No payment shall be made upon any Claim of an Other Disputed Creditor unless and until (a) the amount properly owing and payable by the Debtors or either of them upon all or any part of such Claim has been finally allowed and ordered paid by the Court; (b) to the extent that amounts properly owing and payable by the Debtors or either of them to holders of such Disputed Claims of the same class have been so finally determined and allowed, all such holders receive or are entitled to receive from the Custodian full payment of their respective Claims or, if all such Claims are not paid in full, a prorata amount on account of their respective Claims; and (c) Substitute Protection is afforded to assure a like payment, if ultimately payable to all other holders of such Disputed Claims of the same class which have not then been so finally determined and allowed.

4.12 As all or any portion of the Dedicated Property is sold or as funds are collected from net revenues in conformity with Section 4.6 or from loans or refinancing of loans secured by all or any portion of the Dedicated Property, the net amounts payable to the Debtors or either of them, after payment of costs of sale, financing costs and all Current Charges then payable, shall be delivered to the Custodian, who in turn shall hold or disburse such funds or proceeds in conformity with this Plan. The Custodian may, in the Custodian's sole discretion, consent in writing to use of loan or other proceeds for preservation or development of the Dedicated Property. The Custodian shall upon request of the Debtors or either of them release from the Custodian's security interest and lien all or any portion of the Dedicated Property or the net proceeds from the sale or other disposition thereof upon the Custodian's receipt of a security interest in or lien upon Substitute Property in accordance with Section 4.13. The Custodian also shall have the right, but not the obligation, (a) to release from the Custodian's security interest and lien and any duty with respect thereto any portion of the Dedicated Property which the Custodian determines has a value equal to or less than prior obligations encumbering such portion of the Dedicated Property; and (b) to subordinate the Custodian's security interest in or lien upon the Dedicated Property to facilitate additional financing (not then included in the Senior Debt) for development of the Dedicated Property.

4.13 Upon the request of the Debtors or either of them and their granting or causing to be granted to the Custodian a

security interest in and lien upon property ("Substitute Property") other than the Dedicated Property, the Custodian shall issue and deliver to the Debtors a release or partial release of the Custodian's security interest and lien upon the Dedicated Property subject, however, to the following:

(a) The Substitute Property shall have a value equal to or in excess of either (i) the value of the Dedicated Property or portion thereof as to which a release is sought or (ii) such amount as, in the judgment of the Custodian is sufficient at the time of such release to afford Substitute Protection, if and when needed, for all Claims of Other Disputed Creditors which have not then been paid or otherwise discharged or in respect to which Substitute Protection has not previously been afforded.

(b) To the extent that any Substitute Property does not consist of cash or bank certificates of deposit or letters of credit having a readily ascertainable value, each request for release or partial release of the Custodian's security interest in and upon the Dedicated Property shall be accompanied by evidence of value of the proposed Substitute Property satisfactory to the Custodian, which may include reports, valuations or appraisals of engin[illegible]rs or other qualified experts of recognized standing who are independent of the Debtors or either of them. If such evidence of value is not satisfactory to the Custodian, the Custodian may, but shall not be required, at the expense of the Debtors and with their written consent, obtain additional evidence of value as, in the sole judgment of the Custodian, is necessary under the circumstances. If any such question of value of Substitute Property cannot be resolved to the satisfaction of the Custodian in connection with any request for release or partial release of the Custodian's security interest in and lien upon the Dedicated Property, either the Custodian or the Debtors or any of them may apply to the Court for a determination of such value in accordance with such procedures as the Court may direct upon ten days' notice to the Custodian, the Debtors and all Other Disputed Creditors holding Disputed Claims which have not then been paid or otherwise discharged. If such value of the proposed Substitute Property is determined in accordance with such procedures to be equal to at least 125% of the value of the Dedicated Property sought to be released or, alternatively, at least 125% of the amount then necessary to afford Substitute Protection for all Claims of Other Disputed Creditors which have not then been paid or otherwise discharged or in respect to which Substitute Protection has not previously been afforded, the Custodian shall be required, subject to the provisions of Section 4.15 of this Article IV, to grant such requested release or partial release of the Custodian's security interest in and lien upon the Dedicated Property.

(c) In connection with any request for release or partial release of the Custodian's security interest and lien upon the Dedicated Property, the Custodian shall be entitled to demand evidence satisfactory to the Custodian of title to any Substitute Property. In making any determination as to title in connection with any such request for release or partial release, the Custodian shall be entitled to rely conclusively upon a report or opinion as to title by qualified counsel retained by the Custodian at the expense of the Debtors or either of them.

(d) To the extent that any request for release or partial release of the Custodian's security interest in and lien upon the Dedicated Property requires or involves a determina-

tion of the value of the Dedicated Property to be released, the Debtors may, but are not required to, present evidence of such value at the time of such request. In making any determination of such value, the Custodian may rely upon all information then in the possession of the Custodian in respect to the Dedicated Property and may request that the Debtors or either of them, at their expense, furnish such additional information as the Custodian reasonably may request. If the Custodian and the Debtors are unable to agree as to the value of the Dedicated Property or portion thereof which is the subject of a request for release or partial release, either the Custodian or the Debtors or either of them may apply to the Court for a determination of such value upon notice and in accordance with procedures as described in paragraph (b) of this Section 4.13. If such value of the Dedicated Property sought to be released is determined to be no greater than 80% of the value of the proposed Substitute Property, the Custodian shall be required, subject to the provisions of Section 4.15 of this Article IV, to grant the requested release or partial release of the Custodian's security interest in and lien upon the Dedicated Property.

(e) Notwithstanding any other provisions of this Article IV, the Custodian shall be required to release its security interest in and lien upon the Dedicated Property upon deposit with the Custodian of Substitute Property consisting of cash, securities issued or guaranteed by the United States or bank certificates of deposit or letters of credit or any combination of the foregoing which, at the time of such deposit, are sufficient to enable the Custodian to afford Substitute Protection in respect to all claims of Disputed Creditors which have not therefore been paid or otherwise discharged or in respect to which Substitute Protection has not been afforded previously.

(f) The provisions for release or partial release of the Custodian's security interest in and upon the Dedicated Property set forth in this Section 4.13 are deemed of particular importance to reorganization of the Debtors and shall be interpreted or construed to permit release or partial release of the Custodian's security interest in and lien upon the Dedicated Property to the fullest extent consistent with protection of the proper interests of holders of Disputed Claims which have not been paid or otherwise discharged at the time of any request for release or partial release. In the absence of fraud or bad faith, all determinations by the Custodian in connection with any such request shall be conclusive and binding upon the Debtors and all holders of Disputed Claims, except as otherwise expressly provided herein.

4.14 Reasonable compensation for the Custodian shall be approved by the Debtors and the Creditors' Committee upon appointment of the Custodian, and such compensation and all reasonable and necessary out-of-pocket expenses incurred by the Custodian shall be paid or provided for, but only to the extent earned or accrued, from funds received by the Custodian prior to any disbursement of the same to any holder of any Class II, Class III or Class IV Claim.

4.15 As soon as practicable after the Effective Date, the Debtors will deposit with the Custodian cash, securities issued by the United States, bank certificates of deposit or bank letters of credit sufficient to afford Substitute Protection to persons, if any, entitled thereto on the Effective Date. If at any time sufficient funds are not available to the Custodian to make payments or to afford Substitute Protection in conformity

with Sections 4.11, 4.12, 4.13, 4.14 or 4.16 of this Article IV or if any Substitute Protection previously afforded becomes insufficient through declines in values of investments or otherwise, then and in any such event the Debtors or either of them shall pay or cause to be paid to the Custodian such additional funds as may be required for such purposes; provided, however, that the Debtors may require, prior to any such payment, (a) that all or any portion of the Dedicated Property not previously sold or otherwise disposed of be sold, free and clear of any claim by the Custodian or any Disputed Creditor, and that funds realized therefrom be applied to any deficiency of funds in the hands of the Custodian or (b) that the Custodian release the Custodian's security interest in and lien upon the Dedicated Property in order to permit borrowings against the Dedicated Property in an amount sufficient to afford Substitute Protection in respect to all Disputed Claims not then paid or otherwise discharged or in respect to which Substitute Protection has not been afforded previously. Neither of the Debtors nor any of their affiliates shall be a purchaser at any such sale. Any payment from such sale or borrowings made or caused by the Debtors shall be made to the Custodian within 30 days after demand by the Custodian therefor or such sale of or borrowings against the Dedicated Property, whichever is the last to occur, but in no event more than 60 days after such demand. If the Debtors shall not timely pay or cause to be paid to the Custodian any amount payable pursuant to this Section 4.15, the Debtors shall then immediately apply to the Court for a modification of the Plan or for a dismissal of the Proceedings or for other relief as the Court shall determine to be in the best interests of the Debtors' Estates.

4.16 Upon payment in full or other discharge of all claims of Other Disputed Creditors which have been finally allowed and ordered paid by the Court and the affording of Substitute Protection for all such claims, if any, which have not been so finally determined, all liens or security interests granted to the Custodian upon or in the Dedicated Property or otherwise shall terminate and be of no further force and effect. The Custodian thereupon shall deliver to the Debtors, as their interests may appear, any funds or other property remaining in the possession or control of the Custodian and not needed for payment of or for Substitute Protection of claims of Disputed Creditors or for payment of or provision for all proper compensation and reimbursement of expenses of the Custodian; and the Custodian thereupon shall release all security interests held by the Custodian in the Dedicated Property. Upon such delivery and release, the Custodian shall be discharged from any and all obligations under this Plan subject to (a) the provisions of Section 4.18 below, (b) due payment of all Claims of Other Disputed Creditors which are finally determined to be liabilities of the Debtors or either of them and (c) delivery to the Debtors, as their interests may appear, of any property or funds not needed for payments or otherwise pursuant to the Plan. All persons receiving delivery of property or payment from the Custodian shall indemnify the Custodian accordingly and, subject to Section 4.18 below, hold the Custodian harmless against liability for claims of any character arising out of actions taken by the Custodian in the performance of his obligations under this Plan.

4.17 The nature and validity of all Disputed Claims shall be determined as of the filing of the Debtors' original Chapter 11 Petitions herein on February 20, 1981, except to the extent, if any, that Disputed Claims are based on or arise out of circumstances since February 20, 1981. Nothing contained in this Article IV or elsewhere in the Plan shall be deemed to augment, diminish or otherwise modify the entitlement to interest under applicable law or the security or priority, if any, of any Dis-

puted Creditor except as expressly set forth in the Plan or to waive any defense or objection of the Debtors or either of them to any Disputed Claim. To the extent that (a) any Disputed Claim is not finally resolved against the holder of such Disputed Claim or (b) Substitute Protection previously afforded in respect thereto is or becomes insufficient to protect all proper interests of such holder, and the insufficiency is not duly cured in accordance with the Plan, the Debtors and each of them shall remain liable to such holder subsequent to the Effective Date and shall not be discharged from liability upon such Claim except by payment, settlement or final resolution of the Disputed Claim in favor of the Debtors.

4.18 The Custodian shall not be liable for any action or failure to act hereunder in the absence of proof of bad faith or gross negligence.

4.19 Until discharge of the Custodian as set forth in Section 4.16, Jack J. Grynberg shall, within 30 days after the Custodian's written request therefor, deliver to the Custodian such written report of his operations on behalf of the Debtors and such unaudited financial information concerning the assets, liabilities, revenues and expenditures of the Debtors as the Custodian reasonably may request. To the extent, if any, that the Debtors shall have or receive any reserve or similar professional reports or valuations of all or any part of the Dedicated Property, Jack J. Grynberg shall all furnish to the Custodian all such reports or copies thereof (to any extent not previously furnished). Any such reserve or professional report or copies thereof shall, subject to any order of the Court, be treated by the Custodian as confidential information not subject to disclosure to other persons without the express written consent of the Debtors or either of them. The Custodian shall furnish quarterly to holders of any then-remaining Other Disputed Claims which have not been discharged or determined not to be proper liabilities of the Debtors or either of them a report in reasonable detail summarizing all actions (not previously reported) known to the Custodian to have been taken with respect to the sale or other disposition of the Dedicated Property, accounting for the funds received and disbursed by the Custodian and containing such other information (if any) as the Custodian may determine.

4.20 If the Custodian shall die or, by refusal, incapacity or otherwise, shall fail to perform the duties of Custodian hereunder, the Court, subject to the approval of the Debtors and the Creditor's Committee, may appoint a successor or replacement Custodian. No provision of this Plan shall be construed, however, to prevent the Creditor's Committee from requesting the Court to appoint a successor to or replacement of the Custodian for any reason at any time, subject to the approval of such successor or replacement by the Court, with notice of hearing thereon to the Debtors.

4.21 The forms (when and as determined) of all material documents to be executed by the Debtors upon or before the consummation of this Plan, including such documents creating the Senior Debt and the security interest of the Custodian in and to the Dedicated Property, shall be filed with the Court promptly after becoming available and thereafter will be available for inspection by interested parties.

ARTICLE V
PROVISIONS FOR REJECTION OF EXECUTORY CONTRACTS

5.1 To the extent, if any, that any contracts, leases, or other arrangements (whether in writing or oral), to or in which the Debtors or either of them are parties or otherwise interested, are or may be executory contracts or unexpired leases (for purposes of Section 365 of the Bankruptcy Code, 11 U.S.C. §365) which have not been rejected with approval of the Court prior to the Effective Date, such contracts, unexpired leases or other arrangements are hereby assumed.

ARTICLE VI
PROVISIONS FOR PRIORITY CLAIMS

6.1 Each claim of the kind specified in Section 507(a)(6) of the Bankruptcy Code which is disputed by the Debtors or either of them on the Effective Date shall, if properly owing by the Debtors or either of them, be paid in accordance with Article IV of this Plan. All other such claims shall be paid in full when and as allowed and ordered to be paid by the Court.

ARTICLE VII
MODIFICATION OF THE PLAN

7.1 The Debtors may with leave of the Court propose amendments or modifications of the Plan at any time prior to confirmation upon such notice as may be required by the Court. After or before the Effective Date, the Debtors may, with approval of the Court and so long as no interest of creditors is materially or adversely affected, remedy any defect or reconcile inconsistencies in the Plan or in the Order of Confirmation in such manner as may be necessary to carry out the purposes and effectuate the Plan.

7.2 In the event Debtors or either of them materially default in making payments to the Custodian or in the performance of their other obligations under the Plan, any Creditor may, so long as such default has not been cured, propose a modification of the Plan if and to the extent permitted to do so under the Bankruptcy Code.

ARTICLE VIII
JURISDICTION OF THE COURT

8.1 Upon the Effective Date or at such earlier time as the Court may order after confirmation of the Plan, (a) the Debtors shall be revested with their assets and entitled to manage their affairs without further Order of the Court and (b) all Creditors and the Debtors will be bound by the provisions of this Plan to the exclusion of all other rights which may be or become available.

8.2 Subject to paragraph 7.1, the Court will retain jurisdiction until the Plan has been fully consummated, for purposes including, but not limited to, the following:

A. The classification of the Claim of any Creditor and the re-examination of Claims which have been allowed for the purposes of voting and the determination of such objections as may be filed to Creditors' Claims, whether or not subject to any legal action or other proceeding pending before or after the Effective Date. The failure of the Debtors or

ARTICLE V
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5.1 To the extent, if any, that any contracts, leases, or other arrangements (whether in writing or oral), to or in which the Debtors or either of them are parties or otherwise interested, are or may be executory contracts or unexpired leases (for purposes of Section 365 of the Bankruptcy Code, 11 U.S.C. §365) which have not been rejected with approval of the Court prior to the Effective Date, such contracts, unexpired leases or other arrangements are hereby assumed.

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7.1 The Debtors may with leave of the Court propose amendments or modifications of the Plan at any time prior to confirmation upon such notice as may be required by the Court. After or before the Effective Date, the Debtors may, with approval of the Court and so long as no interest of creditors is materially or adversely affected, remedy any defect or reconcile inconsistencies in the Plan or in the Order of Confirmation in such manner as may be necessary to carry out the purposes and effectuate the Plan.

7.2 In the event Debtors or either of them materially default in making payments to the Custodian or in the performance of their other obligations under the Plan, any Creditor may, so long as such default has not been cured, propose a modification of the Plan if and to the extent permitted to do so under the Bankruptcy Code.

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8.1 Upon the Effective Date or at such earlier time as the Court may order after confirmation of the Plan, (a) the Debtors shall be revested with their assets and entitled to manage their affairs without further Order of the Court and (b) all Creditors and the Debtors will be bound by the provisions of this Plan to the exclusion of all other rights which may be or become available.

8.2 Subject to paragraph 7.1, the Court will retain jurisdiction until the Plan has been fully consummated, for purposes including, but not limited to, the following:

A. The classification of the Claim of any Creditor and the re-examination of Claims which have been allowed for the purposes of voting and the determination of such objections as may be filed to Creditors' Claims, whether or not subject to any legal action or other proceeding pending before or after the Effective Date. The failure of the Debtors or

SCHEDULE I

to

JOINT PLAN OF REORGANIZATION

Dedicated Property

The Dedicated Property includes developed and undeveloped acreage in an Undesignated Abo Field, Chaves County, New Mexico, located in Townships 5 and 6 South, Ranges 24 and 25 East, in which Celeste C. Grynberg is or is expected to be the record holder of net working interests (the "Grynberg Interests") ranging from 25% to 100% in oil and gas leaseholds covering approximately 6,000 net acres. A summary of the Grynberg interests and related leases and acreage is appended to this Schedule I.

Pursuant to farmout or similar agreements, the Grynberg Interests include interests in seven producing gas wells which have been drilled on 160-acre spacing. As of August 31, 1981, all well drilling and completion costs had been recovered in full with the exception of costs of one well, which are expected to be recovered before or soon after the Effective Date of the Plan. Six of the wells are operated by Yates Petroleum Corporation, and one is operated by Fred Pool. The gas produced is sold to Transwestern Pipeline Company, first deliveries having started in July, 1980. Gross income before taxes attributable to the Grynberg Interests was approximately $100,000 per month as of August 31, 1981, and is expected to increase substantially as additional development wells are drilled.

On April 30, 1981, D. J. Low, Inc., petroleum engineers, delivered an evaluation report based on the seven wells which have been drilled and other information then available. The report in substance states or concludes:

(a) The evaluation is not based on all the possibly productive formations but is limited to estimated gas reserves in the Permian Abo Formation in four categories: (1) proved-developed (reserves assigned to the seven wells); (2) proved-

undeveloped (seventeen locations in 160-acre spacing units directly offsetting producing wells); (3) probable reserves (seven locations which are second offsets); and (4) possible reserves (reserves assigned to five locations which are farther removed but within the estimated likely productive area).

(b) Assuming "tight-formation" gas pricing [approved on June 10, 1981, by the Federal Energy Regulatory Commission for gas produced in an area which includes the seven wells] and that the 29 proposed development wells are drilled, the estimated net income attributable to the Grynberg Interests and the present worth thereof, discounted at 12% per year, are as follows:

Reserve Category	Estimated Net Income	Present Worth of Income at 12% Discount
Proved-Developed	$15,915,398	$6,404,870
Proved-Undeveloped	60,601,066	21,067,910
Probable	18,250,893	6,292,126
Possible	25,653,463	8,412,901
	$120,320,820	$42,177,807

(c) The present worth of the estimated net income, if discounted at rates of 15, 20 and 25 percent, would be reduced to $34,680,330, $25,910,211 and $20,003,438, respectively.

(d) The estimates are subject to revision as additional drilling information becomes available and to future changes in material conditions or assumptions. The Debtors are informed that substantial additional drilling has occurred on nearby properties since the estimates were prepared. The Debtors believe that the results of the additional drilling, when and if made available to the Debtors, will confirm the estimates and may justify upward revision thereof.

Before or in connection with approval of the Plan, the Debtors propose also to seek approval of limited debt financing (referred to in the Plan as the "Senior Debt") for the development drilling. The Debtors may, either before or after confirmation of the Plan, furnish funds from other sources for drilling upon the Dedicated Property. All funds so furnished after the Effective Date will be subject to the Plan in accordance with such agreements or arrangements as may be executed by the Debtors and the Custodian at the time funds are so furnished.

GRYNBERG INTERESTS
ABO FIELD
CHAVES COUNTY, NEW MEXICO

LEASE #	DESCRIPTION	INTEREST IN WELL LANDS (see Note 1) Well Name	Interest	INTEREST IN OTHER LANDS
1. STA-NM-LG-0563 (our NM-60,389)	T 5 S - R 24 E Sec. 1: Lots 3&4 Sec. 2: Lots1-4,S½N½,SW¼,N½SE¼,SW¼SE¼ Containing 676.29 Acres more or less	A. Globe MN Fed #1 Communitized Sec. 1: NW¼ APO	24.84435 WI-GRYNBERG	50.00% WI-GRYNBERG
		B. Smernoff NL State #1 Sec. 2: Lots 1&2, S½NE¼	50.00% WI-GRYNBERG	
2. STA-NM-LG-0565 (our NM-60,391)	T 5 S - R 24 E Sec. 12: NE¼NE¼,E½SE¼ Sec. 14: NE¼NW¼,E½SW¼ Containing 240 Acres more or less			100.00% WI-GRYNBERG
3. STA-NM-LG-0566 (our NM-60,392)	T 5 S - R 24 E Sec. 16: ALL Sec. 32: ALL Containing 1280.00 Acres more or less			100.00% WI-GRYNBERG
4. USA-NM-11592 (our NM-4676)	T 5 S - R 24 E Sec. 29: NE¼ Sec. 31: SE¼ Sec. 35: NE¼,N½NW¼ Containing 560.00 Acres more or less	GYP "MO" Fed. Communitized Sec. 35: NE¼ APO	25.00% WI-GRYNBERG	100.00% WI-GRYNBERG
		NOTE: Sec. 35: SE¼ communitized interest held by Grynberg	25.00% WI-GRYNBERG	
5. USA-NM-11795 (our NM-7430)	T 6 S - R 24 E Sec. 11: E½,E½W½ Sec. 21: SW¼SE¼ Sec. 12: ALL Sec. 23: N½ Sec. 13: N½,N½S½ Sec. 24: W½NW¼ Sec. 14: W½ Containing 2360.00 Acres more or less	Grynberg Com Fed #1 Communitized Sec. 13: E½ (Penn Form.) Communitized Sec. 13: SE¼ (Abo Form.) APO	37.50% WI-GRYNBERG	100.00% WI-GRYNBERG

LEASE #	DESCRIPTION	INTEREST IN WELL LANDS		INTEREST IN OTHER LANDS
		Well Name	Interest	
6. STA-NM-LG-0567 (our NM-60,393)	T 5 S - R 24 E Sec. 36: ALL Containing 640.00 Acres more or less	Grynberg "LZ" State #1 Sec. 36: SE¼ APO	50.00% WI-GRYNBERG	50.00% WI -GRYNBERG
7. USA-NM-11457 (our NM-4661)	T 6 S - R 24 E Sec. 15: NW¼SW¼ Sec. 27: S½S½ Sec. 34: N½N½,SE¼ Containing 520.00 Acres more or less	Iwanowski "NM" Fed #1 Communitized Sec. 34: E½ APO	2.50% ORRI Convertible to 37.50% WI-GRYNBERG (see Note 2)	Sec. 15 NW¼SE¼ 100.00%WI-GRYNBERG Sec. 27: S½S½ Sec. 34: N½NW¼ 50.00% WI-GRYNBERG
8. USA-NM-15856 (cur NM-60,291)	T 6 S - R 24 E Sec. 33: NW¼			100.00% WI-GRYNBERG
9. USA-NM-17037 (our NM-7870)	T 6 S - R 25 E Sec. 17: NE¼SW¼,N½SE¼ Sec. 30: S½NE¼ Sec. 34: NW¼SW¼,S½SW¼, SW¼SE¼ Containing 360.00 Acres more or less	5 Mile Draw "LX" Fed #1 Communitized Sec. 34: SE¼ (Abo form.) Communitized Sec. 24: S½ APO	25.00% WI-GRYNBERG	100.00% WI-GRYNBERG
10. USA-NM-18212 (our NM-80,743)	T 6 S - R 24 E Sec. 4: Lot 8 Sec. 5: Lots 7&8 Sec. 8: W½NE¼,SE¼NE¼ Containing 240.00 Acres more or less			50.00% WI-GRYNBERG

LEASE #	DESCRIPTION	INTEREST IN WELL LANDS		INTEREST IN OTHER LANDS
		Well Name	Interest	
11. STA-NM-LG-0564 (our NM-60,390)	T 5 S - R 24 E Sec. 3: SW¼NW¼,NE¼SW¼,SW¼SE¼ Sec. 4: Lots 2,3,4, S½NE¼ Containing 320.44 Acres more or less			100.00% WI-GRYNBERG

NOTES

1. The abbreviations "BPO", "APO" and "WI" refer to before payout (of well drilling and completion costs), after payout and working interest, respectively. "Well Lands" refers to the 160-acre spacing unit on which each well is drilled.

2. The 2.5% interest in well land of Iwanowski "NM" Fed #1 represents record interest only; payout has not occurred and the 2.5% ORRI (Overriding Royalty Interest) is subject to conversion to 37.50% working interest at payout.

SCHEDULE II

to

JOINT PLAN OF REORGANIZATION

Undisputed Creditors to be Paid in Cash on Effective Date

The creditors named below have filed proofs of claim and are proposed to be paid in cash in full upon the Effective Date of the Plan. The amounts stated are exclusive of interest and like amounts, if any, which may also be owing and payable.

Claim Nos. JJG	Claim Nos. CCG	Creditor	Nature of Claim	Amount or Approximate Amount
5	--	Drilling Mud, Inc.		5,000.00
8 and 34	--	Hadson Petroleum Corp.	Goods and Services	39.82
9 and 118	--	Wiggins & Smith, P.C.	Legal Services	3,318.38
12	--	Dixon Paper Co., Inc.	Open Account	71.15
16	--	W. E. Pope	Returned royalty check	396.30
19	--	Exxon Company U.S.A.	Credit Card charges	238.84
20	--	Ingelef I. Schwartz, Clerk and Recorder	Filing Fees	24.00
24	17	Inexco Oil Co.	Unit Operating Expenses	162.50 136.41
25	--	Tri-State Oil Tool Industries, Inc.	Well materials and labor	30,000.00
27	--	Emery Air Freight	Air Freight Charges	409.10
29	--	J. Carter King, Jr.	Returned Check	36.24
30	3	J.G. Chauncey	Returned Check	108.72
32	13	Sterling W. Steves	Legal Services	1,416.45 167.90
35	--	Haas & Pahlmeyer	Legal Services	240.94
		Total Carried Forward		$ 41,766.75

The creditors named below did not file proofs of claim and hold undisputed claims which are proposed to be paid in cash in full upon the Effective Date of the Plan. The amounts stated are exclusive of interest and like amounts, if any, which may also be owing and payable.

Creditor	Nature of Claim	Amount or Approximate Amount
A & S Oil and Gas Leasing Services	Filing Charges	$ 127.50
Anti-Defamation League	Pledge	250.00
Arapahoe County Clerk	Property Taxes	83.78
Avis Rent-a-Car	Car Rental	161.56
Baca County Treasurer	Property Taxes	21.91
Shirley Birdsong	Royalties	33.74
The Bobbs Merrill Co., Inc.	Books	25.47
Bowen, Miller & Tungate	Legal Fees	772.00
Central Taxing Authority, Weatherford, Texas	Property Taxes	977.36
Coleman, Haas, Martin & Schwab, Inc.	Reporting Charges	356.17
Copy Boy Instant Printing	Copying Charges	23.16
Cordle & Associates	Accounting Charges	1,040.00
Craig & Craig	Legal Services	534.11
Denver Petroleum Club	Dues	50.00
Employers Overload	Temporary Help	411.95
Ruth Ettinger	Royalties	5.52
Geer Oil Purchasing	Well Maintenance	319.90
Ginsburg, Feldman, Weil & Bress	Legal Services	136,546.51
Government Printing Office	Books	62.00
Hadassah	Returned Check	125.00
Lelda Miller Halve	Royalties	46.55
	Total Carried Forward	$ 141,974.19

36	--	Fishman and Geman, P.C.	Legal Services	8,374.60
37	--	Petrolite Corporation, Tretolite Div.	Chemicals Furnished	308.48
38	--	Quention Frost	Judgment	572.00
45	--	South Eastern Utah Title Co.	Title Certificates	150.00
53	--	Hertz Corporation	Car Rental	360.72
85	--	R.W. Anderson	Returned Check	43.74
114	--	Public Service Company of Colorado	Utility Charges	1,308.10
115	--	The Anschutz Corporation	Refund of Purchase Price of Lease	6,000.00
117	92	Farella, Braun & Martel	Legal Services	19,436.67
126	84	Central Bank of Denver	Line of Credit Charges	647.83 1,009.86
132	--	Colorado School of Mines Foundation, Inc.	Pledge	100,000.00
134	--	Muslow Oil and Gas, Inc.	Gas Runs from Texas Gas Wells	68,370.70
135	--	B-P Sales & Service Co.	Open Account	305.94
136	91	Mary E. Leeton, Trustee	Overriding Royalty	28.31
--	1	W. Randall Boyer	Legal Services	152.41
--	4	L. E. Glenn	Taxes, Parker County, Texas	762.15
--	8	Marion K. Goulet	Taxes, Phillips County, Montana	274.87
--	12	Ralph D. Gardner	Royalties	59.69
--	59	Tolar Public Schools	Taxes	959.40
Total Payable Upon Undisputed Proofs of Claim Filed				$ 250,892.22

Creditor	Nature of Claim	Amount or Approximate Amount
	Total Brought Forward	$ 141,974.19
Stuart J. Heller	Consulting Services	5,350.00
Hughes Hot Oil Service	Well Operating Expenses	207.50
International Business Machines	Copy Machine Rental	347.68
Intertel Communications	Telephone Expense	42.00
Jeffco Blueprint	Books	43.78
Nancy Kanter	Royalties	290.91
Kirkpatrick Supply Company	Well Operating Costs	317.44
William S. King	Royalties	36.24
Mangone & Schnapp	Legal Fees	17,537.65
Martin Oil Company	Filing Fees	11.14
Mile-High Office Supply Company	Office Supplies	40.19
H. Douglas Miller	Royalties	28.13
Richard Moore	Royalties	5.68
Morris, Nichols, Arsht & Tunnell	Legal Fees	8,448.88
Wayne & Linda Morrison	Royalties	45.19
R. M. Noblitt	Royalties	20.91
North Dakota Geological Survey	Books	5.00
Petroleum Information Corporation	Maps and Cards	242.82
Dixie King Pierce	Royalties	697.77
Placer Cego Petroleum, Ltd.	Proceeds from Texas gas wells	150,884.34
Rio Blanco County Treasurer	Property Taxes	2,304.08
Martin D. Robbins	Technical Evaluations	6,250.00
Routt County Treasurer	Property Taxes	4.87
J. D. Sargent	Royalties	23.55
E. S. Seymour	Royalties	198.19
W. R. Smith, Trustee	Royalties	28.61
Total Carried Forward		$ 335,386.74

Creditor	Nature of Claim	Amount or Approximate Amount
	Total Brought Forward	$ 335,386.74
Speedy Messenger & Delivery	Delivery Expenses	5.25
Stauffer Chemical	Royalties	69.54
Supron Energy Corporation	Well Operating Expenses	320.00
Union Oil Company of California	Well Operating Expenses	58.04
J. Wandel Press, Inc.	Printing Expenses	690.12
Delores Weinberg	Royalties	28.77
Western Union Credit Administration	Communication Expense	10.83
Roy Westall	Well Operating Expense	622.50
Wendy Louise Wolf	Royalties	28.61
Young Audiences, Inc.	Returned Check	200.00
Total Payable to Undisputed Creditors Who Did Not File Proofs of Claim		$ 337,420.40

SUMMARY OF UNDISPUTED CREDITORS TO BE PAID UPON EFFECTIVE DATE OF PLAN

Upon proofs of claim filed	$ 250,892.22
Other	337,420.40
Total	$ 588,312.62

SCHEDULE III

to

JOINT PLAN OF REORGANIZATION

Disputed Creditors to be Paid in Cash When and As Disputes Are Finally Determined and Their Claims Are Allowed and Ordered Paid by the Court

The creditors named below hold Disputed Claims and filed proofs of claim on or before July 31, 1981, to which the Debtors or either of them have filed or, before the Effective Date, will file objections; such creditors are to be paid after the Effective Date only if and to the extent that the Disputed Claims are allowed and ordered paid by the Court. The amounts stated below are exclusive of interest or other unstated amounts which may be claimed.

Claim Nos.* JJG	CCG	Creditor	Nature of Claim	Related Court or other Proceeding	Amount or Approximate Amount
1	--	Paul Gwaltney, d/b/a Lovelace Enterprises	Nonfinal Judgment and Contractors Liens	Civil Action No. 6705, District Court, Hood County, Texas, 29th Judicial District	$ 23,546.47
2	--	City and County of Denver	Personal Property Taxes		5,927.36
3	--	Capitol Office Supply Corporation	Office Supplies		695.62
4	--	Chuck Cline	Auto Repair		356.08
6	--	Barnes & Lewis, P.C.	Court costs and Attorneys' fees		938.82
7	--	C.G. Young (Young Drilling Co.)	Drilling charges		13,104.00
10	--	Burnet Duckworth & Palmer	Legal Fees		957.31
11	2	Grace Petroleum Corp.	Well operating expenses		22,341.94
13	--	Frank J. Weber & Wanda A. Weber	Real Estate Surface Damages	Civil Action No. 79-CH-35, Circuit Court, 2nd Judicial District, Crawford County, Illinois	25,000.00
14	81	Rippy, Inc.			2,659.02 2,401.45

Claim Nos.* DSG	CCG	Creditor	Nature of Claim	Pending Court or Other Proceeding	Amount or Approximate Amount
15	49	B.B.L. Associates	Nonfinal Judgment ("Danzig Judgment")	Civil Action No. 462 022-4, Superior Court, County of Alameda, California ("Danzig Action")	$ 51,366.39
17	9	U.S. Treasury Internal Revenue Service	Federal Income Tax Assessments	Docket No. 3688-80 U.S. Tax Court	1,245,362.00
18	--	T.W.T. Exploration, Inc.	Settlement of Litigation	Civil Action No. 74650, District Court, City and County of Denver	40,000.00
21	—	Minnesota Mining & Mfg. Co.	Merchandise		405.10
22	10	CRC Colorado Well, Inc.	Drilling Services		92,809.63
23	11	CRC Bi-Co Rental, Inc.	Equipment Rental		26,032.70
26	--	Brobeck, Phleger & Harrison	Legal Services		9,990.35
28	13	Louis Stein	Danzig Judgment	Danzig Action	267,556.28
31	—	Dresser Industries, Inc.	Atlas Division Charges		1,785.45
33	15	Samuel R. Freeman	Consulting Services		470,000.00
39	16	Paul Danzig	Class Claim Danzig Judgment	Danzig Action	6,742,993.92
40	--	David L. Hood William Weinberger	Alleged Class Claim	Consolidated Civil Action Nos. 76W1079 and 76W1108, U.S. District Court, District of Colorado	35,000,000.00
41	25	C. H. Wilkins	Danzig Judgment	Danzig Action	78,088.74
42	24	Walter Landor	Danzig Judgment	Danzig Action	44,326.48
43	23	Daniel B. Greenberg, for the estate of Mayer Greenberg	Danzig Judgment	Danzig Action	328,293.40
44	22	Louis Degan	Danzig Judgment	Danzig Action	87,217.89
46	18	Greater Miami Jewish Federation	Danzig Judgment	Danzig Action	226,368.86
47	19	Greater Miami Jewish Federation as assignee of Joseph Kanter	Danzig Judgment	Danzig Action	128,406.27

Claim Nos.* JJG	CCG	Creditor	Nature of Claim	Related Court or other Proceeding	Amount or Approximate Amount
48	20	Greater Miami Jewish Federation as assignee of Carl Zwerner	Danzig Judgment	Danzig Action	177,438.64
49	--	John Stewart Harrison	Royalty interest and Damages		10,000.00
50	--	Duro Test Corporation	Open Account		1,578.53
51	--	Citicorp Leasing Inc.	Drilling Rig Leases	Civil Action No. 80CV0685, District Court, City and County of Denver	
52	--	Mgr. of Revenue City and County of Denver	Occupational Taxes		368.00
54	36	Richard N. Goldman	Danzig Judgment	Danzig Action	88,805.12
55	27	Kalman S. Goldenberg for the estate of H. J. Goldenberg	Danzig Judgment	Danzig Action	78,216.27
56	38	Ivan G. Strauss	Danzig Judgment	Danzig Action	39,021.03
57	39	Arnold H. Zidell	Danzig Judgment	Danzig Action	88,340.26
58	40	Joseph Nadel for the estate of Louis Honig	Danzig Judgment	Danzig Action	44,401.44
59	41	N. J. Friedman	Danzig Judgment	Danzig Action	44,393.26
60	42	Ann K. Lenway	Danzig Judgment	Danzig Action	88,399.89
61	43	Denver Properties	Danzig Judgment	Danzig Action	88,891.79
62	37	Emanuel Goldberg	Danzig Judgment	Danzig Action	177,579.34
63	44	Lucien Katzenberg	Danzig Judgment	Danzig Action	78,072.44
64	45,57	Walter Leventhal	Danzig Judgment	Danzig Action	77,340.79
65	46	Ernie Foreman, M.D.	Danzig Judgment	Danzig Action	29,516.70
66	47	Charles Friedman	Danzig Judgment	Danzig Action	44,394.09
67	48	Harvey M. Cohen, M.D.	Danzig Judgment	Danzig Action	29,522.54
68	49	BBL Associates	Danzig Judgment	Danzig Action	51,366.39
69	50	Jerome J. Goldstein	Danzig Judgment	Danzig Action	178,226.41
70	52	Martin J. Lichterman, Sr.	Danzig Judgment	Danzig Action	78,252.24
71	51	Thomas Burke, Jr.	Danzig Judgment	Danzig Action	44,274.62
72	54	Richard Swig	Danzig Judgment	Danzig Action	88,871.18
73	53	Margot Parke	Danzig Judgment	Danzig Action	39,021.03

Claim Nos.* JJG	CCG	Creditor	Nature of Claim	Related Court or other Proceeding	Amount or Approximate Amount
74	35	Madeline H. Russell	Danzig Judgment	Danzig Action	$ 177,561.38
75	34	Alexander Brodsky, M.D.	Danzig Judgment	Danzig Action	177,163.27
76	32	Robert Russell	Danzig Judgment	Danzig Action	177,453.98
77	31	Richard S. Dinner	Danzig Judgment	Danzig Action	88,881.23
78	28	Louis Stein	Danzig Judgment	Danzig Action	267,556.28
79	30	Wayne L. Conner, M.D.	Danzig Judgment	Danzig Action	29,524.27
80	29	D. A. Casey	Danzig Judgment	Danzig Action	88,792.56
81	26	Evelyn Green	Danzig Judgment	Danzig Action	354,871.93
82	33	Frank R. Lautenberg	Danzig Judgment	Danzig Action	88,636.37
83	58	Ralph D. and Abigail Martin	Damages based on oil and gas lease		Unliquidated
84	55	International Cordillera, Ltd.	Damages based on Option Agreement	Civil Action No. 5198, Court of Chancery, in and for New Castle County, Delaware	Unliquidated
86	56	Lewis Heicklen	Danzig Judgment	Danzig Action	77,340.79
87	60	Robert M. Hecht	Danzig Judgment	Danzig Action	78,028.60
88	72	Peter Haas	Danzig Judgment	Danzig Action	88,812.80
89	61	Rhoda H. Goldman	Danzig Judgment	Danzig Action	88,805.12
90	62	Alfred C. Glassell, Jr.	Danzig Judgment	Danzig Action	354,796.64
91	63	Sam Barshop	Danzig Judgment	Danzig Action	78,138.60
92	64	John W. Kelsey	Danzig Judgment	Danzig Action	44,081.00
93	65	Daniel E. Koshland, Jr.	Danzig Judgment	Danzig Action	78,268.05
94	66	Richard Lansburgh	Danzig Judgment	Danzig Action	22,270.33
95	67	Sidney Lansburgh, Jr.	Danzig Judgment	Danzig Action	22,038.65
96	68	Hannah Levy	Danzig Judgment	Danzig Action	88,404.90
97	69	Martin Walsh	Danzig Judgment	Danzig Action	290,645.46
98	70	Pauline C. Walsh	Danzig Judgment	Danzig Action	150,871.74
99	71	Sidney Weinstein, M.D.	Danzig Judgment	Danzig Action	355,609.78
100	—	Dowell Division of the Dow Chemical Co.	Oil Field Labor and Materials	Consolidated Action Nos. C-2217 and C-2267, District Court, Rio Blanco County, Colorado	100,003.66

Claim Nos.* JJG	CCG	Creditor	Nature of Claim	Related Court or other Proceeding	Amount or Approximate Amount
101	—	Morgan A. Gunst, Jr.	Accounting		$ Unknown
102	73	Philip S. Seltzer	Danzig Judgment	Danzig Action	104,872.11
103	80	Philip S. Seltzer as assignee of Francis Cannon	Danzig Judgment	Danzig Action	80,670.77
104	74	Peter J. Scott	Danzig Judgment	Danzig Action	356,137.18
105	75	Lawrence J. Muller	Danzig Judgment	Danzig Action	88,830.91
106	76	Louis Heicklen	Danzig Judgment	Danzig Action	77,340.79
107	78	Theodore Geballe	Danzig Judgment	Danzig Action	39,134.21
108	77	Frances Geballe	Danzig Judgment	Danzig Action	39,134.21
109	79	Oceanic Exploration Company	Various alleged wrongful conduct mismanagement and other claims	Civil Action No. 5198, Chancery Court, State of Delaware, in and for the County of New Castle and 81M-0940, U.S. Bankruptcy Court, District of Colorado	10,500,000.00
110	--	Audrey Merves	Counterclaim for attorney's fees	Civil Action No. CV-77-377, District Court, County of Eddy, New Mexico	Unliquidated
111	--	Marilyn Bellett	Counterclaim for attorney's fees	Civil Action No. CV-77-377, District Court, County of Eddy, New Mexico	Unliquidated
112	--	Ruth Leventhal	Counterclaim for attorney's fees	Civil Action No. CV-77-377, District Court, County of Eddy, New Mexico	Unliquidated
116	82	Camay Drilling Company	Personal Guaranty	Civil Action No. 78-C-694 and No. 79-C-1042, U.S. District Court, District of Colorado	2,000,000.00
119	--	Viersen & Cochran Drilling Co.	Nonfinal Judgment	No. 77-C-161, U.S. District Court, District of Colorado	597,131.44
120	93	Mavis P. Kelsey	Danzig Judgment	Danzig Action	88,686.69
121	83	R. Stephen Berry	Danzig Judgment	Danzig Action	44,257.30
122	88	Gulf Stream Petroleum Corp.	Drilling Costs		11,794.00

Claim Nos.* JJG	CCG	Creditor	Nature of Claim	Related Court or other Proceeding	Amount or Approximate Amount
123	86	Philip Seltzer as assignee of Joshua Freedman	Danzig Judgment	Danzig Action	$ 70,470.77
124	85	Joshua Freedman	Danzig Judgment	Danzig Action	10,200.00
125	87	Albert Hayutin	Alleged services and conversion of stock	Civil Action No. C-69176, District Court, City and County of Denver, Colorado	11,500,000.00
127	--	Floyd E. Murray	Guaranty of Overriding Royalty	Civil Action No. C-40599, District Court, City and County of Denver, Colorado	3,000,000.00
128	--	Pascal L. Gwaltney	Wages, Expenses, Overriding Royalty	Action No. C-76666 District Court, City and County of Denver, Colorado	26,760.00
129	89	Richard L. Rosenthal (Amcan Oil Producers)	Compromise of litigation	Consolidated Civil Action Nos. 75-C-1390 and 77-C-1801, Civil Action No. 80-C-533, United States District Court, District of Colorado	
130	90	Colorado State Board of Land Commissioners	Rents and royalties		2,877.00 35,939.00
131	--	Billy J. Green and Lawrence O. Griffith	Labor and Materials		16,481.19
132	--	Colorado School of Mines Foundation, Inc.	For 50,000 shares of Oceanic Exploration Company stock		Unliquidated
133	--	Hunt Energy Corporation	Alleged false representations, money had and received		184,076.85
--	5	Louise Chancey Morsfield	Royalties		Unliquidated
--	6	Gearhart Industries, Inc.	Logging Services		3,094.64
--	7	Texas Oil & Gas Corporation	Operating Expenses		4,193.06
--	21	Stephen Telshak	Expert Witness Fees		1,608.35

* "JJG" refers to Case No. 81 B 00821M relating to Jack J. Grynberg; "CCG" refers to Case No. 81 B 00825M relating to Celeste C. Grynberg. The claims filed in the two estates by the same claimant are not necessarily identical as to amounts claimed or otherwise.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

In Re JACK J. GRYNBERG, a/k/a Jack Jakob Grynberg, a/k/a Jack Grynberg, d/b/a Jack Grynberg and Associates, d/b/a Jack Grynberg & Associates, Debtor, and CELESTE C. GRYNBERG, a/k/a Celeste Constance Grynberg, a/k/a Celeste Grynberg, Debtor.	)	Case Number 81 B 00821 M FIRST MODIFIED JOINT DISCLOSURE STATEMENT Case Number 81 B 00825 M

Jack J. Grynberg and Celeste C. Grynberg (the "Debtors") provide this Joint Disclosure Statement to their known creditors pursuant to Section 1125 of the Bankruptcy Code, 11 U.S.C. §1125, in order to provide information which may be material in respect to their Joint Plan of Reorganization (the "Plan"), the last modification of which was filed with the United States Bankruptcy Court for the District of Colorado (the "Court") on December 23, 1981. A copy of the Plan accompanies this Disclosure Statement, and statements herein with respect to the Plan are qualified by reference thereto.

Because of material changes in status of claims against the Debtors' estate and other events since November 30, 1981 which may occur, the Plan and, accordingly, this Disclosure Statement are subject to possible material modification, amendment or supplementation.

Statements herein are based upon such information as is available to the Debtors and believed by them to be reliable but which may be incomplete or subject to material errors or omissions unknown to the Debtors. Financial information herein has not been audited by an independent accountant. Except as otherwise stated, information as to oil and gas reserves, values, production and revenues has been assembled by, and from data available to, staff members of Jack Grynberg & Associates. Information as to title to and ownership of properties is based on the Debtors' records only and has not been reviewed by any independent title examiner or other qualified person.

Unless otherwise stated, information in this Disclosure Statement is stated as of November 30, 1981.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

In Re	)	
	)	Case Number 81 B 00821 M
JACK J. GRYNBERG,	)	
a/k/a Jack Jakob Grynberg,	)	
a/k/a Jack Grynberg,	)	
d/b/a Jack Grynberg and Associates,	)	
d/b/a Jack Grynberg & Associates,	)	FIRST MODIFIED JOINT DISCLOSURE STATEMENT
Debtor,	)	
and	)	
CELESTE C. GRYNBERG,	)	
a/k/a Celeste Constance Grynberg,	)	Case Number 81 B 00825 M
a/k/a Celeste Grynberg,	)	
Debtor.	)	

Jack J. Grynberg and Celeste C. Grynberg (the "Debtors") provide this Joint Disclosure Statement to their known creditors pursuant to Section 1125 of the Bankruptcy Code, 11 U.S.C. §1125, in order to provide information which may be material in respect to their Joint Plan of Reorganization (the "Plan"), the last modification of which was filed with the United States Bankruptcy Court for the District of Colorado (the "Court") on December 23, 1981. A copy of the Plan accompanies this Disclosure Statement, and statements herein with respect to the Plan are qualified by reference thereto.

Because of material changes in status of claims against the Debtors' estate and other events since November 30, 1981 which may occur, the Plan and, accordingly, this Disclosure Statement are subject to possible material modification, amendment or supplementation.

Statements herein are based upon such information as is available to the Debtors and believed by them to be reliable but which may be incomplete or subject to material errors or omissions unknown to the Debtors. Financial information herein has not been audited by an independent accountant. Except as otherwise stated, information as to oil and gas reserves, values, production and revenues has been assembled by, and from data available to, staff members of Jack Grynberg & Associates. Information as to title to and ownership of properties is based on the Debtors' records only and has not been reviewed by any independent title examiner or other qualified person.

Unless otherwise stated, information in this Disclosure Statement is stated as of November 30, 1981.

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THE DEBTORS AND THEIR BUSINESS

Mr. Grynberg arrived in the United States in 1949 at the age of 17. He holds professional degrees in petroleum refining and production from and was a graduate student in geophysical engineering at the Colorado School of Mines. After 1952, he was employed in engineering, research and consulting capacities with many oil and other companies and for his own account. He married Mrs. Grynberg in 1959. Beginning in 1962, he and Mrs. Grynberg commenced substantial oil and gas drilling, production and related activities upon properties in which both had interests, their interests being managed by Mr. Grynberg under the name "Jack Grynberg and Associates," under which he has done business for many years. They acquired numerous oil, gas and other mineral leases or other properties which, over many years, ultimately involved, directly or indirectly, transactions, investments, exploration, development, production, and other activities nationwide and internationally for themselves and irrevocable trusts established for their children. Mrs. Grynberg professes no expertise in technical or other aspects of the oil and gas business, which historically has been and currently is managed entirely by Mr. Grynberg.

At November 30, 1981, Jack Grynberg and Associates had a staff of 27 full time and 2 part-time personnel, exclusive of Mr. Grynberg, consisting of 4 executive and administrative, 17 professional and 8 clerical employees.

BACKGROUND OF THE CHAPTER 11 PROCEEDINGS

The Debtors filed separate petitions under Chapter 11 of the Bankruptcy Code on February 20, 1981. The filings were immediately precipitated by the recordation of transcripts of judgments in all counties of California, Colorado and Wyoming in which the Grynbergs held numerous oil and gas or other interests. The basic pertinent judgment, for damages in excess of $6,000,000, was entered against Mr. and Mrs. Grynberg on February 4, 1981, nunc pro tunc to December 22, 1980, in Civil Action No. 462022-4, Danzig, et al. v. Jack Grynberg and Associates, et al. (the "Danzig Action"), by the Superior Court of the State of California in and for the County of Alameda in favor of almost 60 claimants (the "Danzig Claimants"), based primarily on the trial court's finding that certain activities of Mr. Grynberg before 1975 in connection with a publicly offered, tax-shelter drilling partnership had involved fraudulent and other wrongful conduct justifying rescission of the partnership. The Grynbergs believe, upon advice of counsel, that the judgment is subject to reversal or substantial modification on an appeal which has been taken to the California Court of Appeal.

The Grynbergs were unable, however, to post a bond in February 1981 in the amount (150% of the judgment) necessary under California law to prevent immediate enforcement of judgment liens purportedly created by the previous filing of numerous transcripts of the Danzig judgment by the Danzig Claimants. The Danzig Creditors also served writs of garnishment purporting to create liens against other property, including the Grynbergs' interests in stock issued by Oceanic Exploration Company, which then represented another of their major assets. Any enforcement of the purported judgment or garnishment liens involved high risks that, even if the Danzig judgment ultimately were reversed or materially modified, (1) the bulk of the Grynbergs' assets would have been sold previously at distressed prices far less than the fair value of the assets, (2) the Grynbergs' business

would have been greatly jeopardized and (3) all persons (other than the Danzig Claimants) having claims against the Grynbergs or their estates would have been irreparably injured. The Grynbergs consequently filed their Chapter 11 petitions in order to protect all parties in interest.

NATURE, OBJECTIVES AND SUMMARY OF THE PLAN

The Grynbergs believe that their assets are sufficient to pay in full all proper claims against the Grynbergs or their estates. To a considerable extent, the claims which have been asserted are, however, subject to pending disputes, many of long standing and involving substantial amounts. The Grynbergs do not, on the one hand, desire to pay substantial claims which are not bona fide or properly enforceable. On the other hand, the Grynbergs desire to pay as soon as practicable all their proper liabilities in cash and in full, including any interest to which claimants may be entitled under the Bankruptcy Code, applicable state law or by previous contract.

The Plan, accordingly, provides in substance for the following:

1. Upon effectiveness of the Plan, all undisputed claims, which are estimated to aggregate approximately $600,000, and unpaid expenses of the Chapter 11 proceedings are to be paid in cash and in full when allowed and ordered paid by the Court. Such claims and expenses are further described under the caption "CLAIMS AGAINST THE ESTATES." See also Plan §2.1.

2. Disputed claims are to be paid in cash and in full when, as and if finally allowed and ordered paid by the Court. The pending disputes will be resolved as rapidly as practicable through claims procedures before the Court, by such settlements as may be feasible, in other litigation or otherwise as the Court may direct. See Plan §2.2. In the judgment of the Debtor, the aggregate amount which ultimately may be payable upon all disputed claims cannot be estimated with reasonable accuracy. The Debtor believes that amounts claimed on proofs of claim which have been filed, often involving millions of dollars, afford no reasonable basis for approximating ultimate liabilities of the estates.

3. Pending resolution of disputed claims, interests of their holders will be protected by deposits of cash or cash equivalents or by a lien covering extensive interests of the Grynbergs in producing wells, undeveloped reserves and revenues in and from a large natural gas field in New Mexico (the Dedicated Property"). The claimants to be protected by deposits of cash or its equivalent include the Danzig Claimants, in respect to whom Mr. Grynberg caused $7,150,000 to be deposited with the Clerk of the Court to be held pursuant to the Court's "Order Authorizing Substitution of Collateral" on September 22, 1981. Such Order requires releases, in accordance with its terms, of all judgment liens, lis pendens and garnishments previously asserted by the Danzig Claimants. The Plan continues such deposit in effect. See Plan §4.3.

4. Other claimants to be protected by deposits of cash or its equivalent are Judgment Creditors, which are defined in the Plan as "Disputed Creditors who have reduced or hereafter reduce their Claim or Claims to a judgment entered by a court or to an order of the [Bankruptcy] Court allowing their Claims, which

judgment or order has not become final and is subject to being set aside or otherwise modified by any court of competent appellate jurisdiction." See Plan, "Definitions"; §4.4. As of November 30, 1981, Viersen and Cochran Drilling Co. held a judgment in the principal amount of approximately $600,000 which was on appeal to the Court of Appeals for the Tenth Circuit. Such claim, including any claim for interest, has since been settled, subject to the Court's approval, for an immediate cash payment of $500,000. The Debtors propose to apply for such approval before December 31, 1981. If the settlement is approved and implemented, other claimants who may be Judgment Creditors do not, in the opinion of the Debtors, appear to hold claims for amounts material to feasibility of the Plan.

5. The lien upon the Dedicated Property is to be granted to an independent Custodian for the benefit of holders of all disputed claims not otherwise protected by mortgages, security interests or otherwise. See Plan §4.5. In the opinion of the Debtors, the principal other disputed claimant which is otherwise protected, in whole or large part, is Camay Drilling Company, which has asserted a claim in the principal amount of approximately $1,600,000 based on a judgment against Universal Drilling Company, which is an affiliate of the Debtors, and a guaranty executed by Mr. Grynberg. Camay Drilling Company holds security interests, granted by the Debtors in connection with guaranty, which are further described under the caption "OTHER PRODUCING PROPERTIES." Such security interests are not proposed to be modified by the Plan.

6. The Custodian is to be a bank or other person to be selected by the Debtors and the Creditors' Committee in Mr. Grynberg's Chapter 11 proceeding and approved by the Court. See Plan "Definitions."

7. In order to provide funds for payment of claims, affording Substitute Protection, development of the Dedicated Property or for other purposes as contemplated by the Plan, the Plan provides that the Custodian will receive all income from the Dedicated Property after payment of or provision for "Current Charges," which are defined as amounts payable by the Debtors in respect to the Dedicated Property "for principal or interest upon the Senior Debt, taxes, operating expenses, drilling or development costs or other charges currently payable from time to time for such development of natural gas, oil or other hydrocarbon reserves and the production and sale of natural gas, oil and other hydrocarbons from the Dedicated Property as, in the reasonable judgment of the Debtors, is necessary or advisable." See Plan §4.6. "Senior Debt" is defined as priority indebtedness to banks ... to be incurred ... before, upon or after confirmation of the Plan, which shall not exceed $5,000,000 in aggregate principal amount at any one time; shall be secured by assignments of leases, related agreements, revenues, equipment or otherwise; shall be incurred only to facilitate development of ... the Dedicated Property; and shall otherwise be in accordance with ... the governing instruments evidencing the Senior Debt." See Plan "Definitions." No such debt has been incurred as of the date of this Disclosure Statement. When and if incurred, the holders of such debt likely will have rights in respect to the Dedicated Property and income therefrom which will have priority over any rights or lien of the Custodian or any party now interested in the estates of the Debtors, whether pursuant to the Plan or otherwise. Pending use of funds for other purposes, funds held by the Custodian are to be invested in securities issued by the United States or bank certificates of deposit. See Plan §4.9.

8. To the extent, if any, that the lien and rights to be granted to the Custodian are or become insufficient to permit full payment of disputed claims when and as allowed and ordered paid by the Court, the Grynbergs are committed promptly to provide to the Custodian, through sale of or borrowings against other assets not subject to the Plan or from any other sources available to them, additional funds sufficient to make any payments required under the Plan. See Plan §4.15. Such payments may include payments required to be made upon final allowance and payment of junior claims in order to afford protection to holders of disputed priority claims, such as the United States, which asserts a claim (in litigation in the United States Tax Court) for alleged income deficiencies in the amount of $1,245,362 as of February 20, 1981, exclusive of penalties and subsequent interest. Such payments also may include amounts necessary to protect holders of other disputed claims who hereafter become Judgment Creditors as described above. See Plan §4.11.

9. The protection to be afforded to disputed priority and Judgment Creditors, when and as they become entitled thereto pursuant to the Plan, is defined in the Plan as "Substitute Protection" and, in substance, will require deposit with and segregation by the Custodian of cash or cash equivalents in amounts generally equivalent to the amounts of the claim for which Substitute Protection is afforded. See Plan "Definitions"; §§4.4, 4.11. The Plan also may require or permit Substitute Protection under other circumstances. See Plan §§4.10, 4.13.

10. The Plan will subordinate payment of all claims of affiliates of the Debtors to the prior payment in full of all disputed claims of other creditors whose claims are finally allowed and ordered paid by the Court. See Plan §3.1. The identity of the affiliates whose claims, if any, are to be so subordinated is set forth in the definition of "Grynberg Entities" contained in the Plan.

11. In order to facilitate and promote feasibility of the Plan, Section 4.8 of the Plan requires the Debtors upon effectiveness of the Plan to segregate $1,000,000 (the "Segregated Fund") for the sole purpose (unless the Court shall authorize otherwise) of possible future remittance to the Custodian in the event funds then available to the Custodian are insufficient for the Custodian to make any payment then required pursuant to the Plan. The Segregated Fund is to be established pursuant to a declaration of trust (the "Grynberg Reorganization Trust") in such form as may be approved by the Court and shall be subject to reduction in certain circumstances. Pending possible remittance to the Custodian, the Segregated Fund shall be invested in securities issued by the United States, bank certificates of deposit or "money market" mutual funds. The Segregated Fund is subject to termination if undetermined disputed claims are reduced to an aggregate amount which is $5,000,000 or less.

FEASIBILITY OF THE PLAN IS PRIMARILY DEPENDENT UPON THE FOLLOWING:

1. THE EXTENT TO WHICH THE DEDICATED PROPERTY GENERATES REVENUES OR OTHER FUNDS WHICH BECOME AVAILABLE TO THE CUSTODIAN FOR PAYMENT, AS AND WHEN ORDERED BY THE COURT, OF PRESENTLY DISPUTED CLAIMS WHICH HEREAFTER ARE ALLOWED ADVERSELY TO THE DEBTORS' CONTENTIONS.

2. THE EXTENT TO WHICH THE DEBTORS CAN, FROM ASSETS OTHER THAN THE DEDICATED PROPERTY, THROUGH BORROWINGS OR OTHERWISE, FURNISH FUNDS IN LARGE AMOUNTS, IF NECESSARY,

UPON DEMAND BY THE CUSTODIAN, TO PAY CLAIMS WHICH HEREAFTER MAY BE ALLOWED AND TO PROTECT INTERESTS OF HOLDERS OF PRIORITY CLAIMS IF FUNDS THEN IN THE HANDS OF THE CUSTODIAN ARE INSUFFICIENT, FOR ANY REASON, TO PERMIT DUE PAYMENT OR PROTECTION IN ACCORDANCE WITH THE PLAN.

Although the Debtors believe that the revenues and values which will be generated by development of the Dedicated Property, together with other assets available to the Debtors but not included in the Dedicated Property, will be more than sufficient to effectuate the Plan in accordance with its terms, the Debtors are unable to give any absolute assurance to that effect because of the possibly adverse effects of future economic conditions, unexpected drilling results and possibly material changes in other circumstances unknown to and beyond the control of the Debtors.

CLAIMS AGAINST THE ESTATES

The claims against the estates of one or both of the Debtors, which are classified and dealt with in the Plan, are summarized as follows:

Class I Claims -- Priority Administrative Expenses

Pursuant to Section 507(a)(1) of the Bankruptcy Code, claims for expenses of administration of the Chapter 11 proceedings, which are Class I Claims under the Plan, are entitled to first priority.

Costs and Expenses of Preserving the Estates. The administrative expenses include the actual, necessary costs and expenses of preserving the estates, which in turn include wages, salaries or commissions for services rendered to or for the estates after February 20, 1981, when the Chapter 11 petitions were filed. Most of the Class I Claims will be for costs and expenses of operation of the business of the Debtors since February 20, 1981, which have been and are being paid currently. Such costs and expenses will continue to be incurred until the Chapter 11 proceedings are closed. See the Statement of Receipts and Disbursements included elsewhere in this Information Statement.

Certain Taxes. The administrative costs and expenses also include taxes incurred by the estates since February 20, 1981. On September 22, 1981, the Debtors and their family affiliates sold their interests in Oceanic Exploration Company, receiving $11,730,035 representing direct assets of their estates and $5,210,439 indirectly representing an asset of the estate of Mr. Grynberg. Virtually all such proceeds appear to be taxable as capital gains; to the extent that such funds have been invested in certificates of deposit or otherwise, income therefrom will be taxable as ordinary income. Certain payments received by Mr. Grynberg from affiliated corporations since February 20, 1981, may involve recapture of amounts previously taken as deductions upon prior tax returns or otherwise may be taxable as ordinary income at high rates. The income or other taxes which will be payable as an administrative cost or expense may be materially affected by the fiscal year elected by the estates for tax purposes, the extent to which deductions for intangible drilling expenses and other deductions will be available to offset such gains or income and other factors. The Debtors are unable at this time to furnish a reasonably accurate estimate of the taxes payable as an administrative cost or expense but believe that such taxes may be in excess of $5 million.

Professional Fees and Disbursements. Priority administrative costs and expenses also include reasonable compensation for and reimbursement of actual, necessary services and expenses of professional persons, including attorneys, accountants and appraisers. The Debtors are unable to state the amount of such compensation and expenses which will be payable. As of the date of this Disclosure Statement, such payments have been made or requested as follows:

(1) On February 20, 1981, the court authorized employment of Lohf & Barnhill, P.C., as attorneys under a general retainer to represent Mr. Grynberg as a debtor in possession in this proceeding. Such counsel has received an interim allowance of professional fees in the amount of $150,000 and reimbursable costs in the amount of $6,292.20 incurred on behalf of Mr. Grynberg from February 20, 1981 through August 31, 1981.

(2) On February 20, 1981, the Court authorized employment of Law and Scheid (then Law, Scheid and Farabee), a professional corporation, as attorneys under a general retainer to represent Mrs. Grynberg in her separate Chapter 11 proceeding. Such counsel received an interim allowance of professional fees in the amount of $115,000 (inclusive of $25,000 paid as a retainer before commencement of the Chapter 11 proceedings) and reimbursable costs in the amount of $4,564.46 incurred on behalf of Mrs. Grynberg from February 6, 1981 through August 20, 1981.

(3) On March 31, 1981, the Court authorized the employment of David A. Drexler, a member of Morris, Nichols, Arsht & Tunnell, a law firm in Wilmington, Delaware, to represent Mr. Grynberg as special counsel in connection with further prosecution of Civil Action No. 5198, Grynberg, et al. v. Burke, et al., which had been pending since October 1976 in the Court of Chancery of the State of Delaware in and for New Castle County. A similar order in respect to Mrs. Grynberg was entered on April 16, 1981. Civil Action No. 5198 was complex litigation involving Mr. and Mrs. Grynberg, their affiliates, Oceanic Exploration Company and other persons in respect to approximately 75% of the stock of Oceanic then beneficially owned by the Grynbergs and their family affiliates. Such special counsel has received interim allowances in Mr. and Mrs. Grynberg's Chapter 11 proceedings of professional fees and reimbursable costs in the aggregate amounts of $45,427.50 and $4,113.78, respectively.

(4) Pursuant to orders of the Court on May 11, 1981, Kimball, MacMichael, Jackson & Upton, of Fresno, California, was employed in Mr. and Mrs. Grynbergs' Chapter 11 proceedings as special counsel to prosecute an appeal to the California Court of Appeal from the judgment entered in the Danzig Action. Such special counsel has received an interim allowance of professional fees through July 25, 1981 in the amount of $6,326.25 and reimbursable costs in the amount of $1,947.17.

(5) On May 21, 1981, the Court authorized employment of Diamond, Polsky & Bauer, of Philadelphia, Pennsylvania, to represent Mr. Grynberg in a proceeding, Docket No. 3688-80, Jack J. Grynberg and Celeste C. Grynberg v. Commissioner of Internal Revenue, in the Tax Court of the United States, which was pending upon the filing of the Debtors' petitions under Chapter 11. The Court entered a similar order in Mrs. Grynberg's Chapter 11 proceeding. The Tax Court proceeding involves deficiencies in excess of $1,200,000 which the In-

ternal Revenue Service has asserted or may assert against Mr. and Mrs. Grynberg. Pursuant to a previous order on April 23, 1981, the Court also had authorized the employment of Samuel Diamond of the same law firm to represent Mr. Grynberg for the specific purpose of attempted collection of judgments of the United States District Court for the District of Colorado in favor of Mr. Grynberg and against Philip S. Seltzer and also against Philip S. Seltzer and Nathan R. Seltzer in the amounts of $126,512.50 and $87,898.67, respectively. Neither Mr. Diamond nor Diamond, Polsky & Bauer has requested or received any compensation or reimbursement of costs and expenses since commencement of the Debtors' Chapter 11 proceedings. A proposed settlement of issues involving the Seltzers is described elsewhere in this Disclosure Statement.

(6) Pursuant to Order of the Court on June 11, 1981, the Court authorized Mr. Grynberg to employ Pryor, Carney and Johnson, P.C., as special counsel to continue representing Mr. Grynberg in Grynberg v. City of Northglenn, et al., Civil Action No. 80 CV 9703, which was commenced in the District Court of the City and County of Denver before filing of the debtor's Chapter 11 petitions. Such action seeks to enforce claims of Mr. Grynberg for substantial damages based on alleged geophysical trespass and other grounds. Such special counsel has received an interim allowance of professional fees in the amount of $14,573 and reimburseable costs in the amount of $280.78.

(7) Pursuant to Order of the Court on May 22, 1981, Mr. Grynberg employed Cordle & Associates, certified public accountants, in connection with the day-to-day administration of Mr. Grynberg's estate and and other purposes, their compensation not to exceed $15,000 without further authorization by the Court. As of October 31, 1981, Mr. Grynberg had paid $6,700 to Cordle & Associates pursuant to such authorization.

(8) Pursuant to Order of the Court on May 19, 1981, the Creditors' Committee in Mr. Grynberg's Chapter 11 proceeding employed Sterling & Simon, P.C., on a general retainer to represent the Creditors' Committee in such proceeding and in all other cases concerning Mr. Grynberg's affiliates. On December 11, 1981, Sterling & Simon filed an application seeking $28,495 as interim compensation for professional services and reimbursement of $220.76 of related costs, which had not been approved by the Court as of December 21, 1981.

(9) Pursuant to Order on June 25, 1981, the Court authorized the Creditors' Committee in Mr. Grynberg's Chapter 11 proceeding to employ Laventhol and Horwath, certified public accountants, for certain investigations and determinations in respect to the Debtors' accounting system and procedures. In accordance with the order, Mr. Grynberg paid such accountants $10,000 against the services to be rendered, the aggregate such compensation not to exceed $10,000 without further order of the Court.

(10) On October 14, 1981, the Creditors' Committee in Mr. Grynberg's Chapter 11 proceeding filed an application for approval of employment of Keplinger and Associates, Inc., to issue a report appraising the Dedicated Property, the cost of such appraisal not to exceed $11,000. Such report had not been issued and no payment in respect thereto had been made as of December 21, 1981.

Class II Claims -- Other Priority Claims

All other claims entitled to priority under the Bankruptcy Code which are not included in Class I are Class II Claims for purposes of the Plan. Such Class II Claims include:

Pre-petition Wages. Claims for wages, salaries or commissions, including vacation, severance and sick leave pay, are entitled to priority to the extent of $2,000 for each individual in accordance with Section 507(a)(3) of the Bankruptcy Code if earned within 90 days before the date of filing of the Chapter 11 petitions. Mr. Grynberg's Chapter 11 schedules reflect such employee claims in the approximate amount of $5,000 which, if allowed, would be entitled to priority as Class II Claims.

Certain Pre-petition Taxes. The Class II Claims include specified, allowed unsecured claims of governmental units for taxes or otherwise. So far as known to Mr. and Mrs. Grynberg, the principal such claims will be claims of the United States for alleged income tax deficiencies being litigated in the United States Tax Court in respect to the years 1974 through 1979, for which a proof of claim was filed on April 30, 1981. According to the proof of claim, the total taxes and interest due was $1,245,362 as of February 20, 1981, exclusive of a pre-petition penalty to be assessed and any interest properly payable after February 20, 1981. If the contentions of the United States ultimately are upheld, additional amounts may be payable in respect to tax years or periods ending after December 31, 1979, including additional taxes to the State of Colorado (estimated at not over $100,000).

Other. In addition to the claims of the United States for pre-petition taxes, the Class II Claims also include tax claims of other governmental units which appear entitled to priority as Class II Claims, including taxes payable to the State of Colorado if the contentions of the United States in the pending Tax Court proceeding are upheld. The amount of such claims of other governmental units is estimated at approximately $27,000, including certain claims which the Debtors contend have been paid or have not matured.

Class III Claims -- Secured Claims

Class III Claims, as defined in the Plan, include claims of creditors secured by property of either or both Debtors to the extent finally allowed and ordered paid by the court. Such claims include claims of the Danzig Claimants if the Danzig judgment is hereafter upheld in further proceedings in the California courts. Such claims aggregated approximately $6,743,000 as of February 20, 1981 and, if valid, will accrue interest charges at the rate of 7% per year. The value of the security claimed by the Danzig Creditors has not been determined.

Camay Drilling Company has a claim in the amount of approximately $1,600,000, all of which is secured except for approximately $80,000, based upon a guaranty by Mr. Grynberg in respect to indebtedness of Universal Drilling Company almost all of which is collateralized by oil and gas properties in Rio Blanco and Montrose Counties, Colorado. See caption "OTHER PRODUCING PROPERTIES. First Bank of Westland holds a first deed of trust on certain real property owned by Celeste C. Grynberg securing undisputed indebtedness in the approximate amount of $34,000. Certain other creditors filed proofs of claim asserting that their claims are secured, in whole or in part. The aggregate amount of such additional secured claims, if allowed, is not deemed material.

Class IV Claims -- Unsecured Creditors

All claims (with the exception of subordinated Class V Claims) against the Grynbergs not included in Classes I, II and III are defined in the Plan as Class IV Claims. Class IV Claims generally include claims of unsecured creditors, including claims of secured creditors to the extent that the value of their security may be less than the amount of their claims.

The Class IV Claims include approximately $600,000 in claims which are not disputed. Most of the Class IV Claims are disputed, liability not having been fixed and, to a significant extent, not having been liquidated or otherwise being uncertain as to amount. Holders of disputed Class IV Claims include the following:

(a) The Danzig Claimants and Camay Drilling Company to the extent, if any, that they hereafter may be determined to hold unsecured claims;

(b) Viersen & Cochran Drilling Company, which claims approximately $600,000 based on a judgment which is on appeal but which has been settled for an immediate cash payment of $500,000, if approved by the Court;

(c) Samuel R. Freeman, who claims an amount estimated at $470,000 based on an agreement involving the interests of the Grynberg family in stock of Oceanic Exploration Company;

(d) Albert Hayutin, who claims $11,500,000 based upon alleged finder's services and the value of 1,000,000 shares of stock of Oceanic Exploration Company allegedly offered as an inducement for such services;

(e) Floyd E. Murray, who claims $3,000,000 based on an alleged "guaranteed overriding royalty" as part of a wage agreement;

(f) Dowell Division of The Dow Chemical Company, which claims approximately $100,000 for labor and materials furnished in connection with drilling operations by Mr. Grynberg in Rio Blanco County, Colorado;

(g) Hunt Energy Corporation, which claims approximately $184,000 based on alleged fraudulent representations by Mr. Grynberg in respect to certain federal oil and gas leases.

In addition to the disputed claims specifically identified above, other persons have filed proofs of claim (exclusive of income tax claims of the United States) which the Grynbergs dispute in the aggregate amount of approximately $1,000,000.

Class V Claims -- Grynberg Affiliates

The Plan in substance defines Class V Claims as claims held by persons who are affiliates of Mr. and Mrs. Grynberg or claims which, directly or indirectly, are founded upon such claims. The principal such claimant is the Stephen Mark Grynberg Trust, of which Mrs. Grynberg is the trustee, which holds a mortgage executed on March 18, 1978, recorded on January 10, 1980, covering the Grynberg residence and securing a promissory note in the face amount of $2,000,000.

EFFECT OF THE PLAN UPON CREDITORS AND THEIR CLAIMS

The Plan in substance provides that all holders of undisputed or disputed claims (other than Class V Claims), regardless of class, are to be paid in cash in full as and when their claims are finally allowed and ordered paid by the Court. To the extent that any claim entitled to priority has not been allowed and ordered paid at the time that the Court may finally allow and order payment of a junior claim, the Plan provides in substance that, prior to any payment upon the junior claim, holders of all priority claims which have not been finally allowed and ordered paid shall be afforded Substitute Protection. "Substitute Protection" is defined in the Plan so as to require segregation by the Custodian of cash, securities issued or guaranteed by the United States or bank certificates of deposit or letters of credit having a value in dollars at least equal to the amount of each claim as to which Substitute Protection is afforded or otherwise as may be fixed by the Court.

To the extent that holders of disputed claims are not secured, not entitled to priority or have not otherwise been afforded protection, they will have the benefit of a lien upon the Dedicated Property to secure full payment of their claims when and if finally determined to be proper liabilities of the Debtors or either of them, a protection upon which such claimants could not insist outside the Chapter 11 proceedings prior to establishing the validity and enforceability of their claims. The Plan does not attempt to alter security interests of Class III Creditors except as hereinafter stated in respect to the Danzig Creditors, whose proper interests are fully protected by deposits with the Clerk of the Court. The Debtors accordingly contend that the proper rights of all holders of Class I, II, III and IV Claims are not impaired or affected adversely by the Plan.

Holders of Class V Claims, which are based upon or are claims by affiliates of the Grynbergs, are to retain unaltered their legal, equitable and contractual rights as they existed on February 20, 1981, except that any payment in respect thereto shall be subordinated to prior payment or other discharge in full of all claims of other creditors which are allowed and ordered paid by the Court. Pending such payment or discharge of claims of other creditors, confirmation of the Plan is to operate as a stay, applicable to all holders of Class V claims, of all acts or actions specified in subsections (1) through (7) of Section 362(a) of the Bankruptcy Code, which generally prohibit (except in accordance with the Bankruptcy Code) litigation and other acts to obtain property of the Debtors' estates or to obtain or enforce or recover upon judgments, liens or other claims against the Debtors or their estates. The Debtors believe that the rights of holders of the Class V Claims will be affected adversely and consequently impaired by reason of such subordination and stay provisions. The Debtors contend that because all proper interests of all creditors other than Class V Creditors are not impaired under the Plan, such other creditors may be deemed to have accepted the Plan under the Bankruptcy Code and that acceptance of the Plan by a vote in accordance with Section 1126 of the Bankruptcy Code will be necessary only by the Class V creditors.

CREDITORS TO BE PROTECTED BY DEPOSITS OF CASH OR CASH EQUIVALENTS

The Plan provides (see Section 4.3) that all proper interests (if any) of the Danzig Creditors are to be protected by the deposit with the Clerk of the Court of funds in accordance with

the Court's Orders entered in the proceedings on September 22, 1981, authorizing substitution of collateral. On September 22, 1981, the Court found that a deposit by Mr. Grynberg with the Clerk of the Court of the sum of $7,150,000, to be invested in securities of the United States or certificates of deposit issued by banks accruing at least 7 percent interest per annum, would provide adequate protection to the Danzig Creditors and the indubitable equivalent of whatever security, if any, they may have obtained through garnishments or recordation of transcripts of judgment or lis pendens affecting property of the Debtors. The Court accordingly ordered release of all such liens, lis pendens and writs of garnishment affecting property of the Debtors without determining whether the Danzig Creditors in fact have any valid security or, if so, the amount thereof. Pursuant to the Order authorizing substitution of collateral, Mr. Grynberg caused $7,150,000 to be deposited with the Clerk of the Court in the form of bank certificates of deposit on September 23, 1981. In accordance with that order, accrued interest in excess of 7% per annum is to be withdrawn by the Clerk and delivered to the Debtor upon order of the Court. The deposit has continued in effect since September 23, 1981, and is to be continued in effect pursuant to the Plan.

The Plan also provides that the proper interests of Judgment Creditors not otherwise adequately protected will be fully protected by affording them Substitute Protection as previously described herein (see Section 4.4 of the Plan). For purposes of such protection, "Judgment Creditors" is defined in the Plan to mean those disputed creditors (other than the Danzig Creditors) who have reduced or hereafter reduce their claim or claims to a judgment entered by a court against the Debtors or either of them or to an Order of the Court allowing their claims, which judgment or Order has not become final and is subject to being set aside or otherwise modified in any court of competent appellate jurisdiction. Subject to approval and implementation of the settlement with Viersen & Cochran Drilling Co. previously described, only one creditor holding a claim for approximately $25,000 appears, as of December 21, 1981, to be a Judgment Creditor as so defined. The Debtors anticipate that other claimants may become Judgment Creditors as pending disputes are resolved over time but are unable to estimate the amount thereof with reasonable accuracy.

PROTECTIONS FOR OTHER DISPUTED CREDITORS

The Plan defines "Other Disputed Creditors" to mean all disputed creditors other than Danzig Creditors and Judgment Creditors, including all disputed creditors holding claims previously reduced to a judgment or Order of allowance which has been set aside, reversed or otherwise vacated for any reason. See Plan "Definitions." Section 4.5 of the Plan provides that the Debtors shall, as of the Effective Date (the date when the Court's Order confirming the Plan becomes final and non-appealable), grant to the Custodian a lien upon or security interest in all the Dedicated Property, such lien or security interest to be expressly subordinated to all liens and security interests collateralizing the Senior Debt upon or after the Effective Date. "Senior Debt" is defined to mean priority indebtedness to banks to be incurred by the Debtors for the purpose of development of reserves of natural gas, oil or other hydrocarbons and their production and sale from the Dedicated Property, whether before, upon or after confirmation of the Plan, in an aggregate principal amount not in excess of $5,000,000 at any one time, which shall be secured in accordance with the instruments governing the Senior Debt, as is hereinafter more fully described.

Under the Plan, the Debtors also are to assign to the Custodian, as of the Effective Date, all net revenues payable from time to time to the Debtors from the Dedicated Property after payment or provision for payment of all Current Charges then payable. "Current Charges" means all amounts currently payable on or after the Effective Date by the Debtors in respect to the Dedicated Property for principal or interest upon the Senior Debt, taxes, operating expenses, drilling or development costs or other charges currently payable from time to time for development, production and sale of reserves of natural gas, oil or other hydrocarbons from the Dedicated Property. So long as any of the Senior Debt is outstanding, net revenues payable to the Custodian will be reduced to any extent that holders of the Senior Debt have a prior right to receive any revenues from the Dedicated Property.

The Plan (Section 4.8) further provides that the Debtors shall cause $1,000,000 (the "Segregated Fund") to be segregated for the sole purpose of possible future remittance to the Custodian in the event that funds then available to the Custodian are insufficient to make any payment then required pursuant to the Plan. The Segregated Fund is not to be used for any other purpose unless the Court so authorizes upon due application after notice to the Custodian and all other parties in interest who shall have filed a written request with the Custodian to receive such notice. Pending possible remittance to the Custodian, the Segregated Fund is to be invested in securities issued by the United States, bank certificates of deposit or "money market" mutual fund shares. The Segregated Fund and all related investments shall be maintained or carried in a separate account or accounts in the name(s) of either or both of the Debtors as trustees pursuant to a declaration of trust, as may be approved by the Court, establishing a trust to be designated as the "Grynberg Reorganization Trust." The declaration of trust shall terminate upon the reduction of undetermined disputed claims of other Other Disputed Creditors who have not been afforded substitute protection to an aggregate amount which is $5,000,000 or less or upon discharge of the Custodian pursuant to the Plan.

CERTAIN OTHER PROVISIONS OF THE PLAN

The Plan also contains provisions regarding the following:

Substitution of Property

As set forth in Section 4.13 of the Plan, the Custodian is required under certain circumstances to release the Custodian's security interest and lien upon the Dedicated Property if the Debtors grant or cause to be granted to the Custodian a security interest in and lien upon other property ("Substitute Property") subject, however, to the following:

(a) The value of the Substitute Property must equal or exceed (i) the value of the Dedicated Property or portion thereof as to which a release is sought or (ii) such amount as, in the judgment of the Custodian is sufficient at the time of such release to afford Substitute Protection, if and when needed, for all claims of Other Disputed Creditors which have not then been paid or otherwise discharged or in respect to which Substitute Protection has not previously been afforded previously.

(b) To the extent that any Substitute Property does not consist of cash or bank certificates of deposit having a

readily ascertainable value, the Plan provides for valuation of the Substitute Property in a manner satisfactory to the Custodian or, in certain cases, pursuant to direction of the Court. The Plan requires that Substitute Property other than cash or bank certificates of deposit be at least 125 percent of the value of the Dedicated Property sought to be released or, alternatively, at least 125 percent of the amount then necessary to afford Substitute Protection for all claims of Other Disputed Creditors which have not then been paid or otherwise discharged or in respect to which Substitute Protection has not been afforded previously.

The Plan requires the Custodian to release its security interest and lien upon the Dedicated Property upon deposit of Substitute Property consisting of cash, securities issued or guaranteed by the United States or bank certificates of deposit or letters of credit or any combination of the foregoing which, at the time of such deposit, are sufficient to enable the Custodian to afford Substitute Protection in respect to all claims of Other Disputed Creditors which have not theretofore been paid or otherwise discharged or in respect to which Substitute Protection has been afforded previously.

Assets and Business of Debtors After Plan Confirmation

The Plan provides (Section 8.1) that, upon the Effective Date or at such earlier time as the Court may order after confirmation of the Plan, (a) the Debtors shall be revested with their assets and entitled to manage their affairs without further order of the Court and (b) all creditors and the Debtors will be bound by the provisions of the Plan to the exclusion of all other rights which may be or become available. The effect of such provisions will be that property and business of the Debtors other than the Dedicated Property and the Segregated Fund will be free and clear of any claims by the Custodian or present creditors, who must rely for payment of their proper claims exclusively upon the Dedicated Property, the Segregated Fund, the protections expressly afforded by the Plan and rights of the Custodian under the Plan to enforce commitments of the Debtors contained therein. Confirmation and effectiveness of the Plan also will operate, in accordance with applicable provisions of the Bankruptcy Code, to discharge the Debtors from any debt that arose before the date of confirmation except as otherwise provided in the Plan.

Resolution of Disputed Claims

The Plan provides (Section 4.2) that, to any extent that proceedings are not pending upon filing of the Plan in the Court or elsewhere seeking a final determination of any disputed claim, the Debtors or either of them will file objections to such claim with the Court on or before the Effective Date unless the pertinent disputes have been previously resolved otherwise. Unless the Court otherwise directs, the disputes will be resolved in proceedings before the Court upon such objections. As is more fully set forth in Schedule III to the Plan, many of the disputed claims are or were the subject of litigation pending upon commencement of the Debtors' Chapter 11 proceedings. The principal disputed claims as to which disputes may be resolved by proceedings in other courts include the following:

(1) Claims of the Danzig Creditors in the approximate amount of $6.7 million dollars (exclusive of interest) which currently are the subject of an appeal to the California Court of Appeal from a judgment of the Superior Court, County of Alameda, California;

(2) The claims of the United States for alleged income tax deficiencies in the approximate amount of $1.25 million dollars which are the subject of proceedings pending in the United States Tax Court;

(3) Claims of David L. Hood and William Weinberger filed on behalf of themselves and members of a putative class, originally in an estimated amount of $35 million, are the subjects of litigation in the United States District Court for the District of Colorado which, on October 28, 1981, denied certification of the alleged class claim. As a result, future proceedings upon the claim of Messrs. Hood and Weinberger appear limited to their individual claims, which apparently are less than $15,000;

(4) Viersen & Cochran Drilling Company claims approximately $600,000 based on a judgment of the United States District Court which currently is on appeal to the Court of Appeals for the Tenth Circuit; and

(5) Albert Hayutin claims approximately $11.5 million dollars which is the subject of a civil action pending in the District Court for the City and County of Denver, Colorado, scheduled for trial on February 1, 1982.

DEDICATED PROPERTY

The Dedicated Property includes recoverable gas reserves from developed and undeveloped acreage in an undesignated Abo Field, Chaves County, New Mexico, located in Townships 5 and 6 South, Ranges 24 and 25 East, in which Mrs. Grynberg is the record holder of net working or other interests (the "Grynberg Interests") ranging from 25% to 100% in oil and gas leaseholds covering approximately 6,000 net acres (the "Grynberg Acreage"), and in which Mr. Grynberg also claims an interest. Seven producing gas wells, in which the Grynberg Interests are equivalent to 2.5 net wells (each equivalent to 100 percent of the working interest in one well), have been drilled on 160-acre spacing on the Grynberg Acreage pursuant to farmout agreements involving retained overriding royalty interests until payout of well costs, with subsequent conversion of the overrides to working interests. All such well costs have been or shortly will have been recovered in full. Six of the wells are operated by Yates Petroleum Corporation, and one is operated by Fred Pool. The gas produced is sold to Transwestern Pipeline Company, first deliveries having started in July 1980.

Drilling Since November 1, 1981

Since approximately November 1, 1981, the Debtors have caused or participated in the drilling of additional development wells on the Dedicated Property. As of December 15, 1981, three additional wells had been drilled in which the Debtors collectively have 100 percent of the working interest. One such well has been completed and tested and flowed approximately 2.25 MCF of natural gas per day with an estimated potential of over 2 million cubic feet calculated open flow. The well is in process of pipeline hook-up. The other two appear to have encountered commercial quantities of natural gas (insofar as determinable from electric log and other data without completion and availability of test results); casing has been set but testing must await availability of a completion rig. One of the three additional wells unexpectedly encountered apparently commercial shows of oil in a shallow formation above the Abo formation, which contains natural gas. The Debtors are considering advisabilty of drilling four

additional wells to such shallow formation on 40-acre spacing in the section containing the oil show in order to produce whatever oil reserves may be contained in that section.

In addition to the three additional wells described above, another additional well, of which Yates Petroleum Corporation is the operator and in which the Debtors collectively have a 50 percent working interest, was drilled successfully after November 1, 1981. As of December 15, 1981, the additional drilling had increased the wells which were producing or believed to be productive, insofar as allocable to the Grynberg Interests, from 2.5 net wells to 6.0 net wells. As of December 15, 1981, three more wells were in process of drilling and drilling of two additional wells is proposed to be commenced as soon as practicable on the Grynberg Acreage. The total cost of drilling of the nine wells referred to above as drilled since November 1, 1981, insofar as allocable to the Grynberg Interests, is estimated at $1,400,000, all of which has been or is to be financed from funds presently available to the Debtors.

Included in this Disclosure Statement as Figure 1 is a map showing, to the extent known to the Debtors as of December 15, 1981, the area of the Abo Gas Development, the location of and the percentage working interests represented by the Grynberg Interests and Acreage, wells which have been drilled and presently proposed locations of additional wells upon the Grynberg Acreage and lands surrounding the Grynberg Acreage.

Production to Date

Monthly production as reported by operators of six of the seven producing wells in production on November 1, 1981, is summarized below. The Debtors have not been able to obtain comparable information from the operator of the seventh well; no production history is available as to the additional wells drilled since November 1, 1981.

FIGURE 1

D.J. Low, Inc.

Petroleum Engineering

ABO GAS
Development
CHAVES CO. NEW MEXICO

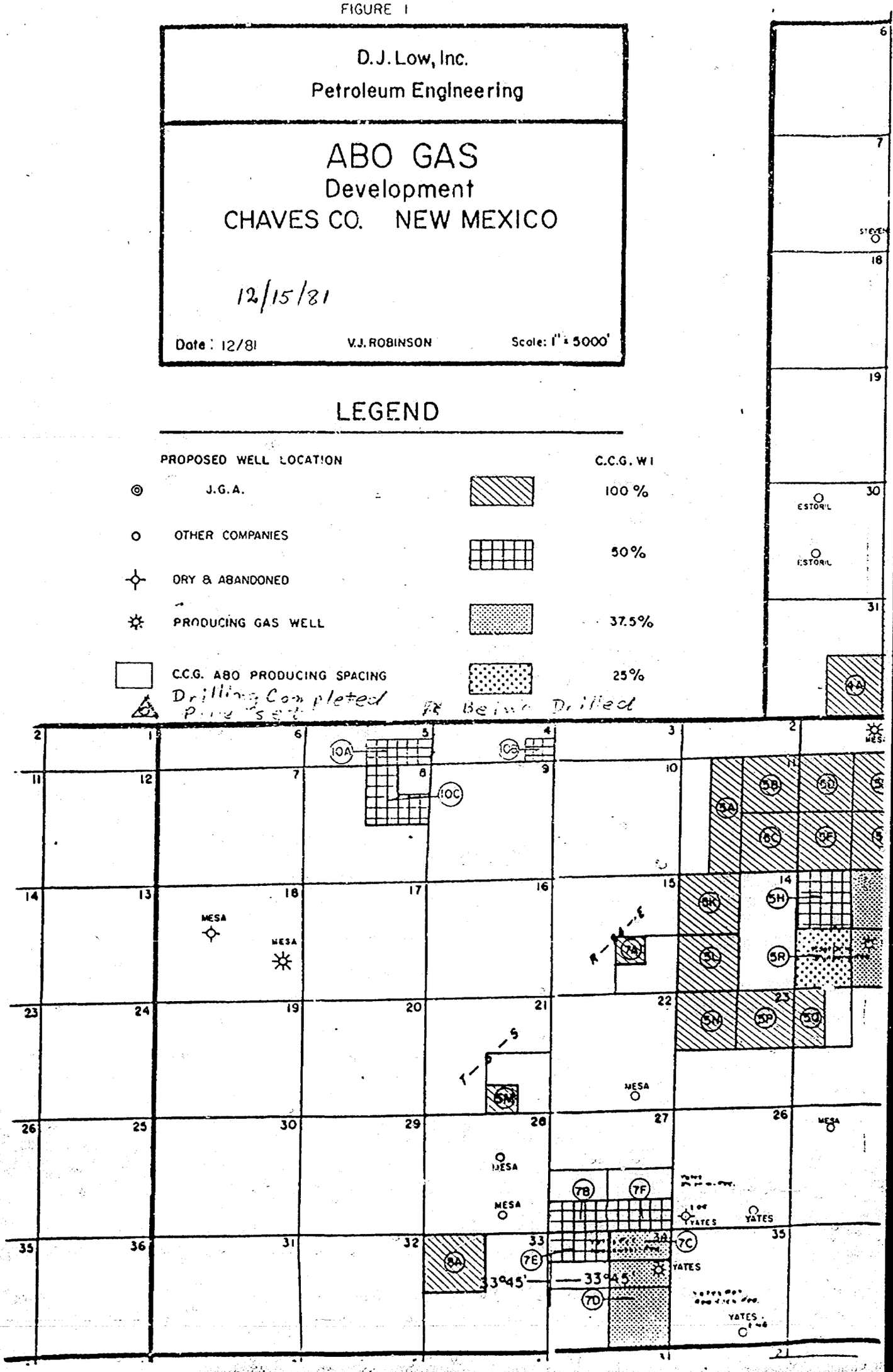
12/15/81

Date: 12/81 V.J. ROBINSON Scale: 1" = 5000'

LEGEND

		C.C.G. W I
◎	PROPOSED WELL LOCATION J.G.A.	100 %
○	OTHER COMPANIES	50 %
✛	DRY & ABANDONED	
☼	PRODUCING GAS WELL	37.5%
□	C.C.G. ABO PRODUCING SPACING	25%

Drilling Completed Pipeline Set — Being Drilled



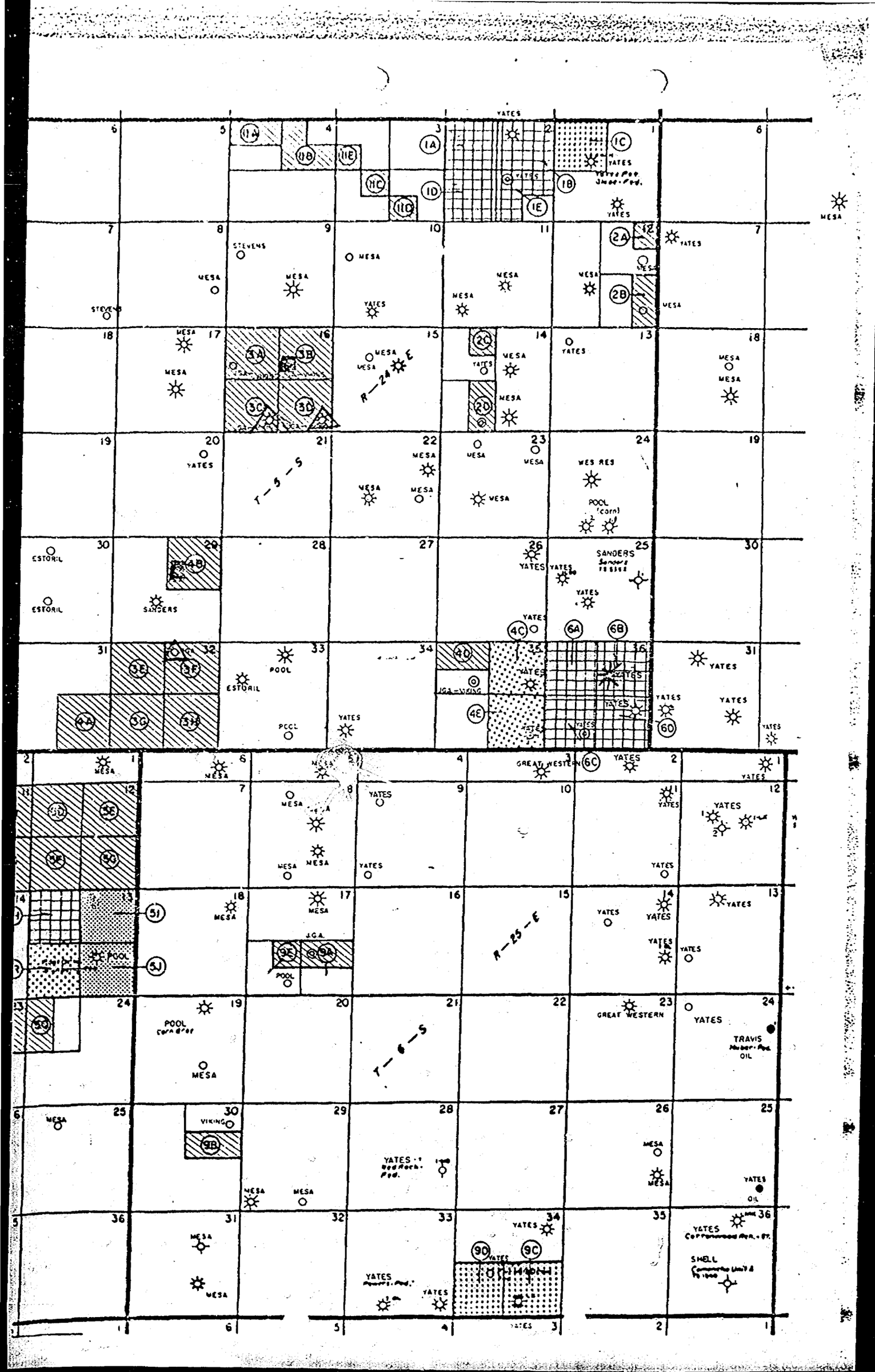

R—24—E
T—5—S
R—25—E
T—6—S
YATES
MESA
STEVENS
ESTORIL
SANDERS
POOL
VIKING
GREAT WESTERN
TRAVIS
SHELL
WES RES

Table I

ABO FORMATION PRODUCTION
CHAVES COUNTY, NEW MEXICO

Month	Well Production (Mcf)* (1)	(2)	(3)	(4)	(5)	(6)**
			1980			
July	5,330	6,408	---	---	---	---
Aug.	13,336	14,571	17,678	17,732	5,271	---
Sept.	12,279	13,124	20,324	18,836	14,119	---
Oct.	11,417	10,271	22,270	15,940	13,787	1,807
Nov.	11,541	8,531	27,874	20,989	11,972	4,054
Dec.	2,176	6,404	29,154	18,786	8,244	2,088
			1981			
Jan.	24,393	8,168	24,837	12,074	6,808	1,916
Feb.	18,473	6,654	21,154	10,913	5,294	591
March	19,561	7,604	22,577	11,345	5,273	2,648
April	13,146	5,636	16,267	9,239	4,985	1,539
May	10,739	5,298	15,802	9,079	4,639	1,129
June	3,720	1,792	9,039	2,227	2,203	174
July	6,551	3,222	13,146	8,375	1,936	1,540
Aug.	24,296	13,754	22,792	15,140	11,148	2,430
Sept.	16,582	6,808	27,440	14,512	6,197	1,187
TOTALS	193,540	118,245	290,354	185,187	101,876	21,103

* The numbered columns refer to wells as follows:

(1) Yates-5 Mile Draw, "LX" Federal #1, SE1/4, S. 34, T. 6 S., R. 25 E., in which the Grynberg working interest is 25%.

(2) Yates-Globe "MN", Federal #1, NW1/4, S. 1, T. 5 S., R. 24 E., in which the Grynberg working interest is 25%.

(3) Yates-Grynberg "LZ", State #1, SE1/4, S. 36, T. 5 S., R. 24 E., in which the Grynberg working inerest is 50%.

(4) Yates-GYP "MO" #1, NE1/4, S. 35, T. 5 S., R. 24 E., in which the Grynberg working interest is 25%.

(5) Yates-Smernoff "NL", State #1, NE1/4, S. 2, T. 5 S., R. 24 E., in which the Grynberg working interest is 50%.

(6) Yates-Iwanowski "MN", Federal #1, NE1/4, S. 34, T. 6 S., R. 24 E., in which the Grynberg working interest is 37.5%.

** The Yates-Iwanowski "MN" Federal #1 has encountered substantial production difficulties which will necessitate reworking the well in order to achieve production comparable to that of the other wells listed.

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Valuation

The Debtors caused the Grynberg Interests to be evaluated, as of March 1, 1981, by D. J. Low, Inc., an independent petroleum engineer, who has issued a report (the "Evaluation Report") which, among other things, in substance states or concludes:

(a) The valuation is not based on all possibly productive formations but is limited to estimated gas reserves in the Permian Abo Formation in four categories: (1) proved-developed (reserves assigned to the seven wells now drilled and in production); (2) proved-undeveloped (17 locations in 160-acre spacing units directly offsetting the producing wells); (3) probable reserves (7 locations which are second offsets); and (4) possible reserves (reserves assigned to 5 locations which are farther removed but within the estimated likely productive area).

(b) Assuming "tight-formation" gas pricing and that all proposed development wells are drilled, the estimated net income attributable to the Grynberg Interests and the present worth thereof, discounted at 12 percent per year, are as follows:

Reserve Category	Estimated Net Income	Present Worth of Net Income at 12% Discount
Proved-Developed	$ 15,815,398	$ 6,404,870
Proved-Undeveloped	60,601,066	21,067,910
Probable	18,253,893	6,292,126
Possible	25,653,463	8,412,901
Total	$120,323,820	$ 42,177,807

If the estimated net income were discounted at rates of 15, 20 and 25 percent, present worth thereof would be reduced to $34,680,330, $25,910,211 and $20,003,438, respectively.

(c) The estimates are subject to assumptions and qualifications as stated in the Evaluation Report, to revisions as additional wells are drilled, to the effect of additional information and to future changes in other conditions or assumptions.

The Evaluation Report is available for inspection by parties in interest at the offices of Jack Grynberg and Associates, 1950 Prudential Plaza, 1050 Seventeenth Street, Denver, Colorado 80265.

On October 14, 1981, the Creditors' Committee in Mr. Grynberg's Chapter 11 proceeding applied to the Court for authority to employ Keplinger and Associates, Inc. to deliver an additional report appraising the production of properties in undeveloped locations included in the Grynberg Acreage. The Debtors are informed that investigations for purposes of such report are in progress. The Debtors propose to amend or supplement this Disclosure Statement to reflect the results of such appraisal when available.

Tight-Formation Gas Prices

Subsequent to March 1, 1981, the date of the Evaluation Report, the Federal Energy Regulatory Commission approved a "tight-formation" gas sand designation for gas produced in an area which

includes the seven wells now drilled, thereby authorizing producers to sign wellhead contracts at an initial ceiling price (to apply retroactively) of $4.92 (instead of $2.81 without such designation) per thousand cubic feet pursuant to Section 107 of the Natural Gas Policy Act, 15 U.S.C.S. §3317 (May 1981 Supplement). Such price is subject to adjustment based on BTU content and other factors.

Other Drilling Since March 1, 1981

Subsequent to the date of the Evaluation Report, considerable additional drilling has occurred on acreage (in which the Grynbergs have no interest) surrounding or in the vicinity of the Grynberg Acreage. See Figure 1 included herein. The Debtors are informed that, as of October 1, 1981, such additional drilling had resulted in one dry hole and at least 30 additional producing wells, more than twice the number of such wells which had been drilled as of March 1, 1981. Significant portions of the Grynberg Acreage are now surrounded or partially surrounded by producing wells in which the Debtors have no interest and which, absent additional drilling on the Grynberg Acreage, in the opinion of Mr. Grynberg will drain natural gas reserves from the Grynberg Acreage. The Debtors consequently believe that substantial additional drilling on the Grynberg Acreage is necessary both to protect and realize the value of the Grynberg Interests. Mr. Grynberg has caused the additional drilling since November 1, 1981, as previously described, to be conducted as rapidly as rig availability and other conditions permitted. The reported results of drilling on other acreage since March 1, 1981 and the results of drilling on the Grynberg Acreage since November 1, 1981 tend to confirm, at a minimum, the conclusions in the Evaluation Report and may justify upward revision of such valuations upon further appraisal and professional study.

GAS PURCHASE AGREEMENT

The Debtor and his wife, Celeste C. Grynberg, propose to enter into a "Gas Purchase Agreement" (the "Agreement") with Transwestern Pipeline Company ("Transwestern"), a Texas Eastern Company affiliate headquartered in Houston, Texas, which owns and operates a natural gas piepline transmission system generally extending from the gas producing areas of West Texas, the Texas Panhandle, Oklahoma and New Mexico to California. In accordance with its terms and conditions, the current draft of the Agreement provides (among other things) in substance as follows:

(a) The Agreement is to have a primary term of 15 years;

(b) the Agreement will require Transwestern to purchase a "Daily Contract Quantity" of natural gas to be produced from oil and gas leases to be described or referred to in the Agreement;

(c) the Daily Contract Quantity will be generally defined to consist of 80 percent of the seller's gas delivery capacity from the wells committed to the Agreement as determined in accordance with the provisions of the Agreement;

(d) although Transwestern has certain rights, in accordance with the Agreement, to curtail takings of gas, Transwestern is to be obligated to take at least 50 percent of the Daily Contract Quantity from each well during each month, if made available; and

(e) subject to the provisions of the Agreement, the price to be paid for gas delivered shall be the applicable maximum lawful price, with adjustments, as set forth in the Natural Gas Policy Act of 1978.

The Agreement is proposed to contain additional conditions, terms and requirements relating, among other things, to regulatory requirements, gas pressures and gas quality. In the judgment of the Debtor, none of the terms, conditions or other provisions of the Agreement will adversely affect sale of gas from the wells committed to the Agreement. All leases in the Dedicated Property covering lands on which there now or hereafter is a producing gas well are proposed to be committed to the Agreement. A copy of the current draft of the Agreement is available for inspection by parties in interest at the office of Jack Grynberg & Associates.

PROPOSED PARTNERSHIP

The Debtors propose to seek authorization from or approval by the Court for transfer of the Grynberg Interests comprising the Dedicated Property, together with other assets which are assets of the Debtors' estates, including all or part of their oil, gas or other mineral properties not included in the Dedicated Property, to a Colorado limited partnership to be formed for that purpose. Mr. Grynberg is to be the sole general partner; Mrs. Grynberg is to be the sole limited partner. In the opinion of the Debtors, such transfer may clarify legal relationships between Mr. and Mrs. Grynberg in respect to their estates, properties and business activities which, as a practical matter, have been conducted as a partnership or joint venture since inception of the estates. The proposed transfer, if effected, is not intended in any way to affect adversely the lien and security interest proposed to be granted to the Custodian; rights or claims of any creditor against Mr. or Mrs. Grynberg or their respective estates; operation and implementation of the Plan; or availability of any remedy otherwise available to any party interested in their respective estates.

SENIOR DEBT

The Debtors have obtained from Bank of America National Trust and Savings Association a conditional commitment which may enable the Debtors to obtain up to $5,000,000 in debt financing to facilitate development of the Dedicated Property. On November 6, 1981, after testimonial hearing, the Court granted preliminary approval in principle to the contemplated borrowing. The terms of the proposed financing are still subject to material change but presently include:

(1) Loans up to $5,000,000, 60 percent to be provided by Bank of America and 40 percent anticipated to be provided by Central Bank of Denver, to be made by drawdowns permitted, from the date of signing of an acceptable detailed loan agreement, up to December 31, 1983, with the loans to be available as a secured, eight-year term loan maturing December 31, 1989, and bearing interest at the Bank of America's prime rate plus 2-1/2 percent per year.

(2) Principal is to be repaid in installments from the proceeds of the Debtors' share of hydrocarbon sales generated by the Dedicated Property; interest is to be payable monthly in arrears.

(3) The Debtors are to grant a first security interest in and assign to the lendors all leases and related agreements involving the Dedicated Property, all revenues derived from the Dedicated Property and all equipment to be used in development and production of the Dedicated Property.

(4) Sales proceeds of hydrocarbons produced are to be paid directly to a Repayment Account established with Bank of America, from which withdrawals will be controlled by Bank of America or a designated trustee, with funds deposited in the account to be available to the Debtors for payment of royalties and direct operating expenses (limited to 5% of gross sales proceeds maximum) related to hydrocarbon production. At least 70 percent of the operating cash flow shall be dedicated to payment of loan interest and principal. Surplus funds may be released to the Debtors monthly.

(5) The Debtors are to engage a qualified petroleum engineer and consulting firm acceptable to the lenders to make annual reviews of specified data and information and to make annual reports which must be approved by the lenders.

(6) Both Mr. and Mrs. Grynberg and, if created, the limited partnership described above, are to be obligated upn the Senior Debt, directly or indirectly.

The contemplated financing is to be subject to conditions precedent which presently are to include the following:

(a) Execution of definitive loan documentation acceptable to the lenders and the Debtors.

(b) Entry of a final order in the Debtors' Chapter 11 proceedings which either (1) approves the loan transactions and the granting of liens and security interests to the lenders or (2) confirming a plan of reorganization incorporating (in form and substance satisfactory to the lenders) the loan transactions and related liens and security interests).

(c) Entry in the Chapter 11 proceedings of appropriate orders permitting immediate foreclosure by the lenders on any and all collateral security in the event of default.

The loan documentation is to include further provisions that the loans may be drawn down only to pay cash calls by operators or direct invoices of contractors relating to development of the Dedicated Property; at no time may outstanding borrowings exceed a "Borrowing Base"; payments upon principal and interest will be through a Repayment Account as a dedicated percentage of operating cash flow, which shall be a minimum of 70 percent and may be increased to 100 percent if necessary to prevent exceeding the Borrowing Base; surplus funds are to be released to the Debtors monthly; and numerous other covenants and provisions, which in the judgment of the Debtors are consistent with industry practice, in respect to discharge of other obligations relating to the Dedicated Property, payment of royalties, maintenance of insurance, periodic reports to the lenders and otherwise. The "Borrowing Base" is to be defined as 50 percent of the present value (calculated on an annual discount rate of 15 percent) of future cash flow from operations until December 31, 1996, from the Debtors' interest in producing wells within the Dedicated Property, all as determined by the lenders. The proposed financing further contemplates that the Debtors may prepay loan principal from operating cash flow in minimum amounts of $100,000 on any monthly payment date, without penalty.

All rights of the Custodian and the Other Disputed Creditors are to be subject and subordinated to the rights of the lenders of the Senior Debt in accordance with applicable provisions of the loan documentation and the Plan.

PROJECTIONS BASED ON A POSSIBLE LIMITED DRILLING PROGRAM UPON THE DEDICATED PROPERTY FINANCED SOLELY BY SENIOR DEBT AND RELATED REVENUES

During the summer of 1981, the Debtors requested D. J. Low, Inc. to project a two-year drilling program financed solely by the Senior Debt and cash flow available from the Dedicated Property, together with the rate at which, based on the Evaluation Report, the Senior Debt could be repaid, based on the following assumptions:

(1) Loans are to be taken down so as to permit drilling of 29 additional development wells on the Dedicated Property beginning in January 1982 and ending in December 1983. The 29 wells are to be on the undeveloped locations specified in the Evaluation Report as containing proved-undeveloped, probable and possible reserves of natural gas.

(2) One well is to be drilled each month except during July, August and September, 1982 and July and August 1983, when two wells per month are to be drilled.

(3) Drilling and completion costs of each well are estimated at $350,000, to be financed by Senior Debt and cash flow.

(4) The Grynberg Interests, ranging from 25 to 100 percent of the working interest, will remain the same as considered in the Evaluation Report.

(5) Loans will be taken down each month to pay the net share of drilling and completion costs of wells drilled that month insofar as allocable to the Grynberg Interests.

(6) Interest upon the Senior Debt is assumed to be calculated at 23 percent per year, a rate 2-1/2 percent over a prime rate of 20-1/2 percent per year as of August 31, 1981, which was significantly greater than the prime rate prevailing on November 30, 1981.

(7) Wells are to be connected to the pipeline and begin producing four months after being drilled at producing rates for each well as taken into account in the Evaluation Report.

(8) Seventy percent of natural gas revenues are to be applied to pay principal and interest upon the Senior Debt each month.

(9) Wells nearest the existing pipeline and any extensions thereof are to be drilled before drilling more remote locations.

(10) The natural gas produced is to be sold at a tight-formation price in conformity with designations by the Federal Energy Regulatory Commission, which authorized a price, as of July 1981, of approximately $4.95 per Mcf. Such price is to be escalated at 10 percent per year to a maximum price of $10 per Mcf.

(11) Ninety percent of the 30 percent of monthly gas revenues remaining after application of 70 percent of such revenues to payment on the Senior Debt is to be delivered to the Custodian for use in accordance with the Plan.

The assumptions are arbitrary; there is no assurance that any results based thereon will in fact be representative of actual receipts, disbursements or cash flow or that the proposed drilling in fact will have results as projected. Receipts, disbursements and cash flow may be materially affected by numerous conditions and circumstances unknown to and beyond the control of the Debtors including, without limitation, material changes in general economic conditions and prevailing interest rates, difficulties and hazards encountered in drilling and completing the proposed development wells under tight-formation conditions, timely connection of wells drilled to the existing pipeline or extensions thereof as may be necessary, continuing availability of drilling rigs as needed and many other unpredictable circumstances.

Based on the assumptions stated above and the foregoing qualifications, the following may be feasible:

(a) Loans constituting Senior Debt could be taken down in a projected aggregate amount of $4,943,750 over the two years beginning January 1, 1982, and fully repaid, with interest at 23% per annum, by January 31, 1984.

(b) Gross cash flow from production and sale of natural gas through January 1984 could be approximately $7.78 million, of which approximately $5.45 million would be dedicated to Senior Debt service and approximately $2.34 million would become available to the Debtors and subject to remittance to the Custodian in accordance with the Plan.

(c) After January 1984, cash flow from the 29 wells to be drilled and the 7 presently producing wells would be in excess of $600,000 per month, which would be subject to remittance to the Custodian.

The foregoing information is presented for whatever relevance it may have for purposes of considering the possible effect of the Senior Debt. In the opinion of Mr. Grynberg, however, the limited drilling program outlined above based on the March 1, 1981 Evaluation Report is no longer in the best interests of the Debtors' estates because of the greatly accelerated rate, since March 1, 1981, of drilling in the immediate vicinity of the Dedicated Property on lands in which the Debtors have no interest. In Mr. Grynberg's opinion, such additional wells subject the Dedicated Property to high risks of drainage of reserves and consequent losses to the Debtors' estates and all parties in interest. The limited drilling program would not, moreover, result in generation of cash for remittance to the Custodian at a rate comparable to that which may be possible if more extensive drilling were undertaken immediately.

PROJECTIONS BASED ON A POSSIBLE ACCELERATED DRILLING PROGRAM UPON THE DEDICATED PROPERTY FINANCED BY SENIOR DEBT AND OTHER FUNDS

Mr. Grynberg has commenced a drilling program involving the nine wells previously described under the caption "DEDICATED PROPERTY." He also proposes to drill 48 additional wells during 1982 at the approximate rate of four wells per month upon other lands in the Grynberg Acreage at locations to be selected.

The total proposed drilling program involves 57 wells, including those drilled since November 1, 1981, in which the Debtors' net working interests will be equivalent to 100% of the working interests in 35.5 net wells. Drilling costs are estimated to average approximately $350,000 per well, so that the total drilling costs allocable to Debtors would be approximately $12,355,000. Such drilling costs possibly could be financed by the Senior Debt to the extent of $5,000,000; the remainder possibly could be financed through funds presently available to the Debtors and contemporaneous cash flow generated from the Dedicated Property or otherwise. Assuming all the proposed wells were drilled successfully, of which there is no assurance, Mr. Grynberg believes that the resulting cash flow would be sufficient to retire all Senior Debt prior to December 31, 1982, and thereafter to realize a net cash flow, before taxes, of more than $2 million per month. Such projections are, of course, subject to qualifications like those set forth in respect to the possible limited drilling program relying entirely on Senior Debt and cash flow as previously described. Further details of Mr. Grynberg's analysis and projections are summarized in the following table:

Outline of Projected Accelerated
Drilling Revenues and Costs

On First Day of	Cumulative Producing Net Wells(1)	Cumulative Production Income(2)	Cumulative Drilling Costs(3)	Cumulative Excess of Drilling Costs Over Production Income(4)
1981				
Dec.	2.5(5)	$ 121,667	$ 700,000	$ 578,333
1982				
Jan.	4.5	243,334	2,100,000	1,856,666
Feb.	8.5	462,335	3,500,000	3,037,665
Mar.	12.5	876,004	4,900,000	4,023,996
Apr.	16.5	1,484,341	6,300,000	4,815,659
May	20.5	2,287,346	7,700,000	5,412,654
June	24.5	3,285,019	9,100,000	5,814,981
July	28.5	4,477,360	10,500,000	6,022,640
Aug.	32.5	5,864,369	11,900,000	6,035,631
Sept.	36.5	7,446,046	12,425,000	4,978,954
Oct.	38.0	9,222,391	12,425,000	3,202,609
Nov.	38.0	11,071,737	12,425,000	1,353,263
Dec.	38.0	12,921,083	12,425,000	---

(1) "Net Well" refers to a well or wells in which the Grynberg Interests are equivalent to 100 percent of the working interest. The pertinent Grynberg Interest include 57 proposed locations.

(2) Income has been estimated based on the following assumptions: (a) a natural gas price of $5.25 per Mcf, including a 5 percent adjustment over a current price of $5.02 per Mcf to reflect average BTU content of gas thus far produced from existing wells, with no effect being given to any future price escalation; (b) an average production rate of 412 Mcf per day per net well (based on prior production from existing wells) over a 30-day month; (c) production costs (overriding royalties, other royalties, ad valorem taxes and other operating costs) equal to 25 percent of gross production income; and (d) pipeline hook-up of wells drilled 30 days after well completion. Such assumptions result in estimated average

gross income per net well of $48,667 per month after deduction of production costs but before income taxes.

(3) Average drilling costs are estimated at $350,000 per net well on the assumption that no borrowed funds are used and no interest or other debt service charges are incurred. If interest and debt service charges were included, Mr. Grynberg estimates that Cumulative Drilling Costs would not be increased by more than $1 million, depending upon when loans were taken down.

(4) See Note (3) above.

(5) The 2.5 net wells are the 7 presently producing wells, in which the Grynberg Interests are equivalent to 2.5 net wells.

OTHER PRODUCING PROPERTIES

In addition to the Dedicated Property, either or both of the Debtors have interests in other producing properties, including the following:

Dragon Trail Field, Rio Blanco County, Colorado

Mrs. Grynberg is the record holder of oil and gas leaseholds in the Dragon Trail Field, Rio Blanco County, Colorado, covering a total of 6,560 acres, more or less, of which 5,760 acres were farmed out to Dome Petroleum Corporation. There is now one producing gas well on these properties. Three additional gas wells have been drilled but have not been connected to a gas pipeline. These four wells and one undeveloped 160-acre tract are operated by Mr. Grynberg. The Dome contract requires drilling of an additional well on the farmout acreage by March 31, 1982.

The Debtor engaged D. J. Low, Inc., petroleum engineers, to evaluate the Grynberg interests in the Dragon Trail Field as of October 1981 based on the following assumptions:

(1) Although Dome is contractually obligated only to drill a single well, the evaluation assumes that Dome will drill 25 wells by late 1983. Such wells involve 13 proved-undeveloped locations which directly offset gas wells that have already been drilled and 12 locations that are classed as probable which are two locations from an existing gas well. The evaluation assumes that Dome will drill three dry holes during the course of its development.

(2) Producing wells are estimated to cost $250,000 and dry holes are estimated to cost $150,000. Dome's total expenditure is thus estimated at $6.7 million which Dome is to recover from operating profits of the 100 percent working interest. During this payout time, the Grynberg interest is a 0.5 percent overriding royalty; after payout, the overriding royalty may be converted to a 50 percent working interest. The evaluation assumes such a conversion.

(3) The price of natural gas sold is computed on a "tight sand" basis which, taking into consideration certain BTU adjustments, is estimated to be $5.88 per Mcf at October 1981. For purposes of evaluation, the gas price is escalated at an estimated inflation factor of 8 percent per year to a maximum price of $10 per Mcf, where it is held constant.

(4) Operating costs of the Grynberg-operated wells are estimated at $500 per well per month; and for Dome-operated wells, the costs are estimated at $750 per well per month. In both cases, the operating costs are escalated at 8 percent per year for ten years and are then held constant.

(5) Gas sales are assumed to commence in January 1983, with the gas purchaser paying all production and ad valorem taxes on the gas.

(6) The evaluation estimates reserves for the Mancos "B" formation, encountered at a depth of about 2,500 feet. The Dakota formation, at about 5,500 feet, is also potentially productive but was not considered for purposes of the evaluation. Spacing of the Mancos wells is assumed to be 160 acres per well; Dakota spacing would be 320 acres per well.

Based on the foregoing assumptions and estimating the gas reserves by analogy to older producing wells in the area, which is an industry-accepted method to estimate such reserves, D. J. Low, Inc. has estimated cumulative cash flow before income taxes allocable to the Debtors' Interests at $102,801,730 over the estimated life of the wells. Present worth of such cash flow is estimated at $35,763,252, if discounted at 12 percent per year; at $21,551,812, if discounted at 20 percent per year; and at $16,388,975, if discounted at 25 percent per year.

The Debtors' interests in the Dragon Trail Field are subject to a mortgage and security interests held by Camay Drilling Company securing indebtedness in the approximate amount of $1,500,000.

Buffalo Valley (Penn) Field,
Chaves County, New Mexico

Mr. Grynberg has a 25% working interest (16.875% revenue interest) in the Mewbourne Oil Company et al. State "25" Com No. 1 Well, located in the Buffalo Valley (Penn) Field, Chaves County, New Mexico, and in an adjoining, undrilled 320-acre spacing unit. According to an evaluation by D. J. Low, Inc., 3,704,700 Mcf of natural gas reserves, consisting of 2,109,700 Mcf proved-developed reserves and 1,595,000 proved-undeveloped reserves were attributable to the Grynberg working interest as of July 1, 1981. The evaluation estimates net operating income attributable to such interest at $2,606,115 having a present worth, discounted at 12% per year, of $1,293,821 without regard to depletion, depreciation or state and federal income taxes.

Hamm Canyon Field

Celeste C. Grynberg has interests in estimated future recoverable reserves from the Hamm Canyon Field, San Miguel County, Colorado, in which two shut-in gas wells have been completed. In one well her interest is a 1.25% overriding royalty until payout of drilling and completion costs, convertible at payout into a 50% working interest (40.625% revenue interest). In the other well, her interest is a 0.625% overriding royalty until payout, convertible at payout into a 25% working interest (20.625% revenue interest). An evaluation by D. J. Low, Inc. as of July 1, 1981, estimates future net income from such interests at $11,342,058 having a present worth, discounted at 12% per year, of $3,679,664.

Mondak Field Wells

The Grynbergs have interests in wells in the Mondak Field, McKenzie County, North Dakota, in which 9 wells had been drilled (8 producing and 1 in final stages of completion) as of August 18, 1980. The Grynberg interests are overrides until payout of drilling and completion costs from operating profits, when the overriding royalty interests convert to working interests. According to an estimate by D. J. Low, Inc. as of August 1, 1980, estimated unrecovered drilling costs totaled $4,060,920 as to wells which had been drilled and $1,400,000 as to proposed but not then drilled wells. Based on limited production and other information, net operating income attributable to the Grynberg interests was estimated at $3,585,393, having a present worth, discounted at 12% per year, of $1,886,539 at August 1, 1980.

Other Producing Properties

Staff personnel employed by Jack Grynberg and Associates prepared a summary as of January 1, 1981 of other producing and shut-in producing properties in which Jack J. Grynberg or Celeste C. Grynberg or both had interests and estimated the possible value of such interests based on reports by outside consultants to the extent available, available production history, volumetric analysis and other available information. The estimates are intended only to provide a rough approximation of possible values based on the limited and incomplete information available at January 1, 1981. The estimates accordingly are subject to material change upon any fuller investigation and development of additional data.

Estimated Value of Other Producing Oil and Gas Properties Held by Celeste C. Grynberg as of 1-1-81

Producing Properties	Nature of Interest*	Estimated Value**
North McClave Gas Field, Kiowa County, CO	WI	$ 45,000
West Tar Creek Oil Field, Wilkinson COunty, MS	ORR	30,000
Willis Branch Oil Field, Franklin County, MS	ORR	25,000
Eagle Creek Oil Field, Eddy County, NM	WI	350,000
Lipan Gas Field, Hood, Parker, Erath Counties, TX	WI	1,500,000
Horse Shoe Bend Gas Field, Uintah County, UT	ORR & WI	20,000
Blue Gap Gas Field, Carbon County, WY	ORR & WI	180,000
Highlight Oil Field, Carbon County, WY	ORR & WI	100,000
Lazy B Oil Field, Campbell County, WY	ORR & WI	20,000
L-X Bar Oil Field Campbell County, WY	ORR & WI	260,000
Nitchie Gulch Gas Field, Sweetwater County, WY	WI	300,000
East Raven Creek, Weston County, WY	ORR	1,500,000
Brent Field Sequoyah County, OK	WI	355,000
Emigrant Springs, Lincoln County, WY	ORR & WI	275,000

Natural Buttes, Uintah County, UT	ORR	408,000
Blue Gravel Gas Field, Moffat County, CO	WI	1,000,000
Sugar Loaf Gas Field Moffat County, CO	WI	30,000
Bowdoin Gas Field, Phillips County, MT	WI	60,000
Putnam Oil Field, Richland County, MT	WI	30,000
Hennessey Field, Kingfisher County, OK	WI	460,000
Miscellaneous Small Interests	ORR & WI	650,000
TOTAL		$ 7,598,000

Shut-in Producing Properties

Baily Gas Well, Grand County, UT	ORR & WI	500,000
Rim Rock, Sweetwater County, WY	ORR	100,000
Black Steer (CO_2), San Juan County, UT	ORR & WI	2,000,000
Timber Gulch, Rio Blanco County, CO	WI	300,000
Miscellaneous Small Interests	ORR & WI	100,000
TOTAL		$ 3,000,000

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* "WI" refers to working interest; "ORR" refers to overriding royalty.
** Estimated Worth Discounted at 10%.

Estimated Value of Other Producing Properties Held by Jack J. Grynberg as of 1-1-81

Property	Estimated Value (1)
North Powder Wash Oil & Gas Field, Moffat County, CO -- (2)	$ 30,000
Tallehala Oil Field, Smith County, MS -- (3)	847,000
TOTAL	$ 877,000

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(1) Estimated Worth Discounted at 10%.
(2) Overriding royalty interest.
(3) 20% net profits interest.

NON-PRODUCING PROPERTIES

In addition to direct and indirect interests in uranium claims, coal leases and other mineral properties which are not described in this Disclosure Statement, Debtors have substantial interests in oil and gas leaseholds throughout the western states and elsewhere, all or most of which are held of record by Celeste C. Grynberg. By and large, the acreage is unexplored and undeveloped. Historically, such acreage has constituted the basis for generation by Jack Grynberg and Associates of "prospects," which after geological, geophysical, petrophysical and other analyses and investigations have resulted in sales, farmouts or other transactions. The value of any such acreage is highly speculative and may vary widely over time, depending upon economic conditions, exploratory and development activities by third

persons, extent of interest in particular geographical areas or geologic formations and numerous other circumstances.

The following table summarizes the principal such undeveloped acreage in which the Debtors had an interest as of February 20, 1981, when their Chapter 11 petitions were filed. The summary was prepared by staff personnel of Jack Grynberg and Associates based upon available information. The estimated values stated, although believed to have been reasonable when made based on data then available, should not be relied upon as anything more than a rough estimate of values possibly realizable in the ordinary course of the business of Jack Grynberg and Associates over an indefinite time as may be necessary for delineation of prospects and negotiation or implementation of sales, farmouts or other transactions. Realization of any such values may be adversely and materially affected by expiration of underlying leases during the next two years. The acreage is summarized as follows:

Location By State and County	Net Acreage	Estimated Possible Value Per Acre	Estimated Value
ARIZONA			
Mohave	12,361.96	5.00	$ 61,809.80
ARKANSAS			
Conway	522.56	10.00	$ 5,225.60
Franklin	204.50	10.00	2,045.00
Johnson	160.00	10.00	1,600.00
Logan	122.02	10.00	1,220.20
Pope	1,170.81	10.00	11,708.10
Van Buren	1,070.04	10.00	10,700.40
	3,249.93		$ 32,499.30
CALIFORNIA			
Fresno	11,710.12	10.00	$ 117,101.20
Kern	1,083.10	10.00	10,831.00
Monterey	2,676.07	10.00	26,760.70
San Benito	1,761.27	10.00	17,612.70
San Luis Obispo	575.91	10.00	5,759.10
Ventura	480.00	10.00	4,800.00
	18,286.47		$ 182,864.70
COLORADO			
Baca	8,338.08	10.00	$ 83,380.80
Bent	6,772.41	10.00	67,724.10
Dolores	47,810.91	10.00	478,109.10
Elbert	1,541.72	7.50	11,562.90
El Paso	2,551.00	7.50	19,132.50
Garfield	1,118.78	25.00	27,969.50
Grand	800.00	10.00	8,000.00
Jackson	9,[illegible].47	10.00	92,794.70
Kiowa	4,678.83	10.00	46,788.30
Kit Carson	40.00	5.00	200.00
Las Animas	6,113.85	7.50	45,853.87
Lincoln	440.00	5.00	2,200.00
Logan	3,927.90	10.00	39,279.00
Mesa	10,036.99	15.00	150,554.85
Moffat	41,310.33	35.00	1,445,861.55
Montezuma	6,780.16	10.00	67,801.60
Montrose	91,699.63	10.00	916,996.30
Morgan	2,193.02	15.00	32,895.30
Otero	1,858.83	5.00	9,294.15
Phillips	400.00	5.00	2,000.00
Prowers	1,353.09	7.00	9,471.63

persons, extent of interest in particular geographical areas or geologic formations and numerous other circumstances.

The following table summarizes the principal such undeveloped acreage in which the Debtors had an interest as of February 20, 1981, when their Chapter 11 petitions were filed. The summary was prepared by staff personnel of Jack Grynberg and Associates based upon available information. The estimated values stated, although believed to have been reasonable when made based on data then available, should not be relied upon as anything more than a rough estimate of values possibly realizable in the ordinary course of the business of Jack Grynberg and Associates over an indefinite time as may be necessary for delineation of prospects and negotiation or implementation of sales, farmouts or other transactions. Realization of any such values may be adversely and materially affected by expiration of underlying leases during the next two years. The acreage is summarized as follows:

Location By State and County	Net Acreage	Estimated Possible Value Per Acre	Estimated Value
ARIZONA			
Mohave	12,361.96	5.00	$ 61,809.80
ARKANSAS			
Conway	522.56	10.00	$ 5,225.60
Franklin	204.50	10.00	2,045.00
Johnson	160.00	10.00	1,600.00
Logan	122.02	10.00	1,220.20
Pope	1,170.81	10.00	11,708.10
Van Buren	1,070.04	10.00	10,700.40
	3,249.93		$ 32,499.30
CALIFORNIA			
Fresno	11,710.12	10.00	$ 117,101.20
Kern	1,083.10	10.00	10,831.00
Monterey	2,676.07	10.00	26,760.70
San Benito	1,761.27	10.00	17,612.70
San Luis Obispo	575.91	10.00	5,759.10
Ventura	480.00	10.00	4,800.00
	18,286.47		$ 182,864.70
COLORADO			
Baca	8,338.08	10.00	$ 83,380.80
Bent	6,772.41	10.00	67,724.10
Dolores	47,810.91	10.00	478,109.10
Elbert	1,541.72	7.50	11,562.90
El Paso	2,551.00	7.50	19,132.50
Garfield	1,118.78	25.00	27,969.50
Grand	800.00	10.00	8,000.00
Jackson	9,279.47	10.00	92,794.70
Kiowa	4,678.83	10.00	46,788.30
Kit Carson	40.00	5.00	200.00
Las Animas	6,113.85	7.50	45,853.87
Lincoln	440.00	5.00	2,200.00
Logan	3,927.90	10.00	39,279.00
Mesa	10,036.99	15.00	150,554.85
Moffat	41,310.33	35.00	1,445,861.55
Montezuma	6,780.16	10.00	67,801.60
Montrose	91,699.63	10.00	916,996.30
Morgan	2,193.02	15.00	32,895.30
Otero	1,858.83	5.00	9,294.15
Phillips	400.00	5.00	2,000.00
Prowers	1,353.09	7.00	9,471.63

Rio Blanco	7,515.54	25.00	187,888.50
Routt	7,095.55	10.00	70,955.50
San Miguel	22,966.55	15.00	344,498.25
Weld	9,193.67	10.00	91,936.70
Yuma	40.22	10.00	402.20
	295,856.53		$ 4,253,551.30
IDAHO			
Ada	21,032.14	5.00	$ 105.160.70
ILLINOIS			
Crawford	40.00	10.00	$ 400.00
LOUISIANA			
Vermillion	120.00	75.00	$ 9,000.00
Winn	39.46	10.00	394.60
	159.46		$ 9,394.60
MICHIGAN			
Alcona	1,888.85	10.00	$ 18,888.50
Crawford	1,566.25	15.00	23,493.75
Iosco	4,182.97	10.00	41,829.70
Lake	2,607.41	10.00	26,074.10
Manistee	338.25	10.00	3,382.50
Mason	1,080.00	10.00	10,800.00
Newaygo	1,635.89	10.00	16,358.90
Oceana	66.02	10.00	660.20
Ogeman	2,067.47	10.00	20,674.70
Oscoda	2,575.27	10.00	25,752.70
Presque Isle	555.00	10.00	5,550.00
Roscommon	419.96	10.00	4,199.60
Wexford	917.62	10.00	9,176.20
	19,900.96		$ 206,840.85
MISSISSIPPI			
Adams	160.40	30.00	$ 4,812.00
Amite	352.42	30.00	10,572.60
Copiah	386.97	15.00	5,804.55
Forrest	140.32	15.00	2,104.80
Franklin	1,389.61	50.00	69,480.50
Greene	493.65	35.00	17,277.75
Harrison	86.77	15.00	1,301.55
Jasper	9.60	30.00	288.00
Jefferson	50.23	35.00	1,758.05
Jones	320.25	50.00	16,012.50
Lincoln	844.57	15.00	12,668.55
Scott	4,528.82	50.00	226,441.00
Sharkey	404.09	10.00	4,040.90
Smith	1,341.70	50.00	67,085.00
Stone	120.00	35.00	4,200.00
Wayne	3,452.19	50.00	172,609.50
Wilkinson	223.46	25.00	5,586.50
	14,305.05		$ 662,043.75
MONTANA			
Big Horn	1,221.73	5.00	$ 6,108.65
Blaine & Phillips	6,569.14	7.50	49,268.55
Carbon	2,356.36	5.00	11,781.80
Choteau	5,179.04	5.00	25,895.20
Custer	2,489.54	5.00	12,447.70
Daniels	16,407.79	25.00	410,194.75
Fergus	6,206.61	7.50	46,549.57
Garfield	40.00	5.00	200.00
Hill	3,840.71	5.00	19,203.55
Liberty	1,229.64	5.00	6,148.20
McCone	348.80	5.00	1,744.02

Petroleum	6,301.91	5.00	31,509.55
Phillips	5,627.00	10.00	56,270.00
Powder River	17,730.25	10.00	177,302.50
Richland	740.77	60.00	44,446.20
Roosevelt	980.00	50.00	49,000.00
Sheridan	270.34	35.00	9,461.90
Teton	1,912.57	7.50	14,344.27
Toole	812.24	7.50	6,091.83
Valley	10,394.72	5.00	51,973.60
Wibaux	160.00	15.00	2,400.00
	90,819.16		$ 1,032,341.84
NEW MEXICO			
Chaves	36,377.44	50.00	$ 1,818,872.00
Eddy	6,037.00	100.00	603,700.00
Grant	1,286.56	5.00	6,432.80
Guadaloupe	79.49	5.00	397.45
Lea	2,106.67	100.00	210,667.00
Luna	1,286.97	5.00	6,434.85
McKinley	2,241.76	20.00	44,835.20
Rio Arriba	1,350.36	25.00	33,759.00
Roosevelt	483.45	15.00	7,251.75
Sandoval	1,804.62	20.00	36,092.40
	53,054.32		$ 2,769,442.45
NORTH DAKOTA			
Billings	30.62	100.00	$ 3,062.00
Bottmeau	319.50	15.00	4,792.50
Burke	240.00	15.00	3,600.00
McHenry	532.32	15.00	7,984.80
McKinzie	1,221.89	100.00	122,189.00
Slope	790.97	15.00	11,864.55
Williams	116.07	75.00	8,705.25
	3,251.37		$ 162,198.10
OHIO			
Morrow	91.12	5.00	$ 455.60
OKLAHOMA			
Beckham	555.28	25.00	$ 13,882.00
Cimarron	143.21	25.00	3,580.25
Haskell	30.00	100.00	3,000.00
Jackson	40.00	30.00	1,200.00
LeFlore	219.63	25.00	5,490.75
Noble	52.00	25.00	1,300.00
Sequoyah	234.50	100.00	23,450.00
Woods	52.24	15.00	783.60
	1,326.86		$ 52,686.60
UTAH			
Carbon	1,240.44	10.00	$ 12,404.40
Daggett	2,263.07	10.00	22,630.70
Duchesne	2,143.12	25.00	53,578.00
Emery	3,317.99	15.00	49,769.85
Garfield	540.00	15.00	8,100.00
Grand	45,746.01	15.00	686,190.15
Iron	1,214.56	5.00	6,072.80
Kane	3,366.16	5.00	16,830.80
Millard	160.00	5.00	800.00
Piute	2,439.80	5.00	12,199.00
Salt Lake	239.72	5.00	1,198.60
San Juan	43,805.50	50.00	2,190,275.00
Summit	1,189.98	20.00	23,799.60
Uintah	8,349.91	35.00	292,246.85
Utah	460.70	5.00	2,303.50

Wasatch	239.78	5.00	1,198.90
Washington	1,280.00	5.00	6,400.00
	117,996.74		$ 3,385,998.15
WYOMING			
Albany	640.00	10.00	$ 6,400.00
Big Horn	3,336.72	35.00	116,785.20
Campbell	8,315.14	100.00	831,514.00
Carbon	11,853.58	35.00	414,875.30
Converse	3,645.62	80.00	291,649.60
Other Mineral Leases	80.00	5.00	400.00
Crook	1,027.65	50.00	51,382.50
Other Mineral Leases	320.00	5.00	1,600.00
Fremont	34,370.29	20.00	687,405.80
Goshen	877.46	10.00	8,774.60
Hot Springs	1,225.70	50.00	61,285.00
Johnson	5,206.60	75.00	390,495.00
Johnson	160.00	75.00	12,000.00
Lincoln	1,221.61	25.00	30,540.25
Natrona	16,487.75	50.00	824,387.50
Niobrara	1,000.00	35.00	35,000.00
Park	8,424.76	50.00	421,238.00
Sheridan	4,002.08	35.00	140,072.80
Sublette	7,747.35	25.00	193,683.75
Sweetwater	35,395.51	50.00	1,769,775.50
Uinta	4,693.17	25.00	117,329.25
Washakie	2,774.50	35.00	97,107.50
Weston	3,168.35	35.00	110,892.25
	155,973.84		$ 6,614,593.80
TEXAS			
Hood & Parker	1,040.05	75.00	$ 78,003.75
TOTAL	808,745.96		$19,569,285.29

The information presented above as to non-producing oil and gas properties is subject to changes, which are not considered adverse to the Debtors' estates, by reason of farmout arrangements before and since January 1, 1981, as described generally under the following caption.

FARMOUT AGREEMENTS AND EXECUTORY CONTRACTS TO BE ASSUMED

The Debtors are parties to numerous farmout, exploration and other agreements involving oil and gas or other properties not included in the Dedicated Property, all of which are proposed to be assumed upon the Effective Date of the Plan.

The Debtors do not deem the agreements to affect feasibility of the Plan adversely. The agreements generally involve arrangements for initial exploration of properties at no out-of-pocket cost to the Debtors with one or both of the Debtors having a retained interest if the exploration is successful. Further drilling involving significant expenditures by the Debtors is unlikely except upon proven acreage. Moreover, a failure to assume the existing farmout agreements would result in material loses through expiration of numerous leases for lack of drilling and production therefrom.

OTHER MATERIAL ASSETS

In addition to assets described elsewhere in this Disclosure Statement, the Debtors have assets which include the following:

Viking Petroleum, Inc. Notes

On and after May 29, 1981, Mr. Grynberg held the following promissory notes dated April 16, 1981, issued by Viking Petroleum, Inc.:

(a) A $50,000 note payable with interest at a rate equal to the prime rate charged from time to time by Northern Bank and Trust Company, Chicago, Illinois, to its best commercial customer, which was paid with interest on November 4, 1981;

(b) A note in the principal amount of $345,850, which was paid on November 4, 1981, with interest at the prime rate specified above;

(c) A note in the principal amount of $820,850 payable with interest at the aforesaid prime rate on or before one year from date of the note.

All such promissory notes were issued originally to Universal Drilling Services, Inc. in part payment for a drilling rig. Mr. Grynberg is the sole stockholder of Universal Drilling Services, Inc., which was indebted to Mr. Grynberg in the amount of $553,356.05 upon filing of the Chapter 11 petitions. At that time, Mr. Grynberg had an additional receivable in the amount of $1,905,000 from Universal Drilling Contractors, Inc., of which Mr. Grynberg also is the sole stockholder. Both obligations were due and payable on and after February 20, 1981, and the obligation of Universal Drilling Contractors, Inc., was guaranteed by Universal Drilling Services, Inc. The Viking Petroleum, Inc. notes were assigned to Mr. Grynberg on May 29, 1981, in order to accomplish satisfaction of the obligation of Universal Drilling Services, Inc. to Mr. Grynberg and partial discharge of its obligation as guarantor of indebtedness of Universal Drilling Contractors, Inc.

Interest in Citicorp Leasing, Inc. Settlement

Universal Drilling Services, Inc. and Universal Drilling Contractors, Inc., and Mr. Grynberg as guarantor of their obligations, recently settled Civil Action No. 80-CV-0685, Citicorp Leasing, Inc. v. Universal Drilling Contractors, Inc., et al., pending in the District Court in and for the City and County of Denver, Colorado. As a result, Universal Drilling Services, Inc. received $195,000 and Universal Drilling Contractors, Inc. received $605,000. On November 6, 1981, Universal Drilling Services, Inc. and Universal Drilling Contractors, Inc. paid to the estate of Mr. Grynberg a total of $800,000 on account of the indebtedness of Universal Drilling Contractors, Inc. to him and the related guaranty obligation of Universal Drilling Services, Inc. An additional payment of approximately $100,000 on account of such indebtedness may be made in the near future.

Transworld Resources Corporation

Mr. Grynberg is the sole stockholder of Transworld Resources Corporation, a Colorado corporation, which together with Panamanian affiliates is attempting to obtain a Panamanian oil and gas concession and to exploit a placer gold deposit in Panama. The principal other asset of Transworld Resources Corporation is

a $100,000 bank certificate of deposit. Transworld Resources Corporation has no material liabilities known to Mr. Grynberg. His estate has no interest in the assets of Transworld Resources Corporation or its Panamanian affiliates except as a stockholder.

Other Settlement Agreements

Amcan Settlement. On July 20, 1981, the Court approved the Debtors' application for approval of a compromise of claims between Debtor and Amcan Oil Producers empowering the Debtors to effectuate two settlement agreements which the parties had executed prior to the filing of Debtors' original petitions. The settlements resolved two lawsuits and, inter alia, provided for (1) a partition of certain oil and gas leases in which the parties owned individual undivided interests, (2) assignment of all of Amcan's interest in certain Texas gas wells and in an escrow of proceeds from some of those wells and (3) Amcan's payment of $125,000 less a smaller amount owed by the Debtors to Amcan.

Part of the settlement has been effected; the remaining undertakings are nearly fulfilled. The Debtors and Amcan have completed the partition of their oil and gas leases. Amcan is preparing assignments of its interests on the Texas wells and in the escrow fund. Determination of the amounts to be deducted from the $125,000 to be paid by Amcan is in process. The Debtors anticipate that the Amcan settlement will be effectuated fully by January 15, 1982.

Oceanic Exploration Company ("Oceanic") Settlement

In connection with sale of the Debtors' stock interests in Oceanic on September 22, 1981, the Debtors and their family affiliates entered into a settlement agreement which, with certain exceptions, settled all lawsuits, disputes, controversies and claims, actual and potential among the parties. The controversies so settled included litigation pending in Delaware, claims asserted against one or both of the Debtors in amounts in excess of $10 million and controversies involving collateralization of indebtedness of Oceanic by oil and gas leaseholds owned by one or both of the Debtors and originally covering approximately 75,000 net acres. As a result of the settlement, the Debtors received approximately $130,300 in October, 1981, representing the balance of previously escrowed funds; are to receive an additional $50,000 from Oceanic; and are to receive reassignments of all oil and gas leases which remained as collateral for Oceanic's indebtedness on September 22, 1981.

Excluded from the settlement agreement are certain possible cross-claims or other claims which may arise in Consolidated Civil Actions 76-W-1079 and 76-W-1108, pending in the United States District Court for the District of Colorado, commenced by David L. Hood and William Weinberger as plaintiffs, who attempted to assert individual claims and a putative class claim for alleged violations of the Securities Exchange Act of 1934. On October 28, 1981, the United States District Court for the District of Colorado denied class certification of the Hood-Weinberger claims. Certain other litigation or matters which are not deemed material to the Plan are also excluded from the settlement.

Proposed Seltzer Settlement

On October 9, 1981, the Debtor, his wife Celeste (debtor in Case No. 81 B 00825 M), Nathan Seltzer and Philip S. Seltzer entered into a settlement agreement and, on October 28, 1981, the

Debtor applied for approval thereof by the Bankruptcy Court. Philip Seltzer is one of the Danzig Claimants, who has obtained an assignment of the interest of two other Danzig Claimants in the Danzig judgment. Prior to entry of the Danzig judgment, Jack J. Grynberg had obtained judgments totaling approximately $215,000 (plus interest), which had become final, against both Seltzers and had initiated enforcement actions against them in Pennsylvania.

The settlement agreement requires Philip Seltzer to release completely all interests in the Danzig judgment belonging to him and to his assignors and to assign his and their interests in a related partnership to the Debtor. The Seltzers also are to pay $150,000 to Mr. Grynberg, consisting of an immediate payment of $100,000 and two $25,000 letters of credit, and to assign to Mr. Grynberg any interest owned by the Seltzers and their families in certain oil wells and oil and gas leases. Pursuant to the settlement agreement, Mr. Grynberg will release his judgments against the Seltzers and will dismiss his enforcement actions against them.

Bancroft, Avery & McAlister, Counsel to the Danzig Claimants, filed an objection to approval of the settlement by the Court, contending that, by reason of an award of attorneys' fees by the California court which entered the Danzig judgment, Bancroft, Avery & McAlister is entitled to at least $70,562.31 in such fees, costs and interest allocable to Philip S. Seltzer and certain other Danzig Claimants. Such objection and approval of the settlement were pending before the Court and had not been ruled upon as of December 15, 1981.

Proposed Viersen & Cochran Settlement

The disputed claims against the estate of Mr. Grynberg include a judgment entered by the United States District Court for the District of Colorado in favor of Viersen & Cochran Drilling Co. in the amount of $597,131.44, plus interest and costs. The judgment is on appeal to the Court of Appeals for the Tenth Circuit. On December 14, 1981, Mr. Grynberg and Viersen & Cochran Drilling Co. executed a settlement agreement, subject to the Court's approval, for settlement of the judgment and resulting claim against Mr. Grynberg's estate by his making an immediate cash payment of $500,000. Mr. Grynberg believes that the settlement is in the best interests of the estate and proposes to apply to the Court for approval thereof.

FINANCIAL INFORMATION

In the opinion of the Debtors, a conventional balance-sheet presentation of all assets and liabilities is not readily possible without an extraordinary expenditure of time and money which is not justified for purposes of considering the Plan, its fairness or feasibility. The Debtors believe that consideration of the information set forth herein as to assets appearing directly relevant to the Plan with specific reference to known claims against the Debtors' estates and the Debtors' receipts and disbursements since commencement of these proceedings is more likely to be meaningful.

The unpaid claims against the Debtors' estates as of November 30, 1981, which appear material to the Plan and its feasibility include the following:

Class I Claims -- Administrative Expenses

To the extent known or determined as of November 30, 1981, the Class I Claims appear to include the following in addition to other administrative expenses incurred, directly or indirectly, and to be incurred before and after November 30, 1981, in amounts not now ascertainable:

Nature of Claim	Estimated Amount
Costs and expenses of preservation of the estates	Unknown
Income Taxes	At least $5 Million*
Professional fees and disbursements	Approximately $365,000 plus additional amounts which may be allowed.

* Subject to availability of offsetting deductions, Oceanic stock proceeds appear to involve, directly or indirectly, at least $3.4 million capital gain taxes; transactions involving Universal Drilling Services, Inc. and Universal Drilling Contractors, Inc., which are Subchapter S corporations, may involve $1.9 million or more in additional taxes; operations since February 20, 1981, appear to involve additional taxes.

Class II Claims -- Other Priority Claims

The principal Class II Claim is that of the United States for alleged income tax deficiencies disputed by the Debtors in the amount of $1,245,362 as of February 20, 1981. Other Class II Claims are estimated at approximately $32,000 (exclusive of additional Colorado income taxes payable if the claimed federal deficiencies are upheld).

Class III and IV Claims

The principal secured and unsecured creditors appear to include the following:

Creditor	Approximate Amount Claimed as of 11-30-81
Undisputed Creditors	$ 600,000
Disputed Danzig Creditors	7,000,000
Other Disputed Creditors	18,500,000*
	$ 26,100,000

* Excludes a purported class claim in the estimated amount of $35,000,000 as to which class certification was denied by the United States District Court for the District of Colorado in October 1981.

Current Assets

Current assets consisting of cash, cash equivalents or other items appearing convertible into cash within one year included the following as of November 30, 1981:

Item	Amount
Bank deposits	$ 130,469
Cash collateral	39,760
Unencumbered certificates of deposit	6,180,035
Encumbered certificates of deposit	7,191,708*
Oceanic Holding Company proceeds	5,210,439
Viking Petroleum, Inc. notes	820,850
Receivables from Universal Drilling Services, Inc. and Universal Drilling Contractors, Inc.	100,000
Oceanic Exploration Company receivable	50,000
Estimated retroactive tight-sand price receivable	800,000**
TOTAL	$ 20,523,261

* Certificates deposited with the Clerk of the Court for protection of Danzig Creditors.

** For gas sales prior to FERC tight-sand designation of Abo Gas Development area.

Other Assets

The principal assets other than cash or other current assets which appear material to the Plan and its feasibility as of November 30, 1981, appear to include the following:

Nature of Asset	Approximate Estimated Value*
Grynberg Interests in Dedicated Property	$ 42,177,807
Other producing properties	54,098,276
Interests in undeveloped acreage	19,569,285

* The estimates are subject to numerous assumptions and qualifications. See pages 35-39 and 42-45, supra.

Receipts and Disbursements

Beginning with the close of business on February 20, 1981, when the Debtors' Chapter 11 petitions were filed, through November 30, 1981, combined business receipts and disbursements of the Debtors' estates were as follows:

Balance at close of business on February 20, 1981		$ 314,593.11
Cash Receipts:		
Revenue from working interests	$ 763,921.96	
Overriding Royalties	444,518.11	
Lease Sales-Bonus consideration	760,444.34	
Amounts received on account	1,299,648.33	
Interest	331,203.60	

Dividends	2,368.79	
Net Proceeds-Orange Bank Stock	45,700.68	
Sale of Pipe	2,025.00	
Refund of Cash Bond	10,000.00	
Production Payments Received on Behalf of Others	146,624.41	
Expense Reimbursements	19,507.22	
Proceeds from disposition of Oceanic Exploration Co. Stock (see Note)	11,730,035.00	
Advance for future lease expense	25,000.00	
Reimbursement Oceanic Holding Company Advance	16,876.54	
Received from Universal Drilling Contractors, Inc.	195,000.00	
Received from Universal Drilling Services, Inc.	605,000.00	
Total Receipts		16,397,873.98
		$16,712,467.09
Less: Cash Disbursements (Schedule I)		3,170,495.42
Balance at November 30, 1981		$13,541,971.67

CASH SUMMARY:	
Regular Checking Accounts	$ 128,376.91
Tax Account	2,091.66
Cash Collateral	39,759.77
Certificates of Deposit (unencumbered)	6,180,000.00
Certificates of Deposit (encumbered)	7,150,000.00
	$13,541,971.67

NOTE:

The amount shown as proceeds from disposition of Oceanic Exploration Company stock includes only amounts paid to Jack J. Grynberg and Celeste C. Grynberg. Amounts paid to Oceanic Holding Company and certain trusts for the Grynberg children are not included.

The amount ($5,210,439) received by Oceanic Holding Company indirectly represents an asset of the Estate of Jack J. Grynberg. In connection with the closing of the sale of the Oceanic Exploration Co. shares, counsel to Oceanic Holding Company and trusts for the Grynberg children received $16,876.54 for professional fees and disbursements. Of this amount, $14,206.51 is allocable to Oceanic Holding Company and $2,670.03 to the trusts. The entire amount so paid was received from Oceanic Holding Company and the trusts in October 1981.

The amounts stated represent business receipts and disbursements through Jack Grynberg and Associates and exclude personal expenses and disbursements of the Debtors.

SCHEDULE I

Disbursements

Beginning with the close of business on February 20, 1981 through September 30, 1981.

Lease Rentals	$ 579,932.78
Salaries and Wages	274,935.01

Lease Acquisitions-bonus consideration	439,439.77
Lease Operating Expense	215,225.26
Filing Fees	122,692.27
Royalty Payments	110,947.84
Compensation of Debtors	61,203.35
Compensation of Debtors-Income Taxes Paid	89,782.19
Accounting and Professional Fees	52,515.18
Rent	49,073.21
Consulting-Technical	45,138.38
Travel	44,833.39
Insurance and Bonds	42,071.78
Office Supplies and Expense	22,733.39
Telephone and Telegraph	27,317.91
Texas Office Expense	15,454.08
Computer Costs	15,648.62
Security	10,416.64
Payroll Taxes	13,467.79
Maps and Technical	12,548.38
Recording and Title Fees	13,245.26
Copy Machine Expense	9,311.38
Postage and Freight	9,156.90
Auto Expense	8,681.82
Production Taxes	5,981.72
Returned Check	3,134.50
Repairs and Maintenance	6,963.08
Temporary Help	2,897.82
Dues and Subscriptions	1,913.01
Investment	952.75
Bank Charges	636.89
Miscellaneous Licenses and Taxes	315.57
Utility Deposit	200.00
Advance to Oceanic Holding Company & Trusts	16,876.54
Bank Set-Off of Proceeds of Certificate of Deposit	100,000.00
Bank Set-Off for Returned Check	5,000.00
Legal Expense	324,892.14
Well Equipment	102,467.43
Intangible Drilling Costs	309,919.38
Truck Purchased	2,572.01
	$3,170,495.42

The foregoing Disclosure Statement is respectfully submitted this 23rd day of December, 1981.

LOHF & BARNHILL, P.C.

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Attorneys for Jack J. Grynberg

LAW AND SCHEID,
a Professional Corporation

By /s/ William D. Scheid
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(303) 573-4800
Attorneys for Celeste C. Grynberg

(a) The settlement is for an amount approximately $100,000 less than the amount of the claim filed by Viersen and Cochran Drilling Company.

(b) The settlement will obviate the expense of litigating the Debtor's appeal in the Court of Appeals.

(c) The settlement will enhance the effectiveness of the Debtor's reorganization by reducing the claims to which the Debtor's future operations will be subjected.

(d) The settlement will terminate the accumulation of post-petition interest in an amount exceeding $60,000 per year which might otherwise be allowable due to the solvency of the estate.

Copies of the settlement agreement will be made available for inspection, upon reasonable notice, during normal business hours at the office of the Debtor's counsel identified below.

In the absence of a request for a hearing by an interested party, the actions referred to herein may be taken on January 20, 1982.

A party in interest must request a hearing on or before January 15, 1982. Debtor has requested that any such hearing be held on January 28, 1982 in conjunction with a hearing on Debtor's request to confirm his proposed Plan of Reorganization. If no hearing is requested, the actions referred to herein may be taken without further notice or opportunity for a hearing.

Dated this 29th day of December, 1981.

Respectfully submitted,

LOHF & BARNHILL, P.C.

By Neil E. Ayervais

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Attorneys for Debtor Jack J. Grynberg

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

IN RE	)	
	)	
JACK J. GRYNBERG,	)	Case No. 81 B 00821M
a/k/a JACK JAKOB GRYNBERG,	)	
a/k/a JACK GRYNBERG	)	
d/b/a JACK GRYNBERG AND ASSCCIATES,	)	
	)	
SSN: 523-38-2422	)	
	)	
Debtor.	)	

NOTICE OF APPLICATION FOR APPROVAL OF COMPROMISE OF DISPUTE INVOLVING VIERSEN AND COCHRAN DRILLING COMPANY

The Debtor, Jack J. Grynberg, has applied to the Court for an order approving the compromise by the Debtor of the disputed claim of Viersen and Cochran Drilling Company in accordance with the terms and conditions of a settlement agreement executed on December 14, 1981.

The settlement agreement relates to Proof of Claim No. 119, filed in this proceeding by Viersen and Cochran Drilling Company, in the amount of $597,131.44. This claim is founded on a judgment of the United States District Court for the District of Colorado, against the Debtor and in favor of Viersen and Cochran Drilling Company. The Debtor's appeal of this judgment is currently before the United States Court of Appeals for the Tenth Circuit, Appeal No. 81-1986. If the settlement is approved, the parties thereto will release all claims against each other and the Debtor will dismiss his appeal in return for the acceptance by Viersen and Cochran Drilling Company of the Debtor's immediate cash payment of $500,000.00.

In the opinion of the Debtor, effectuation of the settlement agreement will benefit the Debtor's estate and will not impair the interest of any creditor for the following reasons:

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
JAN 6 1982
BRADFORD L. BOLTON, Clerk
BY JO DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

In Re JACK J. GRYNBERG, a/k/a Jack Jakob Grynberg, a/k/a Jack Grynberg, d/b/a Jack Grynberg and Associates, d/b/a Jack Grynberg & Associates, SSN: 523-38-2422	Case No. 81 B 00821 M

APPLICATION FOR AUTHORITY TO FORM LIMITED PARTNERSHIP

Jack J. Grynberg, Debtor-in-Possession, by his undersigned counsel, requests the Court's Order authorizing the formation of a limited partnership and respectfully states as follows:

1. For many years prior to the filing of his petition herein, the Debtor engaged in the oil and gas business together with his wife, Celeste C. Grynberg, the Debtor-in-Possession in Case No. 81 B 00825 M. Numerous mineral properties held of record by Celeste C. Grynberg, in which the Debtor has asserted a retained interest, in fact were and are managed by the Debtor. Profits and losses were and are shared by the Debtor and his wife and, as a practical matter, their business was and is being conducted as a partnership.

2. After the filing of their petitions seeking relief under Chapter 11, both the Debtor and his wife have continued to operate the business of their respective estates as they had been managed historically.

3. The Debtor and his wife have never executed a written partnership agreement or other formal organizational instrument.

4. The absence of a definitive agreement between the Debtor and his wife unnecessarily complicates administration of their estates, prevents clarity of legal relationships between them, their respective estates and third parties and otherwise impedes a speedy, efficient reorganization of the estates.

5. The Debtor and his wife accordingly desire to formalize legal relationships between themselves and to obtain the approval of the Court of their execution of a limited partnership agreement, in the form attached hereto as Exhibit 1, with such immaterial changes (if any) as counsel may advise, and to transfer to the resulting partnership all oil and gas or other mineral properties included in their respective estates on the terms and subject to the conditions set forth in Exhibit 1.

6. If the proposed limited partnership is formed, the Debtors do not wish to limit the jurisdiction of this Court over them or their assets or to limit the availability of the assets transferred to the partnership to satisfy the rightful claims of their creditors. The proposed form of partnership agreement contains provisions accordingly; and the Debtor and his wife agree to submit themselves as partners and the partnership to the jurisdiction of this Court to any extent required to protect all parties in interest. Formation of the proposed limited partnership consequently will not prejudice any creditor or other party in interest.

7. Formation of the proposed limited partnership will enhance the ability of the Debtor and his wife to effectuate their proposed joint plan of reorganization, facilitate obtaining additional financing for development of their properties and otherwise benefit their respective estates.

WHEREFORE, the Debtor respectfully requests that the Court, after notice and hearing, authorize the Debtor and his wife to execute a limited partnership agreement in the form attached hereto as Exhibit 1 and to transfer assets as contemplated thereby; grant any further authority or approval necessary in connection therewith as may be required pursuant to Section

363(b) or other provisions of the Bankruptcy Code; and afford such further relief as may be just.

DATED: January 6, 1982.

LOHF & BARNHILL, P.C.

By Ernest W. Lohf
Ernest W. Lohf
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
(303) 623-5224
Attorneys for Jack J. Grynberg

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on the 6th day of January, 1982, he personally served a copy of "Application for Authority to Form Limited Partnership," together with accompanying form of proposed limited partnership agreement, upon:

Dolores Kopel
United States Trustee
1845 Sherman Street
202 Columbine Building
Denver, Colorado 80202

William D. Scheid, Esq.
633 17th Street, #3100
Denver, Colorado 80202

Harry M. Sterling, Esq.
4155 East Jewell
714 Colorado Club Building
Denver, Colorado 80222

by handing same to a person in charge of said office.

Louis J. Wolff Jr.

FILED
UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO
FEB 5 1982
BRADFORD L. SOLTOW, Clerk
BY JQ
DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

DISTRICT OF COLORADO

In Re	
JACK J. GRYNBERG a/k/a Jack Jakob Grynberg a/k/a Jack Grynberg d/b/a Jack Grynberg and Associates d/b/a Jack Grynberg & Associates Debtor,	Case No. 81 B 00821M
and	
CELESTE C. GRYNBERG a/k/a Celeste Constance Grynberg, a/k/a Celeste Grynberg, Debtor.	Case No. 81 B 00825M

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 21
Submitted by MESA
Hearing Date 5-17-82

AMENDMENTS TO
SECOND MODIFIED JOINT PLAN OF REORGANIZATION

Jack J. Grynberg and Celeste C. Grynberg, the above-named Debtors, propose the following amendments to the Second Modified Joint Plan of Reorganization (the "Plan") filed herein on December 23, 1981:

1. The definition of "Disputed Creditors" and "Disputed Claims" is amended to correct a typographical error and to be consistent with other statements in or provisions of the Plan so that, as amended, the definition reads:

8. "Disputed Creditors" and "Disputed Claims" refer to Creditors or Claims, as the case may be, in respect to which the pertinent Debt (a) has not been allowed and ordered paid by the Court, (b) was scheduled in the Proceedings by the Debtors or either of them as disputed, contingent or unliquidated and (c) is the subject of a proof of claim duly filed in the Proceedings against the Debtors or either of them on or before July 31, 1981 or, if not so scheduled, is the subject of a proof of claim filed in the Proceedings which the Debtors or either of them dispute.

I hereby attest and certify on May 11, 1982 that the document affixed hereto is a full, true and correct copy of the original on file in my office and in my legal custody.
Clerk, U.S. Bankruptcy Court
District of Colorado
By: James R. Thebert
Clerk

2. The definition of "Effective Date" is amended as follows:

16. "Effective Date" means the tenth business day after the Order of the Court confirming the Plan becomes final and non-appealable.

3. Section 1.3 of Article III is amended to read in its entirety as follows:

1.3 Class III -- Claims of Secured Creditors (not included in Class V) of the Debtors or either of them, as finally allowed and ordered paid by the Court and to the extent that each such Claim is not greater than the value of the assets of the Debtors or either of them which the Court finds validly secures such Claim, are collectively referred to as Class III Claims and each such Claim individually constitutes a separate class.

4. The text of Article II of the Plan is amended to read as follows in its entirety:

2.1 Class I Creditors shall be paid in cash and in full as and when their claims are allowed and ordered paid by the Court. To any extent not included in Class V, Class II, Class III and Class IV Creditors shall retain unaltered the legal, equitable and contractual rights to which their Claims entitle them, respectively, except to the extent that a holder of any such Claim agrees in writing to treatment of his Claim in accordance with Article IV of this Plan.

2.2 All Class II, Class III and Class IV Claims described in this Article II are not impaired under the Plan by virtue of the following:

(a) To the extent that any such Claims have been finally allowed and ordered paid by the Court on the Effective Date, such Claims will be paid on the Effective Date in cash and in the full amount so allowed.

(b) The proper interests of all holders of Class II, Class III and Class IV Claims (not included in Class V) which for any reason are not paid on the Effective Date are not impaired because

the Plan leaves unaltered the legal, equitable and contractual rights to which such holders are entitled, respectively.

5. Article IV of the Plan is amended to revise Section 4.1 and to add an additional Section 4.22 as follows:

4.1 To the extent that Creditors are to be paid in cash as set forth in Section 2.1 of Article II, the Debtors shall, on the Effective Date, deposit with the Custodian cash in an amount sufficient to pay all Creditors entitled to payment on the Effective Date. The names of the Creditors who may be so paid, the nature of their Claims and the amount or approximate amount to be paid to each are set forth in Schedule II to the Plan. Cash to be deposited with the Custodian pursuant to this Section 4.1 may consist of any unrestricted, unencumbered cash available to the Debtors or either of them from any source at the time of such deposit and may be obtained, if necessary, through sale or encumbrance of any or all properties or interests of the Debtors or either of them which are not included in the Dedicated Property.

4.22 Subject to the provisions of Sections 4.1, 4.3 and 4.11, this Article IV shall be applicable only in respect to those holders of Other Disputed Claims who agree in writing to treatment of their Claims in accordance with this Article IV; and no holder of any Claim who has not so agreed shall be deemed to be entitled under this Article IV to any benefit of the lien upon or security interest in the Dedicated Property, Substitute Protection, the Segregated Fund or any payment or be considered as an Other Disputed Creditor or a Judgment Creditor for any purpose under this Article IV. This Article IV shall be deemed, in the absence of any uncured default by the Debtors thereunder, to afford the exclusive remedy for enforcement of all rights of holders of Claims who have so agreed.

6. Except as expressly amended hereby, all provisions of the Plan continue in full force and effect.

Respectfully submitted,

LAW AND SCHEID
(A professional corporation)

By William D. Scheid by
William D. Hoellrich

3100 First of Denver Plaza Bldg.
Denver, Colorado 80202
(303) 573-4800

Attorneys for Celeste C. Grynberg
Debtor-in-Possession

LOHF & BARNHILL, P.C.

By Ernest W. Lohf

Ernest W. Lohf
2410 Prudential Plaza
1050 Seventeenth Street
Denver, Colorado 80265
(303) 623-5224

Attorneys for Jack J. Grynberg
Debtor-in-Possession

The foregoing Amendments to Second Modified Joint Plan of Reorganization are hereby approved.

Jack J. Grynberg

Celeste C. Grynberg

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 5 day of February, 1982, she served a copy of the foregoing Amendments to Second Modified Joint Plan of Reorganization upon:

Harry M. Sterling, Esq.
Sterling & Simon, P.C.
4155 East Jewell Avenue, #714
Denver, Colorado 80222

Dolores B. Kopel, Esq.
United States Trustee
1845 Sherman Street
Denver, Colorado 80203

Craig A. Christensen, Esq.
Sherman & Howard
633 Seventeenth Street
Denver, Colorado 80202

Gerald L. Bader, Esq.
Bader & Cox
1660 Seventeenth Street, #400
Denver, Colorado 80202

Richard W. Daily, Esq.
Davis, Graham & Stubbs
950 Seventeenth Street, #2600
Denver, Colorado 80202

by placing a copy of same in an envelope properly addressed with sufficient postage attached thereto and depositing the same in the United States mail.

Tamera L. Jones

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 22
Submitted by MESA
Hearing Date 8-17-82

STATE OF NEW MEXICO, COUNTY OF CHAVES, ss

Book 219 Page 877

FILED FOR RECORD March 10, 1982 at 8:10 o'clock A M

Receipt No. 59386 Fee $17.00

Kay Keith County Clerk, By [signature] Deputy

Siegenthaler & Graham P. O. Drawer Z Artesia, NM 88210

CLAIM OF LIEN

TO:

JACK GRYNBERG & ASSOCIATES, 1950 17th Street, Suite 1950, Denver, Colorado 80265 and VIKING PETROLEUM, INC., 2700 Center Building, 2761 E. Skelly Drive, Tulsa, Oklahoma 74105, owners or reputed owners of the oil and gas leases hereinafter described, AND TO ALL WHO MAY BE CONCERNED:

YOU and each of you are hereby notified that BROOM TRANSPORTATION, INC., a New Mexico Corporation, of Artesia, New Mexico, hereby claims a lien in the sum of $100,798.41 upon the oil and gas leases which the following described oil and gas wells are located, to wit:

Grynberg "29" Federal, Well No. 1
1980 FNL, 1980 FEL, Section 29, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "A").

Grynberg "32" State, Well No. 1
1980 FSL, 1980 FEL, Section 32, Township 11 South, Range 27 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "B").

Viking "35" Com., Well No. 1
1980 FNL, 1980 FWL, Section 35, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "C").

Grynberg "32" State, Well No. 2
1980 FSL, 660 FEL, Section 32, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "D").

Grynberg "14" State Com., Well No. 1
660 FSL, 1980 FWL, Section 14, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "E").

Grynberg "16" State, Well No. 3
1980 FNL, 1980 FWL, Section 16, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "F").

Grynberg "16" State, Well No. 4
1980 FNL, 660 FEL, Section 16, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "G").

Grynberg "31" Federal, Well No. 1
1980 FSL, 660 FEL, Section 31, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "H").

State 29, Well No. 1
Section 29, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "I").

Grynberg 31 Federal, Well No. 2
Section 31, Township 5 South, Range 24 East, N.M.P.M., Chaves County, New Mexico; (See Exhibit "J").

together with all improvements and equipment thereon and all oil and gas produced therefrom.

YOU and each of you are further notified that on or about the dates set forth in Exhibits "A" through "J", Jack Grynberg & Associates and Viking Petroleum, Inc. had entered into a contract with Broom Transportation, Inc. to haul water and brine, furnish labor, material, and supplies on the location of the oil and gas wells and leases hereinabove described.

THAT the names of the owners or reputed owners of the oil and gas leases are Jack Grynberg & Associates and Viking Petroleum, Inc., and that the name of the person who contracted and engaged Broom Transportation, Inc. to haul water, furnish labor, material, and supplies on the oil and gas leases hereinabove described was Jack Grynberg of Jack Grynberg & Associates and on behalf of himself and Viking Petroleum, Inc.

THAT demand has been made upon Jack Grynberg & Associates and Viking Petroleum, Inc. for payment of the sum of $100,798.41, and they have failed and refused to pay any part of said sum.

THAT the terms, time given and condition of the claimant's contract is as follows:

THAT Broom Transportation, Inc. was to be paid on or before thirty (30) days after the work was completed.

THAT said contract has been fully performed on the part of Broom Transportation, Inc.; that the water and brine, material, labor, equipment and supplies have been furnished and that there is now due to Broom Transportation, Inc. the sum of $100,798.41.

THIS lien is filed pursuant to Section 70-4-1 et seq. N.M.S.A., 1978.

WHEREFORE, Broom Transportation, Inc. claims a lien upon the above described oil and gas wells together with the improvements thereon, and the leases embracing said lands upon which the oil and gas wells are located, in the amount of $100,798.41, and for reasonable attorney fees for preparing and costs of filing this lien.

BROOM TRANSPORTATION, INC.

By: Ernest L. Broom
Ernest L. Broom, President

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

ERNEST L. BROOM, President of Broom Transportation, Inc., a New Mexico corporation, being first duly sworn, upon his oath deposes and says: That Broom Transportation is named as Claimant in the foregoing Claim of Lien; that he has read the same and knows the contents thereof and that the same is true and contains, among other things, a correct statement for his demand.

BROOM TRANSPORTATION, INC.

By: Ernest L. Broom
Ernest L. Broom, President

SUBSCRIBED AND SWORN TO before me this 8th day of March, 1982.

OFFICIAL SEAL
Nora J. Davis
NOTARY PUBLIC
8-10-85

Nora J. Davis
Notary Public

8th The foregoing instrument was acknowledged before me this day of March, 1982, by Ernest L. Broom, President of BROOM TRANSPORTATION, INC., a New Mexico corporation, on behalf of said corporation.

OFFICIAL SEAL
Nora J. Davis
NOTARY PUBLIC
8-10-85

Nora J. Davis
Notary Public

P O BOX 1031

INVOICE

DAY OR NIGHT (505) 748-3301

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

RGE 219 TALE 881

Order No.

No 1384

Date December 30, 1981

To: Jack Gryaberg & Associates/Viking Petroleum
1050 17th St.
Suite 1950
Denver, CO 80265 Attn: Judy Sanger

LEASE Gryaberg Federal "29" WELL NO. #1 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/15/81 thru 12/23/81	tickets attached	Furnish equipment and labor to haul fresh and brine water to Stewart Bros. Rig 054.		
		2,240 bbl. brine water @ $3.04 per bbl.		$ 6,809.60
		640 bbl. fresh water @ $.78 per bbl.		499.20
		24 hr. transportation to camnt @ $37.07 per hr.		889.68
		18% fuel adjustment on transportation		160.14
				$ 8,358.62
			Tax 3.50%	292.55
				$ 8,651.17

EXHIBIT "A"

P.O. BOX 1031

INVOICE

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

DAY OR NIGHT (505) 748-3304

BOOK 219 PAGE 882

No 1356

Order No. _____

Date December 17, 1981

To: ~~Jack Cryabar & Assoc./Viking Petroleum~~
1050 17th Street
Suite 1950
Denver, CO 80265 Attention: Jim Brady

LEASE State 32 WELL NO. 1 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
11/30/81 thru 12/10/81	tickets attached	Furnished equipment and labor to haul fresh and brine water to Stewart Bros. Rig #54.		
		3480 bbl. brine water @ $2.71 per bbl.		$ 10,406.40
		2400 bbl. fresh water @ $.64 per bbl.		1536.00
				$ 11,942.40
			Tax 3.503	419.98
				$ 12,360.38

EXHIBIT "B"

P.O. BOX 1031

INVOICE

DAY OR NIGHT (505) 746-3504

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

BOOK 219 PAGE 883

Order No.

No. 1478

Date January 21, 1982

To: Jack Grynberg & Assoc/ Viking Petroleum
1050 17th St. Suite 1950
Denver, Colo. 80265 Attn: Judy Sangor

LEASE Viking "35" Com WELL NO. 4 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
8/16/82 thru 1/19/82	tickets attached	Duraloh equipment & labor to haul fresh and brine water to Kapai Rig #31.		
		800 bbl. brine water @ $3.11 per bbl.		$ 2,488.00
		1740 bbl. fresh water @ $.70 per bbl.		1,232.00
		160 bbl. fresh water @ $.80 per bbl.		128.00
		18 hr. transportation on brine @ $37.07 per hr.		667.26
		18% fuel adjustment on transportation		120.11
				$ 4,635.37
			Tax 4%	185.41
				$ 4,820.78

EXHIBIT "C"

P O BOX 1031

INVOICE

DAY OR [illegible] (505) 748 3664

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

Order No.

NO 1479

Date January 21, 1982

To: Jack Crynberg & Assoc./Viking Petroleum
1050 17th. st. Suite 1950
Denver, CO 80265 Attn: Judy Senger

LEASE Crynberg "J" State WELL NO 2 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
1/10/82 thru 1/13/82	tickets attached	Furnish equipment and labor to haul fresh & brine water to Stewart Bros Rig # 34.		
		4,000 bbl. brine water @ $3.04 per bbl.		$ 12,160.00
		1760 bbl. fresh water @ $.87 per bbl.		1,531.20
		160 bbl. fresh water @ $.80 per bbl.		128.00
				$ 13,819.20
			tax 4%	552.77
				$ 14,371.97

EXHIBIT "H"

P.O. BOX 1031

INVOICE

DAY OR NIGHT (505) 748 3304

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

BOOK 219 PAGE 885

No 1393

Order No

Date December 31, 1981

To: Jack Grynberg & Assoc/Viking Petroleum
1050 17th St, Suite 1950
Denver, CO 80265 Attn: Judy Sanger

LEASE Grynberg "14" Federal WELL NO 1 TERMS NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/19/81 thru 12/20/81	tickets attached	Furnish equipment and labor to haul fresh and brine water to Kenai Rig #31.		
		2,240 bbl. Brine water @ $3.10 per bbl.		$ 6,944.00
		800 bbl. fresh water @ $.88 per bbl.		704.00
		160 bbl. fresh water @ $.78 per bbl.		124.80
		1,440 bbl. fresh water @ $.70 per bbl.		1,008.00
		15½ hr. transportation @ $37.07 per transfer unit		574.59
		18% fuel adjustment on transportation		103.43
				$ 9,458.82
			Tax 3.502	331.06
				$ 9,789.88
		Price includes fuel adjustment		

EXHIBIT "E"

P.O. BOX 1031

INVOICE

DAY OR NIGHT (505) 746-3504

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

BOOK 219 PAGE 886

No. 1459

Order No. _____

Date January 18, 1982

To: ~~Jack Grynberg & Assoc./Viking Petroleum~~
1050 17th Street
~~Suite 1950~~
~~Denver, CO 80265~~ Attn: Judy Smigar

LEASE Grynberg State 16 WELL NO. 3 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
1/4/82 thru 1/11/82	Tickets attached	Furnished equipment and labor to haul fresh and brine water to Keola 31.		
		800 bbl. brine water @ $2.80 per bbl.		$ 2,240.00
		640 bbl. fresh water @ $.82 per bbl.		524.80
		1920 bbl. fresh water @ $.64 per bbl.		1,228.80
				$ 3,993.60
			Rev 4%	159.74
				$ 4,153.34

EXHIBIT "F"
Page 2 of 2

P.O. BOX 1031

INVOICE

DAY OR NIGHT (505) 746-3504

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

BOOK 219 PAGE 687

NO. 1451

Order No. _____

Date December 31, 1981

To: Jack Grynberg & Assoc/Viking Petroleum

1050 17th. St. Suite 1950

Denver, CO 80265 Attn: Judy Sawyer

LEASE Gryuberg "16" State WELL NO 3 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/31/81 thru 1/3/82	tickets	Furnish equipment & labor to haul brine & fresh water to Remic Big #31.		
		1,400 bbl. brine water @ $2.80 per bbl.		$ 4,032.00
		1,920 bbl. fresh water @ $.82 per bbl.		1,574.40
		1,260 bbl. fresh water @ $.64 per bbl.		819.20
				$ 6,425.60
			Tax 3.50%	224.90
				$ 6,650.50

EXHIBIT "F"
Page 1 of 2

P O BOX 1031

INVOICE

DAY OR NIGHT (505) 746-3504

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

219 and 888

Order No

No 1385

Date December 30, 1981

To: Jack Grynberg & Associates/Viking Petroleum
1050 17th St.
Suite 1950
Denver, CO 80265 Attn: Judy Sauger

LEASE Grynberg State 10 WELL NO 4 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/14/81 thru 12/20/81	tickets attached	Furnished equipment and labor to haul fresh and brine water to 3-D Rig 1.		
		5360 bbls. brine water @ $1.80 per bbl.		$ 9,408.00
		2720 bbls. fresh water @ $.64 per bbl.		1,740.80
		820 bbl. fresh water @ $.32 per bbl.		262.40
				$ 11,411.20
			Fuel Surcharge 3.50%	399.39
				$ 11,810.59

EXHIBIT "G"

P O BOX [illegible]31

INVOICE

DAY OR NIGHT (505) 748 [illegible]

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

219 ~~ 889

No 1460

Order No

Date January 18, 1982

To: Jack Grynberg & Assoc/Viking Petroleum
1050 17th Street
Suite 1950

Denver, CO 80265 Attn: Judy Benger

LEASE Grynberg Federal 31 WELL NO. 1 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
1/1/82 thru 1/9/82	tickets attached	Furnished equipment and labor to haul fresh and brine water to Stewart Bros. Rig #54.		
		2400 bbl. brine water @ $3.01 per bbl.		$ 7,224.00
		480 bbl fresh water @ $.78 per bbl.		336.00
				$ 7,560.00
			tax 4%	302.40
				$ 7,862.40

EXHIBIT "H"

P O BOX 1031

INVOICE

DAY OR NIGHT (505) 748-3554

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

BOOK 219 PAGE 890

Order No. ____

No. 1355

Date December 17, 1981

To: ~~Jack Grynberg & Assocs/Viking Petroleum~~
1050 17th Street
~~Suite 1950~~
~~Denver, CO 80265~~ ~~Attention: Jim Brady~~

LEASE State 29 WELL NO. 1 TERMS: NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/11/81 thru 12/14/81	tickets attached	Furnished equipment and labor to haul fresh and brine water to Stewart Bros. Rig 54.		
		3680 bbl. brine water @ $3.04 per bbl.		$ 11,187.20
		2240 bbl. fresh water @ $.78 per bbl.		1,747.20
				$ 12,934.40
			Tax 3.50%	452.70
				$ 13,387.10

EXHIBIT "1"

P O BOX 1691

INVOICE

Broom Transportation Co.

ARTESIA, NEW MEXICO 88210

Book 219 Page 891

No. 1394

Order No.

Date December 31, 1981

To: Jack Grynberg & Assoc./Viking Petroleum
1050 17th Street
Suite 1950
Denver, CO 80265

LEASE Grynberg 31 Federal WELL NO 2 TERMS NET 30 DAYS

DATE	TICKET NUMBER	DESCRIPTION OF WORK	RATES	AMOUNT
12/28/81 thru 12/31/81	tickets attached	Furnished equipment and labor to haul fresh and brine water to Stewart Bros. Rig #54.		
		1760 bbl. brine water @ $3.01 per bbl.		$ 5,297.60
		640 bbl. fresh water @ $.80 per bbl.		512.00
		1280 bbl. fresh water @ $.70 per bbl.		896.00
				$ 6,705.60
			tax 3.50%	234.70
				$ 6,940.30

Attest:
Certified this 7th day of May
19 82, as a true and correct copy of
the original on file in this office

Kay Keith
Chaves County Clerk
Dave Cellars
Deputy

Attest:
Certified this 21st day of Apr
19 82, as a true and correct copy o
the original on file in this office

Kay Keith
Chaves County Clerk
Peggy Patterson
Deputy

EXHIBIT "J"

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 23
Submitted by MESA
Hearing Date 5-17-82

IN THE DISTRICT COURT IN AND FOR THE

COUNTY OF RIO BLANCO AND STATE OF COLORADO

CIVIL ACTION NO. 2717

B & M SERVICE COMPANY, INC., a Colorado corporation, duly organized and authorized to transact business in Colorado,

vs.

JACK GRYNBERG AND ASSOCIATES, a Colorado partnership,

Defendant.

COMPLAINT

By its attorneys Dufford, Waldeck & Williams, Plaintiff complains as follows:

FIRST CLAIM FOR RELIEF

1.1 In December of 1976 and January of 1977, Pollard Contracting Company, Inc. ("Pollard") performed various services for Defendant at Defendant's request pursuant to a contract between Pollard and Defendant, as reflected on the invoices attached hereto as Exhibit "A."

1.2 The amount due and owing Pollard under the contract is $580.68 exclusive of interest.

1.3 Pollard has made repeated demands upon Defendant for the payment of this sum to no avail.

1.4 According to the agreement between the parties, Pollard is also entitled to interest on overdue accounts in the amount of one and one half percent per month from the invoice date.

1.5 Interest due through December 1, 1979 is $302.61.

1.6 The contract was entered into and substantially performed in Rio Blanco County.

1.7 Pollard has assigned to Plaintiff B & M Service Company, Inc. ("B & M") all its rights pursuant to the contract with Defendant.

SECOND CLAIM FOR RELIEF

2.1 In December of 1976, January 1977, April 1977, and June 1978, Plaintiff B & M performed, at the request of Defendant and pursuant to a contract between B & M and Defendant, various services for Defendant as more fully detailed on the invoices attached hereto as Exhibit "B."

2.2 The amount due and owing B & M under the contract is $2,481.69.

2.3 B & M has made repeated demands upon Defendant for payment of the amounts due to no avail.

2.4 According to the agreement between the parties, B & M is entitled to receive interest on overdue accounts of one and one half percent per month from the invoice date.

2.5 Interest due through December 1, 1979 is $1,213.52.

2.6 The contract was entered into and substantially performed in Rio Blanco County.

THEREFORE, Plaintiff requests relief as follows:

3.1 B & M demands judgment against Defendant in the amount of $883.09 ($580.48 + $302.61) plus interest on $580.48 from December 1, 1979 at the rate of one and one half percent per month, to be finally determined at such later date when judgment is entered.

3.2 B & M demands judgment against Defendant in the amount of $3,695.21 ($2,481.69 + $1,213.52) plus interest on $2,481.69 from December 1, 1979 at the rate of one and one half percent per month, to be finally determined at such later date when judgment is entered.

3.3 Plaintiff demands such other and further relief as to the Court may seem proper, include court costs.

Respectfully submitted this 11th day of December, 1979.

DUFFORD, WALDECK & WILLIAMS

By Robert I. William
Robert I. Williams #9244
Attorneys for Plaintiff
P. O. Box 2188
Grand Junction, CO 81502
Telephone # (303) 242-4614

Address of Plaintiff:

P.O. Box 888
Rangely, CO 81648

Oil Field Hauling

No. 5068

Pollard Contracting Company, Inc.

P.O. BOX 886 • RANGELY, COLORADO 81648

(303) 675-2277 or (303) 675-8639

INVOICE DATE: December 27, 1976

OUR ORDER NO:

YOUR ORDER NO:

TERMS: F.O.B.

SALESMAN:

SHIPPED VIA:

Jack Grynberg & Assoc.
Ste. 1930
1050 17th Street
Denver, CO 80202

SHIPPED TO: 24-6

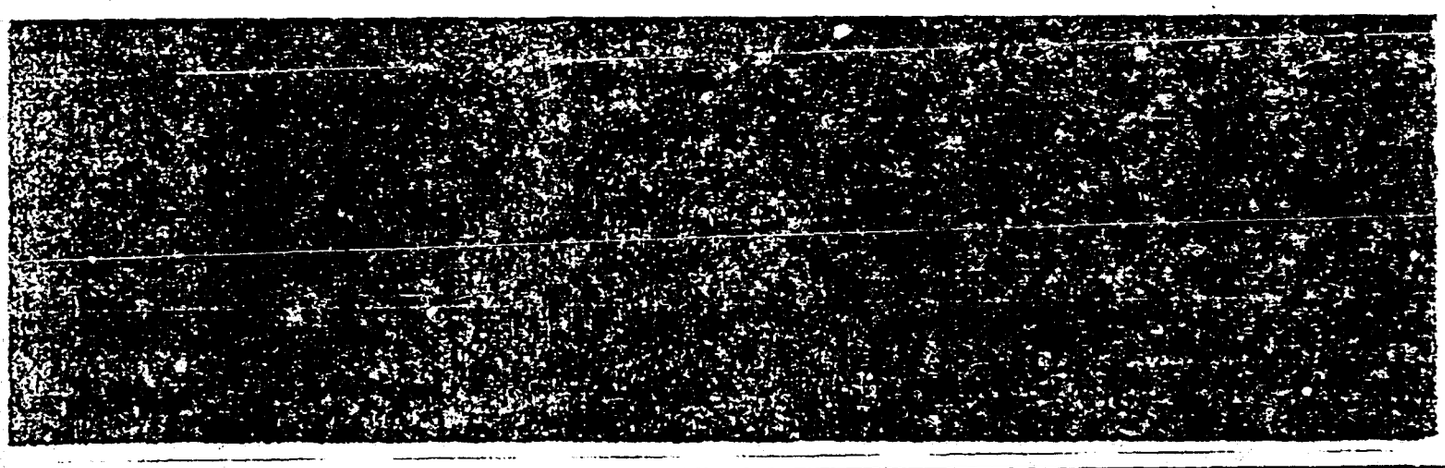
FPD OR CO

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	December 23,24, 1976 ticket 2501-2502		
	Haul water from Rangely City plant to the above to frac tanks.		
	truck # 18 17 hrs. @ 26.00 442.00 16.800	442.00	442.00

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

FORM 1400, REGENT FORMS, PENNSAUKEN, N.J. 08109

EXHIBIT "A"



P O BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2777

No 2502

TO [illegible]

ORDER NO.

LOCATION [illegible] DATE 12-[illegible]-86

DESCRIPTION OF WORK [illegible]

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
[illegible]	9		

DRIVER [illegible] APPROVED

MOUNTAIN WEST OFFICE PRODUCTS

COMPANY REPRESENTATIVE

POLLARD CONTRACTING COMPANY, Inc.

P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

No 2501

TO [illegible]

ORDER NO.

LOCATION [illegible] DATE 12-23-86

DESCRIPTION OF WORK Haul water from Sunday Water Plant to the road fill for pasture.

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
[illegible]	4 ✓		

DRIVER [illegible] APPROVED

MOUNTAIN WEST OFFICE PRODUCTS

COMPANY REPRESENTATIVE

TO

FROM

SUBJECT:

DATE 11-2-71

MESSAGE

This is a follow up of our conversation we had on 8-21-71 at [illegible]. Did you receive the copies of the invoice and back ticket? They should have gone out to you that same day. We heard you were paying some back for accounts by payments of so much per month. We would be happy to work with you and set up the account to be paid monthly. Please call the above number so that we can work it out in a manner that would be to the best interest to you and to us. We appreciate your business with us and hope to hear from you soon.

Thank you,

SIGNED

DATE

REPLY

Jorge Guerrero, Off. Mgr.

SIGNED

LETTER-LIMINATOR

RECIPIENT - RETAIN WHITE COPY, RETURN PINK COPY

SENDER: SNAP OUT YELLOW COPY ONLY. SEND WHITE AND PINK COPIES

INVOICE

No. 5114
190

Oil Field Hauling

Pollard Contracting Company, Inc.

P.O. BOX 888 • RANGELY, COLORADO 81648
(303) 675-2277 or (303) 675-8639

Jack Grynberg and Assoc.
Ste. 1950
1050 17th St.
Denver, CO 80202

INVOICE DATE: January 17, 1977
OUR ORDER NO.:
YOUR ORDER NO.:
TERMS: F.O.B.
SALESMAN:
SHIPPED VIA:

SHIPPED TO: Dragon Trail-24-6

PPD. OR COLL.

QUANTITY	DESCRIPTION		PRICE	AMOUNT
	Invoice # 5054	4200 gal.		
	Invoice # 5068	16800 gal.		
	Invoice # 5012	4200 gal.		
	Invoice 5018	4200 gal.		
	Invoice # 5022	4200 gal.		
	Invoice # 5025	4200 gal.		
	37,800 gal. @ .85 per 1000 gal.		32.13	32.13

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

ENT FORMS, PENNSAUKEN, N.J. 08109

INVOICE

No. 5092

190

Oil Field Hauling

Pollard Contracting Company, Inc.

P.O. BOX 888 • RANGELY, COLORADO 81648

(303) 675-2277 or (303) 675-8639

Jack Grynberg and Assoc.
Ste 1950
1050 17th St.
Denver, CO 80202

INVOICE DATE: January 6, 1977

OUR ORDER NO:

YOUR ORDER NO:

TERMS: F.O.B.

SALESMAN:

SHIPPED VIA:

SHIPPED TO: Fed 44-6

PPD OR COLL:

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	January 4, 1977 ticket 9545		
	Hauled water from Rangely to the above and unloaded into water tank.		
	truck # 18 4 hrs. @ 26.00	104.00	
	water-3000 gal. @ .85 per 1000	2.55	106.55

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

FORM 1400, REGENT FORMS PENNSAUKEN, N.J. 08109

INVOICE

No. 5092

190

Oil Field Hauling

Pollard Contracting Company, Inc.

P.O. BOX 888 • RANGELY, COLORADO 81648

(303) 675-2277 or (303) 675-8639

INVOICE DATE: January 6, 1977

OUR ORDER NO.:

YOUR ORDER NO.:

TERMS: F.O.B.

SALESMAN:

SHIPPED VIA:

Jack Grynberg and Assoc.
Ste 1950
1050 17th St.
Denver, CO 80202

SHIPPED TO: Fed 44-6

PPD. OR COL.:

QUANTITY	DESCRIPTION		PRICE	AMOUNT
	January 4, 1977	ticket 9545		
	Hauled water from Rangely to the above and unloaded into water tank.			
	truck # 18	4 hrs. @ 26.00	104.00	
	water-3000 gal. @ .85 per 1000		2.55	106.55

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

...RM 1400, REGENT FORMS, PENNSAUKEN, N.J. 08109

POLLARD CONTRACTING COMPANY, Inc.

P.O BOX 858
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 9545

TO _____

ORDER NO. _____

LOCATION _____ DATE _____

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____

MOUNTAIN WEST OFFICE PRODUCTS — COMPANY REPRESENTATIVE

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B E M Service DATE 1-4-72

ADDRESS _____ GALLONS 3000

RECEIVED BY _____ TOTAL _____

INVOICE

No. A-273

302

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 863 • RANGELY, COLORADO 81648

875-2277 • 875-6639

Jack Grynberg and Asso.
Suite 1959
1050 17th St.
Denver, Colo. 80202

INVOICE DATE: April 20, 1977

OUR ORDER NO:

YOUR ORDER NO:

TERMS: F O B

SALESMAN:

SHIPPED VIA:

SHIPPED TO: UP Dragon

PPD OR COLL:

QUANTITY	DESCRIPTION		PRICE	AMOUNT
	March 19, 1977 n	ticket 18655		
	Pick up Dop from RBC Lake to R&R Rig.			
	truck#44	3hrs.@ 35.75	107.25	
	swampers	3hrs.@ 6.75	20.25	127.5

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

RM 5400, REGENT FORMS, PENNSAUKEN, N.J. 08109

EXHIBIT "B"

B&M SERVICE, Inc.

P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 18655

TO _____

LOCATION _____ ORDER NO. _____

DATE 9-19-77

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____

MOUNTAIN WEST OFFICE PRODUCTS

COMPANY REPRESENTATIVE

INVOICE

No. 9914

290

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 888 • RANGELY, COLORADO 81648

676-2277 • 675-8639

Jack Grynberg and Assoc.
Ste 1950
1050 17th Street
Denver, CO 80202

INVOICE DATE: December 28, 1976

OUR ORDER NO.:

YOUR ORDER NO.:

TERMS: F.O.B.:

SALESMAN:

SHIPPED VIA:

SHIPPED TO: Grynberg 24-6

PPD. OR COLL.:

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	December 23, 1976 ticket 5560-5561-10073		
	Haul water from City water plant to the above location.		
	truck # 32 27 hrs. @ 26.00	702.00	
	water 67550 gal. @ 85C per 1000	57.42	759.42

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

FORM 1660, REGENT FORMS, PENNSAUKEN, N.J. 08109

B&M SERVICE, Inc.
P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 10073

TO _____

ORDER NO. _____

LOCATION _____ DATE _____

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____
COMPANY REPRESENTATIVE

MOUNTAIN WEST OFFICE PRODUCTS

B&M SERVICE, Inc.
P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 5561

TO _____

ORDER NO. _____

LOCATION _____ DATE _____

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____
COMPANY REPRESENTATIVE

MOUNTAIN WEST OFFICE PRODUCTS

B&M SERVICE, Inc.

P.O. BOX 885
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 5560 V

TO _____

ORDER NO. _____

LOCATION _____ DATE _____

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____

MOUNTAIN WEST OFFICE PRODUCTS — COMPANY REPRESENTATIVE

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B+M Service Co. DATE 12-24-76

ADDRESS Box 588 Rangely, Colo. GALLONS 3550 gal
3552 gal
3557 gal
3552 Gal
3550 gal
3557 Gal

RECEIVED BY Roy Thompson TOTAL
Shumway

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B+M Service Co DATE 12-23-7

ADDRESS Box 588 Rangely Colo GALLONS 3552 gal
3552 gal
3552 Gal
3553 gal
3550 gal

RECEIVED BY Roy Thompson TOTAL
Shumway

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B+M Service DATE Dec 23 76

ADDRESS GALLONS 100 Blks 3420

RECEIVED BY Roy Wade Thompson TOTAL

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B+M Service DATE 12-26-76

ADDRESS GALLONS 100 BBLS } 12,600 gal
100 BBLS
100 BBLS

RECEIVED BY Roy Wade Thompson TOTAL

TOWN OF RANGELY
WATERWORKS DEPARTMENT

SOLD TO B+M Service DATE 12-26-76

ADDRESS GALLONS 100 BBLS } 8400 gal
100 BBLS

RECEIVED BY Roy Wade Thompson TOTAL

Total gal 67,550

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 808 • RANGELY, COLORADO 81648

675-2277 • 675-8639

INVOICE

No. 9971

292 PLT

INVOICE DATE: January 17, 1977

OUR ORDER NO.

YOUR ORDER NO.

TERMS F.O.B.

SALESMAN

SHIPPED VIA

Jack Grynberg and Assoc.
Ste. 1950
1050 17th St.
Denver, CO 80202

SHIPPED TO: Colorado Well Service rig # 99

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	January 15, 1977 ticket 10705 - 5686		
	Went to the above location and load sub and hauled to Rangely and unload at Colo. Well yard. Chained up and pulled out.		
	Pull truck loaded with C.W.S. rig # 99 sub out of gulley.		
	truck # 45 10 hrs. @ 35.75	357.50	
	lowboy# 141 10 hrs. @ 15.25	152.50	
	truck # L-70 3 hrs. @ 30.25	90.75	
	swamper 3 hrs. @ 6.75	20.25	621.

Accounts 30 days past due or ov
subject to 1½% Service Charge
month, which is 18% per year.

FORM 1400, REGENT FORMS, PENNSAUKEN, N.J. 08109

B&M SERVICE, Inc.

P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 10705

TO

ORDER NO.

LOCATION

DATE 1-15-79

DESCRIPTION OF WORK

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
	10½		
	10½		

DRIVER
MOUNTAIN WEST OFFICE PRODUCTS

APPROVED
COMPANY REPRESENTATIVE

INVOIC.

No. 9908

290

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 889 • RANGELY, COLORADO 81648

675-2277 • 675-8639

INVOICE DATE: December 27, 1976

OUR ORDER NO:

YOUR ORDER NO:

TERMS: F O B

SALESMAN:

SHIPPED VIA:

Jack Grynberg & Assoc.
Ste. 1950
1050 17th St,
Denver, CO 80202

SHIPPED TO

24-6

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	December 23,24, 1976 ticket 10071-10072		
	Haul water to frac masters at the above location.		
	truck # 38 8 hrs. @ 28.40	227.20	227.20

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

ORM 1400, REGENT FORMS, PENNSAUKEN, N.J. 08109

B&M SERVICE, INC.
P O BOX 888
RANGELY, COLORADO 81648
PHONE 303 675 2277

№ 10072

TO [illegible]

LOCATION [illegible] ORDER NO

DATE 12-23-76

DESCRIPTION OF WORK Haul water to frack water at above

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
	10		

DRIVER [illegible] APPROVED

MOUNTAIN WEST OFFICE PRODUCTS COMPANY REPRESENTATIVE

B&M SERVICE, Inc.
P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 10071

TO [illegible]

LOCATION [illegible] ORDER NO

DATE 12-23-76

DESCRIPTION OF WORK Haul in misc. frac tks & frac materials to location

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
	2		

DRIVER [illegible] APPROVED

MOUNTAIN WEST OFFICE PRODUCTS COMPANY REPRESENTATIVE

INVOICE

No. 9938

29

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 888 • RANGELY, COLORADO 81648

676-2277 • 675-3639

INVOICE DATE: January 6, 1977

OUR ORDER NO:

YOUR ORDER NO:

TERMS: F.O.B.

SALESMAN:

SHIPPED VIA:

Jack Grynberg and Assoc.
Ste. 1950
1050 17th St.
Denver, CO 80202

SHIPPED TO: Fed. 44-6

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	January 4, 1977 ticket 10097		
	Hauled a load of water from city water works to pump in flat tank at the above location.		
	truck # 33 4 hrs. @ 26.00	104.00	
	water- 4200 gal. @ .85 per 1000	3.57	107.57

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

FORM 1100 REGENT FORMS PENNSAUKEN, N.J. 08109

B&M SERVICE, Inc.

P O BOX 885
RANGELY, COLORADO 81648
PHONE 303 675 2277

№ 10097

TO _____

ORDER NO _____

LOCATION _____ DATE _____

DESCRIPTION OF WORK _____

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS

DRIVER _____ APPROVED _____

MOUNTAIN WEST OFFICE PRODUCTS — COMPANY REPRESENTATIVE

TOWN OF RANGELY
WATER/SEWER DEPARTMENT

SOLD TO B & M Service DATE Jan 4-7

ADDRESS Rangely GALLONS

100 bbls

RECEIVED BY Glenn R. Smithey TOTAL

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 888 • RANGELY, COLORADO 81640

675-2277 • 675-8638

No. A-2145

366

Jo. L. Grynberg & Assoc. 10-14-78

John Cowan
Box 506
Granbury, TX 76048

INVOICE DATE: June 10,1978

OUR ORDER NO.

YOUR ORDER NO.

TERMS F.O.B.

SALESMAN

SHIPPED VIA

SHIPPED TO: Grynburg 1-16

PPD. OR COLL.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	June 6,1978 ticket 20690		
	Went 18 miles north of Craig, picked up 150 BBL tank and broughtto the above location and set.		
	truck # 40 8 hrs. @ 34.50	276.00	276.00

FORM 1400. REGENT FORMS, BELLMAWR, N.J. 08030.

COLLECTION NOTICE

FINAL NOTICE

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 888 • RANGELY, COLORADO 81648

(303) 675-2277 or (303) 675-8638

This bill is now Long Past Due. Please remit today, or contact us to avoid Final Action.

Amount $ 276.00

To: ~~John Cowan~~ Jack Grynberg and Assoc.
~~P.O. Box 506~~ 1050 17th St. Ste. 1950
~~Granbury, TX~~ 76048 Denver, CO 80265

Date(s) June 6, 1978
and/or
Invoice No.(s) A-2145

1 st. notice 9-26-78
2 nd. notice 11-7-78

If Your Remittance Has Been Mailed Please Disregard This Notice

INVOICE

No. A-2145

366

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 808 • RANGELY, COLORADO 81648

675-2277 • 675-8039

INVOICE DATE	Oct. 14, 1978
OUR ORDER NO.	
YOUR ORDER NO.	
TERMS	F.O.B.
SALESMAN	
SHIPPED VIA	

Jack Grynberg and Associates
1050 17th St.
Suite 1950
Denver, CO 80265

SHIPPED TO Grynberg 1-16

PPD. OR COLL.

QUANTITY	DESCRIPTION		PRICE	AMOUNT
	June 6,1978	ticket 20690		
	Loaded and hauled 150 BBL tank from 18 miles north of Craig to the above location.			
	truck # 40	8 hrs. @ 34.50	276.00	276.00

FORM 1400, REGENT FORMS, BELLMAWR, N.J. 08030

J. K GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 -- 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

October 12, 1978

B & M Service Co., Inc.
P.O. Box 888
Rangely, Colorado 81648

Dear Sir,

Attached please find a copy of a bill, invoice # A-2145. This bill was sent to John Cowan in Granbury, Texas. Could you please rebill this invoice, sending the revised bill to Jack Grynberg and Associates at the above Denver address? Upon receipt of the revised bill, we will send you a check.

Sincerely yours,

JACK GRYNBERG AND ASSOCIATES

Diane Schaenen

Diane Schaenen
Accountant

Attachment

Mailed

Please . . .

WE'D APPRECIATE
YOUR ATTENTION!

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 888 • RANGELY, COLORADO 81648

(303) 675-2277 or (303) 675-8639

Our records do not reflect payment of your account. If your remittance has already been forwarded, please disregard this notice. Thank you.

To John Cowan
P.O. Box 506
Granbury, TX 76048

GRANBURY, TEXAS

OCT 2 Rec'd

Amount $ 276.00

Date(s) June 6, 1978

and/or

Invoice No.(s) A-2145

1 st. notice 9-26-78

B&M SERVICE, Inc.

P.O. BOX 888
RANGELY, COLORADO 81648
PHONE 303-675-2277

№ 20690

TO [illegible]

ORDER NO.

LOCATION [illegible] DATE 6-6-72

DESCRIPTION OF WORK Met Union with a Crane & picked up 150 bbl tank brought back to Rangely and set to the above location and set

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
110	8		

DRIVER [illegible]

APPROVED

COMPANY REPRESENTATIVE

MOUNTAIN WEST OFFICE PRODUCTS

INVOICE.

No. 9900

389 PLT

Oil Field Hauling

B & M SERVICE CO., INC.

P. O. BOX 688 • RANGELY, COLORADO 81648

875-2277 • 675-8639

INVOICE DATE: December 23, 1976

O. K'D BY/ORDER NO:

YOUR ORDER NO:

TERMS: F.O.B.

SALESMAN:

SHIPPED VIA:

Jack Grynberg and Assoc.
Ste. 1950
1050 17th Street
Denver, CO 80202

SHIPPED TO: 24-6

PPD OR COL:

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	December 22, 1976 ticket 13591		
	Road to the above location, lay tbg. down on float haul to new location wait on rig to run tbg. back in.		
	truck # L-70 12 hrs. @ 30.25	363.00	363.00

Accounts 30 days past due or over subject to 1½% Service Charge per month, which is 18% per year.

JRM 1400 REGENT FORMS, PENNSAUKEN, N.J. 08109

B&M SERVICE, Inc
P O BOX 188
RANGELY, COLORADO 81648
PHONE 303-675-2277

No 13591

TO [illegible]

LOCATION 7-11-6 ORDER NO.

DATE 12-22-76

DESCRIPTION OF WORK Road Grading Location San Arroyo
[illegible] Road Location Cactus
[illegible]

EQUIPMENT USED	HOURS	SWAMPER TIME	HOURS
[illegible]	12		

DRIVER [illegible]
MOUNTAIN WEST OFFICE PRODUCTS

APPROVED

COMPANY REPRESENTATIVE

STATE OF COLORADO,
County of Rio Blanco.) ss.

Certified to be full, true and correct
copy of original in my custody.
WITNESS my hand and the Seal of Said
Court this 6th day of May

Andrea Moore McLane
Dep Clerk of the County Court
5th Dist

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 24
Submitted by MESA
Hearing Date 5-12-82

IN THE DISTRICT COURT IN AND FOR THE

COUNTY OF RIO BLANCO

STATE OF COLORADO

Civil Action No. C-3917

A.J.CARTER, a/k/a ANTHONY J. CARTER, Plaintiff, vs JACK T. GRYNBERG and JACK GRYNBERG AND ASSOCIATES, Defendants.	COMPLAINT TO FORECLOSE MECHANIC'S LIEN

COMES NOW the Plaintiff above named by and through his attorneys, Feldhamer, Plotz & Eskwith, P.C., and alleges as follows:

1. That the Defendants above named are the record owners of federal oil and gas leases more particularly described as follows, to-wit:

Federal Oil and Gas Lease number C-558:
Lots 9 through 14 inclusive in Section 6, T1S, R102W, 6th P.M., Rio Blanco County, Colorado.

Federal Oil and Gas Lease number C-560:
Lots 6, 7 and 8, Section 5, T2S, R102W, 6th P.M., together with Lot 8, Section 6, T2S, R102W, 6th P.M., Rio Blanco County, Colorado.

2. That Plaintiff performed engineering services at the instance and request of the Defendants the reasonable value of which is $3,231.58.

3. That Plaintiff has recorded his lien statement in the amount of $3,231.58 on April 18, 1977, in Book 368 Page 849 of the records of Rio Blanco County, Colorado. A copy of said Lien Statement is attached hereto, marked Exhibit A, and incorporated herein by reference.

4. That there is due the Plaintiff, $3,231.58 for said engineering services, together with allowable costs and interest at the legal rate.

5. That pursuant to 38-24-101 through 111 of the Colorado Revised Statutes, 1973, as amended, the Plaintiff has a mechanic's lien upon the interest of the Defendants, upon the above described real property and upon all materials and supplies furnished in drilling operations on the above described leases together with the well or wells, casing, valves, and wellheads, and together with all oil, gas or other hydrocarbon substances on or in the above described leases to which the Defendants have any right, title or interest.

WHEREFORE, Plaintiff prays for judgement against the Defendants in the amount of $3,231.58 plus costs and interest; that the Court decree that the Plaintiff has a first lien upon the property described herein; for foreclosure of said lien; and for such other relief as may be proper.

Respectfully submitted:

FELDHAMER, PLOTZ & ESKWITH, P.C.

BY: _____

David J. Myler
Attorney at Law
P.O. Box 986
Rangely, Colorado 81648
Telephone No. 675-2433
Registration No. 006746

EXHIBIT A

TO ALL WHOM IT MAY CONCERN:
KNOW YE, that A.J. CARTER

wishing to avail himself of the provisions of the statute in such cases made and provided, makes the following statement of lien:

FIRST. --That the names of the owners or reputed owners of such property to be charged with the lien are JACK T. GRYNBERG, JACK GRYNBERG and ASSOCIATES

SECOND. --That the name of the person claiming the lien is A.J. CARTER

Principal Contractor

That the name of the person who furnished the material or performed the labor or services, or supplied the machinery, tools or equipment for which said lien is claimed is A.J. CARTER.

THIRD. --That the property to be charged with such lien is described as follows:

The entire leasehold interest of Jack T. Grynberg and Grynberg and Associates in and to Federal Oil and Gas leases no. C-558 and C-560 located in Section 5 and 6 T25, R102W, 6th P.M., Rio Blanco County, Colorado, together with all materials and supplies furnished in drilling operation on the above described lease together with the well or wells, casing, valves and wellheads drilled on the above described leases, and together with all oil, gas or other hydrocarbon substances on or in the above described leases to which the above named owners have any right or title.

situate in the County of Rio BlancoState of Colorado. That the said lien is held for and on account of Engineering services performed by claimant at the request of the owner; services ending December 31, 1976.

FOURTH. --That the amount of indebtedness due or owing the claimant for which said lien is claimed, for material furnished, labor and services performed, machinery, tools and equipment supplied is $3,231.58, together with interest thereon at the legal rate.

Claimant

By

STATE OF COLORADO)
) ss.
COUNTY OF RIO BLANCO)

I, A.J. Carter, being of lawful age and being first duly sworn upon oath, do say that I am A.J. Carter the claimant herein named; that I have read the within statement of lien and abstract of indebtedness and know the contents thereof; and that the same is true and correct, to the best of my knowledge and belief, and is made on behalf of the claimant.

Subscribed and sworn to before me this 5th day of April, 1977.

My commission expires: January 10, 1981.

Witness my hand and official seal.

Notary Public

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 25
Submitted by MESA
Hearing Date 5-17-82

IN THE DISTRICT COURT IN AND FOR THE

COUNTY OF RIO BLANCO AND

STATE OF COLORADO

Civil Action No. C-2267

DOWELL DIVISION OF THE DOW CHEMICAL COMPANY, a Delaware corporation,

Plaintiff,

vs.

JACK GRYNBERG, Individually and d/b/a JACK GRYNBERG & ASSOCIATES; W. H. BROWN; CAMAY DRILLING COMPANY, a corporation; CAMAY DRILLING COMPANY, a partnership; M. LUSKIN, Individually and d/b/a CAMAY DRILLING COMPANY; COLORADO AIR DRILLING, INC., a Colorado corporation; CONTINENTAL OIL COMPANY, a Delaware corporation; FRANKLIN ASTON & FAIR, INC., a New Mexico corporation; and NORTHLAND RESOURCES COMPANY, a corporation,

Defendants.

4th

CLERK

C O M P L A I N T

Plaintiff alleges:

FIRST CLAIM

1. The defendant Jack Grynberg, individually and d/b/a Jack Grynberg & Associates, is and was at all times pertinent to the occurrence of the circumstances which gave rise to the institution of this action, a working interest owner or an owner of operating rights of record in certain oil and gas leases authorizing development for oil and gas of real property located in Rio Blanco County, Colorado, including the following described tracts:

Township 2 South, Range 102 West, 6th P.M.
Section 6: SE-1/4 SE-1/4, SE-1/4 SW-1/4; together with all appurtenances and improvements thereto and thereon.

The oil and gas wells which are involved in this action are as follows:

A. Dragon Trail 44-6 Well, located in the SE-1/4 SE-1/4 of said Section 6.

B. Grynberg 24-6 Well, also known as Federal 24-6 Well, located in the SE-1/4 SW-1/4 of Section 6.

2. At some time prior to December 18, 1976, with reference to the Dragon Trail 44-6 Well, and at some time prior to December 28, 1976, with reference to the Grynberg or Federal 24-6 Well, the defendant Jack Grynberg, Individually and d/b/a Jack Grynberg & Associates and/or his employees, agents or contractors undertook to, and did, drill or cause to be drilled the Dragon Trail 44-6 Well and the Grynberg or Federal 24-6 Well and, in connection with the drilling, completing, reworking and/or treating said wells, the said defendant Jack Grynberg, Individually and d/b/a Jack Grynberg & Associates, acting by and through his authorized employees, agents, representatives and/or contractors, contracted with plaintiff to furnish labor and materials at each of said well sites.

3. Pursuant to said contracts, plaintiff duly furnished materials and labor at the above described well sites, as follows:

A. On December 18, 1976, plaintiff performed the services and furnished the materials outlined in Exhibit A attached hereto and made a part hereof, for an agreed total charge of $8,775.65 on the Dragon Trail 44-6 Well.

B. On December 28, 1976, plaintiff performed the services and furnished the materials as set forth on Exhibits B and C attached hereto and made a part hereof, for agreed total charges of $55,055.20 on the Grynberg or Federal 24-6 Well.

4. All of the real property described in paragraph 1 hereof is necessary for the use and operation of the improvements for which plaintiff's labor and materials were furnished.

5. As evidenced by Exhibit D attached hereto and made a part hereof, plaintiff duly and timely recorded its Statement of Lien in the office of the Clerk and Recorder of Rio Blanco County, Colorado, on June 15, 1977, and this lien statement appears in Book 370 at page 8.

6. There is presently due and owing plaintiff $8.00 in recording fees, $60.00 for foreclosure certificate, and the following additional amounts:

A. $8,775.65 for services rendered and materials furnished on Dragon Trail 44-6 Well, with interest at the legal rate from December 18, 1976.

B. $55,055.20 for services performed and materials furnished on the Grynberg or Federal 24-6 Well, with interest at the legal rate from December 28, 1976.

Despite demand, Jack Grynberg, Individually and d/b/a Jack Grynberg & Associates, has failed and refused to make payment of all or any part of the above amount.

7. The defendant Colorado Air Drilling, Inc. claims a lien against the Dragon Trail 44-6 Well for $8,495.81, as described in a certain Statement of Lien recorded July 7, 1977 in Book 370 at page 500. If said lien is property authenticated, plaintiff alleges that the same is of equal priority with the liens claimed by plaintiff.

8. The remaining defendants in this action, other than Colorado Air Drilling, Inc., claim or may claim interests in the real property described in paragraph 1, the oil and gas leases, the aforesaid Wells and machinery, equipment, tanks and pipelines located at said Well sites superior to the lien claim of this plaintiff by virtue of recorded or unrecorded documents, but plaintiff's lien statement was a matter of public record prior to the recording of the documents giving rise to any claims that said defendants may have against said real property and the oil and gas wells situate thereon, and as a result the lien claims of plaintiff are superior to any right, title, lien or other interest which any of said parties claim or may claim.

9. Plaintiff has mechanic's liens upon the oil and gas wells situate on the real property described in paragraph 1 above, as well as upon the leasehold, working and operating interests in and upon the real property upon which said wells are located,

together with all machinery, materials, tanks, pipelines and supplies furnished to the said well sites related to the exploration and production of oil and gas, and all oil and gas and petroleum products produced from said wells.

10. The defendant Camay Drilling Company is designated a defendant herein as a corporation, partnership and proprietorship as M. Luskin, d/b/a Camay Drilling Company, since there is nothing of record in Rio Blanco County, Colorado, to indicate the form of business organization of said company.

11. This Court has in personam as well as in rem jurisdiction against all non-resident defendants in this cause, due to the fact that all of said defendants have transacted business within the State of Colorado and this cause of action arises from the ownership, use or possession of real property located within this State.

WHEREFORE, plaintiff prays for the following relief under its First Claim:

1. For a Decree establishing that plaintiff has a first lien or a lien of equal priority with the defendant Colorado Air Drilling, Inc. upon the Dragon Trail 44-6 Well, the site upon which said Well is located, and any and all machinery, supplies and materials furnished to and located upon said Well site, together with all oil and gas and petroleum products produced from said Well, in the amount of $8,775.65 & interest from December 18, 1976.

2. That the aforesaid Decree further establish that plaintiff has a first lien upon the Grynberg or Federal 24-6 Well, the site upon which it is located, machinery, materials and supplies furnished to said Well site and situate thereon, and all oil and gas and petroleum products produced from said Well from December 28, 1976 to date, in the amount of $55,055.20, plus interest from December 28, 1976.

3. For an Order within said Decree foreclosing said liens and allowing costs of foreclosure, including $6.00 in recording

fees and $60.00 for foreclosure certificate.

4. For such other and further relief as to this Court may seem just in the premises.

SECOND CLAIM

Plaintiff alleges against, and only against, the defendant Jack Grynberg, d/b/a Jack Grynberg & Associates, as follows:

1. Plaintiff incorporates by reference the allegations set forth in paragraphs 1, 2, 3 and 6 of plaintiff's First Claim.

2. Plaintiff, having duly rendered said services and furnished said materials on the aforesaid dates, that said defendant is indebted to plaintiff on open account in the amount of $63,830.85, interest from on or about December 28, 1976, and plaintiff's costs expended.

3. Despite demand made by plaintiff upon said defendant for payment, the same remains unpaid and fully due and owing.

WHEREFORE, plaintiffs prays for judgment for $63,830.85 on open account against the defendant Jack Grynberg, Individually and d/b/a Jack Grynberg & Associates, with interest and costs as set forth above, and for such other and further relief as may seem just.

KELLY, STANSFIELD & O'DONNELL

By: Fletcher Thomas
Fletcher Thomas, #3168
Suite 990, 550 - 15th Street
Denver, Colorado 80202
Telephone: 825-3534
Attorneys for Plaintiff

Address of Plaintiff:

815 Metrobank Building
Denver, Colorado 80202

DOWELL

Please indicate on all remittances
and send to: P.O. BOX 346
TULSA, OKLAHOMA 74101
(REMIT TO ABOVE ADDRESS)

10-03-1455

CODE & JOB COUNT 1501

TERMS: DUE END OF MONTH FOLLOWING MONTH OF SALE

DISTRICT NUMBER	DATE	CUSTOMER P.O. NUMBER	SHIPPED VIA	SERVICE FROM DOWELL LOCATION	STATE NO.
36389	12-18-76		Dowell	Vernal	05

Dragon Trail 44-6 — LOCATION AND POOL: Sec 6 Twp 25 Rge 102W
CITY LIMITS & STATE: Rio Blanco Colo — TYPE OF SERVICE: Acid

SERVICE ORDER

I have read, understood and agreed to the terms & conditions printed on the reverse side hereof and represent that I have full authority to accept same and

CUS[illegible]

Jack Grynberg & Associates
Suite 1950 Prudential Plaza Tower
1050 17th Street
Denver, Colorado 80202

SERVICE INSTRUCTIONS:

ITEM NO	QUANTITY	UNIT	Material, Equipment and Services Used	Unit Price	AMOUNT
0101-000	6000	gal	12-3 Mud Acid	.90	5400
2206-100	120	lbs	L-41 Iron Sequester	1.25	150
1013-055	12	gal	A-12C Inhibitor	19.25	17
3050-055	12	gal	F-78 Surfactant	19.50	23
1017-050	450	lbs	J-227 Diverter	1.00	450
1200-001	250	mi	Pumper Unit	1.45	362.5
2000-007	1	ea	DRC	725.00	725
			SUB TOTAL		8,552.00
			Gallons License Fee		
			Gallons License Fee		
			Colorado Tax on $ 7455.00 3 %		223.65
			Tax on $		
			TOTAL		$8775.65

CNTY AND SSA NUMBER 10301

"Seller warrants that all good or services furnished hereunde comply with the requirements o the Fair Labor Standards Act o 1938 as amended."

EXHIBIT A

12-18-76

DOWELL REPRESENTATIVE: Grynberg — EMPLOYEE UNIT: ERC

CUSTOMER

DOWELL DIVISION OF THE DOW CHEMICAL COMPANY

Please indicate on all remittances and send to: P.O. BOX 348, TULSA, OKLAHOMA 74101
(REMIT TO ABOVE ADDRESS)

SERVICE NO. 15-08-1470
SHOW THIS NUMBER ON ALL REMITTANCES

DALLAS CODE & JOB COUNT: 1101

TERMS: DUE END OF MONTH FOLLOWING MONTH OF SALE

CUSTOMER NUMBER	DATE	CUSTOMER P.O. NUMBER	SHIPPED VIA	SERVICE FROM DOWELL LOCATION	STATE NO
363189	12-28-76		Dowell	Vernal Utah	05

WELL NAME AND NUMBER	LOCATION AND POOL
Federal 24-6	Sec 6 TWP 2S Rge 102W

COUNTY CITY (IF WITHIN CITY LIMITS) & STATE	TYPE OF SERVICE
Rio Blanco Colo	3% DuoFrac Co2 Breakdown

SERVICE ORDER

I have read understood and agreed to the terms conditions printed on the reverse side hereof or represent that I have full authority to accept same and execute this order.

CUSTOMER'S NAME: Zack Grynberg & Assoc
ADDRESS: 1050 17th Street Suite 1950
CITY STATE & ZIP CODE: Denver Colorado ZIP CODE 80202

SERVICE INSTRUCTIONS:

ITEM NO.	QUANTITY	UNIT	Material, Equipment and Services Used	Unit Price	AMOUNT
8400-000	1	Ea	0-10 BAM Blender	365.00	365.00
8076-008	1	Ea	Turbine Pumper	1030.00	1030.00
8469-008	1	Ea	Co2 Turbine Pumper	900.00	900.00
8467-000	1	Ea	Co2 Booster Pump	485.00	485.00
001-018	1000	Gal	28% H.C.L.	.94	940.00
8079-000	1	Ea	Ball Injector	80.00	80.00
7-023-100	46	Ea	1.3 Ball Sealers	.82	37.72
1013-055	5	Gal	A-170 Inhibitor	14.25	71.25
2006-100	50	lbs	SL-41 Iron Sequestering	1.25	62.50
			SUB TOTAL		3971.47
			Gallons License Fee		
			Gallons License Fee		
11	S 3%	Colorado	Tax on $ 1111.47		33.34
			Tax on $		
			TOTAL		$4004.81

CITY AND SSA NUMBER: 10301

"Seller warrants that all goods or services furnished hereunder comply with the requirements of the Fair Labor Standards Act of 1938 as amended."

EXHIBIT B

074 17

DOWELL REPRESENTATIVE: Burl Kerr CSL

RECEIPT: THE UNDERSIGNED HEREBY ACKNOWLEDGES THAT THE MATERIALS AND EQUIPMENT LISTED ABOVE WERE RECEIVED AS THE SERVICES WERE PERFORMED IN A WORKMANLIKE MANNER.

CUSTOMER: L. L. Gilbreath

PRINTED IN U.S.A.

DOWELL

A DIVISION OF THE DOW CHEMICAL COMPANY

Please indicate on all remittances
and send to P.O. BOX 346
TULSA, OKLAHOMA 74101
(REMIT TO ABOVE ADDRESS)

SEE CODE A JOB COUNT
2401

TERMS: DUE 8TH OF MONTH FOLLOWING MONTH OF SALE

12-03-76 | 1476

ON THIS NUMBER ON ALL REMITTANCES

CUSTOMER NUMBER	DATE	CUSTOMER ORDER NUMBER	SHIPPED VIA	SERVICE FROM DOWELL LOCATION STATE NO.
363184	Dec 28-76		Dowell	Vernal Utah 05

LEASE AND NUMBER	LOCATION AND POOL	SERVICE ORDER
Federal 24-6	Sec TWP Range	

CITY (IF WITHIN CITY LIMITS) & STATE	TYPE OF SERVICE	
Rio Blanco Colo	CO2 Frac 30% Duofrac	

I have read, understood and agreed to the terms & conditions printed on the reverse side hereof and represent that I have full authority to accept same and sign [illegible]

CUST. [illegible]

CUSTOMER'S NAME: Frack Grynberg & Assoc

ADDRESS: 1050 17th Street
Suite 1950

CITY, STATE & ZIP CODE: Denver Colorado ZIP CODE 80202

Page 1 of 2

SERVICE INSTRUCTIONS:

ITEM NO.	QUANTITY	UNIT	Material, Equipment and Services Used	Unit Price	AMOUNT
101-000	3500	Gal	12-3 Mud Acid	.90	3150.00
201-018	3000	Gal	28% H.C.L.	.94	2820.00
201-019	3600	Gal	28% H.C.L.	.91	3276.00
213-055	40	Gal	A-170 Inhibitor	14.25	570.00
206-100	383	Lbs	L-41 Iron Sequestant	1.25	478.75
003-052	7	Gal	M-35W Silicate Control	11.00	77.00
274-050	2700	Lbs	Cold water Gelling	.230	6210.00
250-055	150	Gal	F-78 Frac Flo	19.50	2925.00
011-001	7	Cwt	Potassium Chloride	15.00	105.00
032-000	300	Cwt	30000 lbs 100 Mesh	6.85	2055.00
105-000	1040	Cwt	104000 lbs 10/20 Sand	4.75	4940.00
110-000	300	Cwt	Prep Pump chg 100 mesh	.20	60.00
110-000	1040	Cwt	Prep Pump chg 10/20	.45	468.00
100-000	4550	TM	Hauling Sand 70 miles one way	.40	1820.00
200-001	770	mi	mileage 11 Units 1 way	1.15	885.50
079-000	1	Ea	Ball Injector	80.00	80.00
023-100	10	Ea	1.3 Ball Sealers	.82	8.20
469-008	1	Ea	CO2 Turbine Pumper	900.00	900.00
467-000	1	Ea	CO2 Centrifical Pump	485.00	485.00
			CONTINUED ON ANOTHER SUB TOTAL Page		
			Gallons License Fee		
			Gallons License Fee		
	%		Tax on $		
	%		Tax on $		
			CNTY AND SSA NUMBER	TOTAL	$

"Seller warrants that all goods or services furnished hereunder comply with the requirements of the Fair Labor Standards Act of 1938 as amended."

EXHIBIT C

DOWELL REPRESENTATIVE: Bud Lutz

RECEIPT: THE UNDERSIGNED HEREBY CERTIFIES THAT THE MATERIALS AND EQUIPMENT LISTED ABOVE WERE USED IN THE SERVICES WERE PERFORMED IN A WORKMANLIKE MANNER

CUSTOMER BY: C.G.E.

PRINTED IN U.S.A.

15-03-1496

(Please indicate on all remittances and send to P.O. BOX 346 TULSA, OKLAHOMA 74101 (REMIT TO ABOVE ADDRESS)

ACCT CODE & JOB COUNT 2701

TERMS: DUE END OF MONTH FOLLOWING DATE OF SALE

CUSTOMER NUMBER	DATE	CUSTOMER P.O. NUMBER	SHIPPED VIA	SERVICE FROM DOWELL LOCATION	STATE NO
363187	Dec 21-76		Dowell	Vernal	05

WELL NAME AND NUMBER	LOCATION AND POOL
Federal 24-6	
CITY (IF WITHIN CITY LIMITS) & STATE	TYPE OF SERVICE
R.O Blanco Colo	3% Duofine Co2

CUSTOMER'S NAME: Jack Grynberg & Assoc 2 of 2

ADDRESS: 1050 17th Street Suite 1950

CITY STATE & ZIP CODE: Denver Colorado 80202

SERVICE ORDER

I have read understood and agreed to the terms & conditions printed on the reverse side hereof and represent that I have full authority to accept same and sign this order.

CUST

SERVICE INSTRUCTIONS:

ITEM NO.	QUANTITY	UNIT	Material, Equipment and Services Used	Unit Price	AMOUNT
402-000	1	EA	27 BPM Blender	490.00	490.00
000-010	1912	HHP	20 BPM @ PSI	2.10	4015.20
005-000	1	EA	Co2 & milage	9081.25	9081.25
399-000	140	HRS	Standby on Co2 Trucks	3500	490.00
~~407-000~~			SUB TOTAL		49,799.90
407-600	100	TON	Gallons Co2 License Fee	1.25	125.00
			Gallons License Fee		
$ 3%	Colorado		Tax on $ 37,516.20		1123.41
%			Tax on $		

CNTY AND SSA NUMBER 10301

TOTAL $51,050.39

"Seller warrants that all goods or services furnished hereunder comply with the requirements of the Fair Labor Standards Act of 1938 as amended."

OTHT

SERVICE REPRESENTATIVE: Bud Hoof

DISTRICT: CGR

RECEIPT OF ITEMS AND SERVICES LISTED ABOVE IS ACKNOWLEDGED AND THE SERVICES WERE PERFORMED IN A WORKMANLIKE MANNER

CUSTOMER: K. M. Linard

PRINTED IN U.S.A.

State of Colorado, Rio Blanco County
Received for record ... at ... o'clock ... M. ... Recorder
By Wayne R. Wagner

Reception No. 175472

STATEMENT OF LIEN

BOOK 370 PAGE 08

TO ALL WHOM IT MAY CONCERN:

KNOW YE, that Dowell Division of The Dow Chemical Company, a Delaware corporation authorized to carry on business in the State of Colorado, wishing to avail itself of the provisions of the statutes in such case made and provided, makes the following statement of lien:

FIRST: That the name of the owner, operator, or other interest holder in and to the properties to be charged with the lien is Jack Grynberg & Associates, 1050 17th Street, Suite 1950, Denver, Colorado, 80202. There may be other individuals or corporations who have an interest or interests in said properties, but such party or parties are presently unknown to Claimant.

SECOND: That the name of the party who furnished the materials and performed the labor for which said lien is now claimed is Dowell Division of The Dow Chemical Company (Dowell), with district offices located at 815 Metrobank Building, Denver, Colorado, 80202

THIRD: That the properties to be charged with such lien are described as follows:

Twp. 2 S., Range 102 W., 6th P.M.,
Rio Blanco County, Colorado -
Section 6: SE¼SE¼, SE¼SW¼; together with all appurtenances and improvements thereto and thereon, specifically including but without limitation the following:

(a) Those certain oil and gas wells located upon the premises described above known as follows:

(1) Dragon Trail 44-6 Well, located in the SE¼SE¼ of said Section 6

(2) Grynberg 24-6 Well, also known as Federal 24-6 Well, located in the SE¼SW¼ of said Section 6.

(b) Any machinery, materials and supplies furnished to the properties described above; and

(c) All oil and gas and petroleum products produced from the Dragon Trail 44-6 Well from December 18, 1976 to date, and from the Grynberg 24-6 Well, also known as Federal 24-6 Well, from December 28, 1976 to date.

Said lien claim is held for and on account of labor, services and materials performed, rendered and furnished as follows: Acidizing, inhibiting, pumping, sealing, sand fracturing and other related functions at the well sites for which charges were made as follows:

Dragon Trail 44-6 Well	$ 8,775.65
Grynberg 24-6 Well	55,055.20

EXHIBIT D

FOURTH: That there has been no payment made on said accounts, so there is a total balance of $63,830.85 owing, plus interest at the legal rate to date of payment.

FIFTH: The labor, services and materials performed, rendered and furnished as aforesaid were done pursuant to and by virtue of contracts between Dowell and Grynberg & Associates and one or more of their authorized representatives, which parties were authorized to act and acted in behalf of said Associates and any and all other parties who may claim an interest in and to said wells and the real properties upon which they are located.

DOWELL DIVISION OF THE DOW CHEMICAL COMPANY
A Delaware Corporation

By Fletcher Thomas
Its Agent and Attorney

STATE OF COLORADO)
:ss.
CITY AND COUNTY OF DENVER)

I, Fletcher Thomas, being of lawful age and being first duly sworn upon oath do say:

That I am the agent and attorney for the Denver District of Dowell Division of The Dow Chemical Company, a Delaware corporation, the Claimant herein named; that I have read the within Statement of Lien and know the contents thereof; that the same is true and correct to the best of my knowledge, information and belief, and is made on behalf of the Claimant.

Fletcher Thomas
Fletcher Thomas

Subscribed and sworn to before me this 14th day of June, 1977.

Witness my hand and official seal.

My commission expires November 21, 1977.

[illegible]
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing Statement of Lien on Grynberg & Associates by depositing a true and correct copy thereof in the United States mail, postage prepaid, addressed to Grynberg & Associates, 1050 17th Street, Suite 1950, Denver, Colorado, 80202, on the 14th day of June, 1977.

[illegible]

STATE OF COLORADO,)
County of Rio Blanco.) ss.

Certified to be full, true and correct copy of original in my custody.
WITNESS my hand and the Seal of Said Court this 5 day of May 82

Andrea Moon Molina
Dep. Clerk of the County Court

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 26
Submitted by MESA
Hearing Date 5-17-82

IN THE DISTRICT COURT IN AND FOR THE

COUNTY OF RIO BLANCO AND STATE OF COLORADO

CIVIL ACTION NO. C 2294

COLO. WELL SERVICE, INC. a Colorado corporation, and BI-CO RENTAL INCORPORATED, a Colorado corporation,

Plaintiffs,

vs.

JACK J. GRYNBERG, IAN CUMMING, J. D. ARCHER, all individually and doing business as JACK GRYNGERG & ASSOCIATES,

Defendants.

COMPLAINT IN FORECLOSURE OF MECHANIC'S LIEN

COMES NOW Colo. Well Service, Inc. and Bi-Co Rental Incorporated, by and through their attorneys Williams, Turner & Holmes, and for their complaint against the defendants state as follows:

FIRST CLAIM FOR RELIEF

1. Defendants are the owners of an oil and gas leasehold estate in the following-described property located in Rio Blanco County, Colorado, to-wit:

> Lots 9 thru 14, SE¼NW¼, E½SW¼, SW¼NE¼, W½SE¼, Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian, all located in Rio Blanco County, Colorado.

Defendants are also the owners of appurtenances and improvements upon such real property, specifically including, but without limitation, the following:

A. That certain well drilled for oil and gas purposes described as follows:

> Well No. 24-6 located approximately 2361 feet from the West line and approximately 1154 feet from the South line of said Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

B. Any machinery, materials and supplies furnished to the properties described in subparagraph A, and

C. Any other appurtenances to or improvements upon the properties described in subparagraph A above.

2. Plaintiffs entered into a contract with Jack Grynberg, individually and doing business as Jack Grynberg & Associates, for the servicing of the well described on the above property. Thereafter, plaintiffs performed certain labor and furnished certain materials in the servicing and operation of said well from November 29, 1976 to April 11, 1977. Said labor and materials had a reasonable and agreed value of $28,515.38.

3. All of said leasehold interest, together with the appurtenances and improvements thereon, is necessary for the convenient use and occupation of the property for which said materials were furnished and labor performed.

4. Plaintiff, Colo. Well Service, Inc., recorded its lien statement in the amount of $16,677.71 on July 11, 1977 in Book 370 at Page 554 of the records of Rio Blanco County, Colorado. A copy of said lien statement is attached hereto marked Exhibit A and incorporated herein by reference.

5. Plaintiff, Bi-Co Rental Incorporated, recorded its lien statement in the amount of $11,837.67 on July 11, 1977 in Book 370 at Page 561 of the records of Rio Blanco County, Colorado. A copy of said lien statement is attached hereto marked Exhibit B and incorporated herein by reference.

6. There is due the plaintiffs $28,515.38, together with interest and $36.00 as the cost of recording said liens paid by plaintiff.

7. Plaintiffs have mechanic's liens upon said leasehold estate and upon the appurtenances and improvements upon said leasehold estate, which liens are prior to any right, title, lien or interest of the defendants.

SECOND CLAIM FOR RELIEF

8. Plaintiffs reaffirm and reallege the statements contained in paragraphs 1-7 of the First Claim for Relief as if

fully restated in this Second Claim for Relief.

9. Defendants, Ian Cumming, J. D. Archer and Jack Grynberg, individually and doing business as Jack Grynberg & Associates, are the owners of an oil and gas leasehold estate in the following-described land located in Rio Blanco County, Colorado:

> Lots 6, 7 and 8 and S½N½, S½ of Section 5, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

Defendants are also the owners of appurtenances and improvements located upon said leasehold estate, specifically including, but without limitation, the following:

A. That certain well drilled for oil and gas purposes described as follows:

   Well No. 44-6 located approximately 609 feet from the South line and approximately 680 feet from the East line of said Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

B. Any machinery, materials and supplies furnished to the properties described in subparagraph A and,

C. Any other appurtenances to or improvements upon the properties described in subparagraph A above.

10. Plaintiff, Colo. Well Service, Inc., entered into an agreement with Jack Grynberg, individually and doing business as Jack Grynberg & Associates, for the service of well number 44-6 located upon said oil and gas leasehold estate. Plaintiff performed certain labor and furnished certain materials in the servicing of said well from December 28, 1976 to January 14, 1977. Said servicing and materials had a reasonable value and agreed value of $32,765.90.

11. Defendant, Jack Grynberg, individually and doing business as Jack Grynberg & Associates, is indebted to plaintiff for said labor and materials in the amount of $32,765.90.

12. Plaintiff, Colo. Well Service, Inc., recorded its lien statement in the amount of $32,765.90 on July 11, 1977 in

Book 370 at Page 572 of the records of Rio Blanco, Colorado. A copy of said lien statement is attached hereto marked Exhibit C and incorporated herein by reference.

13. There is due the plaintiff, Colo. Well Service, Inc., $32,765.90 for said materials, together with interest and $24.00 as the cost of recording said lien paid by plaintiff.

14. Plaintiff has a mechanic's lien upon said real property and improvements, which lien is prior to any right, title, lien or other interest of the defendants.

WHEREFORE, plaintiffs pray for judgment against the defendant Jack Grynberg, individually and doing business as Jack Grynberg & Associates, and against Ian Cumming and J. D. Archer in the sum of $61,281.28, for $60.00 lien recording costs, interest and the costs of this action; that the court decree that plaintiffs have a first lien upon the oil and gas leasehold estates described in paragraphs 1 and 9 herein, together with the appurtenances and improvements; for foreclosure of said liens; and for such other relief as may be proper.

WILLIAMS, TURNER & HOLMES

By Bernard A. Buescher

Bernard A. Buescher, #5696
P. O. Box 338
Grand Junction, CO 81501
(303) 242-6262
Attorneys for plaintiffs

Plaintiffs' address:

P. O. Box 1006
Rangely, CO 81648

BOOK 370 PAGE 554

STATE OF COLORADO)
COUNTY OF RIO BLANCO) ss.

I hereby certify that this instrument was filed for record in my office at 9:45 o'clock A.M. July 11, 1977 Reception No. 178917

Jane W. Munther
COUNTY CLERK AND RECORDER
By Faye Anne Henderson Deputy

NOTICE AND STATEMENT OF LIEN

TO: Ian Cumming, K. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and to all whom it may concern:

KNOW ALL MEN BY THESE PRESENTS, that Colo. Well Service, Inc. a corporation organized and existing under the laws of the State of Colorado, hereinafter called Claimant, wishing to avail itself of all provisions of the statutes in such cases made and provided, does hereby declare that it claims and holds a lien in the total amount of $ 16,677.71 , together with such interest and costs as may be allowed by law, which sum is for past due rentals, services performed and supplies delivered.

1. That the property to be charged with the lien is all of the right, title and interest, leasehold or otherwise, of Ian Cumming, K. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and of any owners, part owners or lessees in whose behalf said named persons now act or have acted as agents or trustees, in and to all of the following described lands:

Lots 9 through 14 inclusive in Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian, all located in Rio Blanco County, Colorado, together with all appurtenances and improvements thereto and thereon, specifically including but without limitation the following:

(a) That certain well drilled for oil and gas purposes described as follows:

Well No. 24-6 located approximately 2361 feet from the West line and approximately 1154 feet from the South line of said Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

(b) Any machinery, materials and supplies furnished to the properties described in subparagraph (a) and,

(c) Any other appurtenances to or improvements upon the properties described in subparagraph (a) above.

2. The within lien is claimed for and on account of machinery, material, supplies and equipment furnished by the claimant and used in the operation and maintenance of the properties described in paragraph 1(a), and the rental for such machinery, material and equipment, and labor performed upon the above described property by virtue of a contract express or implied with lessee of such real estate and those owners and part owners of the property described in paragraph 1 above in whose behalf said persons acted as agents or trustees.

3. That the just and true account of the amount due claimant because of the items performed and furnished as specified in paragraph 2 above after allowing all credits is $16,677.71, together with such

EXHIBIT A

interest and costs as may be allowed by law, all as shown on the invoices attached hereto.

COLO. WELL SERVICE, INC.

By _____
Hershl B. Pilcher

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF)

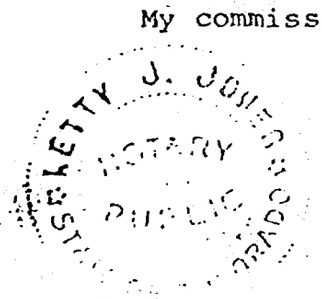
I, Hershl B. Pilcher, being of lawful age, being first duly sworn upon my oath depose and state:

That I am Vice President of Colo. Well Service, Inc., the claimant therein named, am authorized to make and do make the above statement of lien and account of indebtedness on behalf of said corporation; that I have read the within statement of lien and account of indebtedness and know the contents thereof and that the same is true to the best of my knowledge, information and belief.

_____
Hershl B. Pilcher

Subscribed and sworn to before me this 9th day of July, 1977.

My commission expires 9-3-80



_____
Notary Public

Colo. Well Service, . .c.

P. O. Box 1006 - - Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 556

Terms: Net 30 Days

Jack Grynberg & Associates
1050 17th Street
Suite 1950
Denver, Colorado 80202

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 20, 19

Invoice No. 1-594

S.O. No. _____

Rig #20

Date	Lease	Well No.	Ticket	Description of Work		Amo
12/22/76	Federal	24-6	946	Unit, Crew Chief & 3 men, 4 hrs. @ 72.00		28
				Circ. Equipment, Class B, 4 hrs. @ 11.50		4
				Circ. Tank, Class B, 4 hrs. @ 1.00		
				Diesel, 30 gal. @ .45 per gal.		1
				Travel time, 1 hr. @ 51.00		5
12/23/76			947	Unit, Crew Chief & 3 men, 9½ hrs. @ 72.00		68
				Circ. Equipment, Class B, 9½ hrs. @ 11.50		10
				Circ. Tank, Class B, 9½ hrs. @ 1.00		
				Sandline Charge, 3 hrs. @ 2.00		
				Diesel, 72 gal. @ .45 per gal.		3
				1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	2
				1-12" Pipe Wiper Rubber @ 25.24 e.a.	(Stock)	2
				Travel time, 2 hrs. @ 51.00		10
12/24/76			948	Unit, Crew Chief & 3 men, 9 hrs. @ 72.00		64
				Circ. Equipment, Class B, 9 hrs. @ 11.50		10
				Circ. Tank, Class B, 9 hrs. @ 1.00		
				Sandline Charge, 3 hrs. @ 2.00		
				Diesel, 72 gal. @ .45 per gal.		3
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	1
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	3
				Travel time, 2 hrs. @ 51.00		10
12/27/76			949	Unit, Crew Chief & 3 men, 8½ hrs. @ 72.00		61
				Circ. Equipment, Class B, 8½ hrs. @ 11.50		97
				Circ. Tank, Class B, 8½ hrs. @ 1.00		8
				Sandline Charge, 3 hrs. @ 2.00		6
				Diesel, 62 gal. @ .45 per gal.		27
				1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	5
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	20
				Travel time, 2 hrs. @ 51.00		102
12/28/76			950	Unit, Crew Chief & 3 men, 10 hrs. @ 72.00		720
				Circ. Equipment, 10 hrs. @ 11.50 (Class B)		115
				Circ. Tank, Class B, 10 hrs. @ 1.00		10
				Diesel, 72 gal. @ .45 per gal.		32
				Travel time, 2 hrs. @ 51.00		102

Colo. Well Service, Inc.

P. O. Box 1006 -- Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 557

Terms: Net 30 Days

Jack Grynberg & Associates

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 20, 197

Invoice No. 1-594

Page 2

Rig #20

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work		Amount
12/29/76	Federal	24-6	1301	Unit, Crew Chief & 3 men, 9½ hrs. @ 72.00		684.
				Circ. Equipment, Class B, 9½ hrs. @ 11.50		109.
				Circ. Tank, Class B, 9½ hrs. @ 1.00		9.
				Diesel, 64 gal. @ .45 per gal.		28.
				Travel time, 2 hrs. @ 51.00		102.
12/30/76			1302	Unit, Crew Chief & 3 men, 8 hrs. @ 72.00		576.
				Circ. Equipment, Class B, 8 hrs. @ 11.50		92.
				Circ. Tank, Class B, 8 hrs. @ 1.00		8.
				Diesel, 60 gal. @ .45 per gal.		27.
				Travel time, 2 hrs. @ 51.00		102.
12/31/76			1303	Unit, Crew Chief & 2 men, 8 hrs. @ 62.00		496.
				Extra Labor, 4 hrs. @ 10.00		40.
				Circ. Equipment, Class B, 8 hrs. @ 11.50		92.
				Circ. Tank, Class B, 8 hrs. @ 1.00		8.
				Diesel, 60 gal. @ .45 per gal.		27.
				Travel time, 2 hrs. @ 51.00		102.
1/3/77			1304	Unit, Crew Chief & 3 men, 9 hrs. @ 72.00		648.
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103.
				Circ. Tank, Class B, 9 hrs. @ 1.00		9.
				Sandline Charge, 3 hrs. @ 2.00		6.
				Diesel, 42 gal. @ .45 per gal.		18.
				1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	5.
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	20.
				Travel time, 2 hrs. @ 51.00		102.
1/4/77			1305	Unit, Crew Chief & 3 men, 8 hrs. @ 72.00		576.
				Circ. Equipment, Class B, 8 hrs. @ 11.50		92.
				Circ. Tank, Class B, 8 hrs. @ 1.00		8.
				Sandline Charge, 4 hrs. @ 2.00		8.
				Diesel, 54 gal. @ .45 per gal.		24.
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10.
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30.
				Travel time, 2 hrs. @ 51.00		102.

Colo. Well Service, Inc.

P. O. Box 1006 Office Phone 675 2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 555

Terms: Net 30 Days

Jack Grynberg & Associates

TERMS, NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 20, 197

Page 3

Invoice No. 1-594

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work		Amou
1/5/77	Federal	24-6	1306	Unit, Crew Chief & 3 men, 9 hrs. @ 72.00		648.
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103.
				Circ. Tank, Class B, 9 hrs. @ 1.00		9.
				Sandline Charge, 5 hrs. @ 2.00		10.
				Diesel, 54 gal. @ .45 per gal.		24.
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10.
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30.
				Travel time, 2 hrs. @ 51.00		102.
1/6/77			1307	Unit, Crew Chief & 2 men, 9 hrs. @ 62.00		558.
				Extra Labor, 5 hrs. @ 10.00		50.
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103.
				Circ. Tank, Class B, 9 hrs. @ 1.00		9.
				Sandline Charge, 6 hrs. @ 2.00		12.
				Diesel, 56 gal. @ .45 per gal.		25.
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10.
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	20.
				Travel time, 2 hrs. @ 51.00		102.
1/7/77			1308	Unit, Crew Chief & 3 men, 8 hrs. @ 72.00		576.
				Circ. Equipment, Class B, 8 hrs. @ 11.50		92.
				Circ. Tank, Class B, 8 hrs. @ 1.00		8.
				Sandline Charge, 5 hrs. @ 2.00		10.
				Diesel, 56 gal. @ .45 per gal.		25.
				1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	5.
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	20.
				Travel time, 2 hrs. @ 51.00		102.
1/8/77			1309	Unit, Crew Chief & 2 men, 9 hrs. @ 62.00		558.
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103.
				Circ. Tank, Class B, 9 hrs. @ 1.00		9.
				Sandline Charge, 6 hrs. @ 2.00		12.
				Diesel, 56 gal. @ .45 per gal.		25.
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10.
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30.
				Travel time, 2 hrs. @ 51.00		102.
				Extra Labor, 7½ hrs. @ 10.00		75.

Colo. Well Service, Inc.

P. O. Box 1006 – Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 559
Terms: Net 30 Days

ack Grynberg & Associates

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 20, 197

Invoice No. 1-594

Rig #20

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work		Amou
/11/77	Federal	24-6	1311	Unit, Crew Chief & 3 men, 9 hrs. @ 72.00		648
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103
				Circ. Tank, Class B, 9 hrs. @ 1.00		9
				Sandline Charge, 6 hrs. @ 2.00		12
				Diesel, 56 gal. @ .45 per gal.		25
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30
				Travel time, 2 hrs. @ 51.00		102
/12/77			1312	Unit, Crew Chief & 3 men, 8 hrs. @ 72.00		576
				Circ. Equipment, Class B, 8 hrs. @ 11.50		92
				Circ. Tank, Class B, 8 hrs. @ 1.00		8
				Sandline Charge, 5 hrs. @ 2.00		10
				~~X~~ Diesel, 54 gal. @ .45 per gal.		24
				1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	5
				2-23/8" Swab Cups @ 10.25 e.a.	(Stock)	20
				Travel time, 2 hrs. @ 51.00		102
/10/77			1310	Unit, Crew Chief & 2 men, 9 hrs. @ 62.00		558
				Extra Labor, 9½ hrs. @ 10.00		95
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103
				Circ. Tank, Class B, 9 hrs. @ 1.00		9
				Sandline Charge, 6 hrs. @ 2.00		12
				Diesel, 56 gal. @ .45 per gal.		25
				2-Oil Saver Rubber @ 5.41 e.a.	(Stock)	10
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30
				Travel time, 2 hrs. @ 51.00		102
/13/77			1313	Unit, Crew Chief & 3 men, 9 hrs. @ 72.00		648
				Circ. Equipment, Class B, 9 hrs. @ 11.50		103
				Circ. Tank, Class B, 9 hrs. @ 1.00		9
				Sandline Charge, 6 hrs. @ 2.00		12
				Diesel, 58 gal. @ .45 per gal.		26
				2-Oil Saver Rubbers @ 5.41 e.a.	(Stock)	10
				3-23/8" Swab Cups @ 10.25 e.a.	(Stock)	30
				Travel time, 2 hrs. @ 51.00		102
/14/77			1314	Unit, Crew Chief & 3 men, 8 hrs. @ 72.00		576
				Sandline Charge, 1 hr. @ 2.00		2
				Diesel, 62 gal. @ .45 per gal.		27
	16½ hrs	/Calc		1-Oil Saver Rubber @ 5.41 e.a.	(Stock)	5
				1-23/8" Swab Cups @ 10.25 e.a.	(Stock)	10.
				Travel time, 2 hrs. @ 51.00		102.
12/31/76			** 1303	Sandline Charge, 4 hrs. @ 2.00 = 8.00	TOTAL	$ 16,461.71

olo. Well Service, ...

P O Box 1006 - Office Phone 675 2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 560

Terms: Net 30 Days

Jack Grynberg & Associates
1050 17th Street
Suite 1950
Denver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 7, 1977

Invoice No. 1-568

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
12/23/76	Federal	24-6	1103	Mack, T-18 without float, 2 hrs. @ 27.00 Transferred one Frac-master from CWS yard to the above location. Returned to CWS yard.	54
12/22/76			1102	Mack, T-18 without float, 6 hrs. @ 27.00 Transferred 3-Fracmasters from CWS yard to the above location. Returned to CWS yard.	162.
				TOTAL	$ 216.00

BOOK 370 PAGE 561

STATE OF COLORADO }
COUNTY OF RIO BLANCO } ss.
I hereby certify that this instrument was filed for record in my office at 9:45 o'clock A.M. July 11, 1977
Reception No. 211918
Sue W. Mantle
COUNTY CLERK AND RECORDER
By Faye Ann Henderson Deputy

NOTICE AND STATEMENT OF LIEN

TO: Ian Cumming, K. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and to all whom it may concern:

KNOW ALL MEN BY THESE PRESENTS, that Bi Co Rental, Incorporated, a corporation organized and existing under the laws of the State of Colorado, hereinafter called Claimant, wishing to avail itself of all provisions of the statutes in such cases made and provided, does hereby declare that it claims and holds a lien in the total amount of $11,837.67, together with such interest and costs as may be allowed by law, which sum is for past due rentals, services performed and supplies delivered.

1. That the property to be charged with the lien is all of the right, title and interest, leasehold or otherwise, of Ian Cumming, K. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and of any owers, part owners or lessees in whose behalf said named persons now act or have acted as agents or trustees, in and to all of the following described lands:

Lots 9 through 14 inclusive in Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian, all located in Rio Blanco County, Colorado, together with all appurtenancesand improvements thereto and thereon, specifically including but without limitation the following:

(a) That certain well drilled for oil and gas purposes described as follows:

Well No. 24-6 located approximately 2361 feet from the West line and approximately 1154 feet from the South line of said Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

(b) Any machinery, materials and supplies furnished to the properties described in subparagraph (a) and,

(c) Any other appurtenances to or improvements upon the properties described in subparagraph (a) above.

2. The within lien is claimed for and on account of machinery, material, supplies and equipment furnished by the claimant and used in the operation and maintenance of the properties described in paragraph 1(a), and the rental for such machinery, material and equipment, and labor performed upon the above described property by virtue of a contract express or implied with lessee of such real estate and those owners and part owners of the property described in paragraph 1 above in whose behalf said persons acted as agents or trustees.

3. That the just and true account of the amount due claimant because of the items performed and furnished as specified in paragraph 2 above after allowing all credits is $11,837.67, together with such

EXHIBIT B

interest and costs as may be allowed by law, all as shown on the invoices attached hereto.

BI CO RENTAL, INCORPORATED

By _____
Hershl B. Pilcher

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF)

I, Hershl B. Pilcher, being of lawful age, being first duly sworn upon my oath depose and state:

That I am President of Bi Co Rental, Incorporated, the claimant therein named, am authorized to make and do make the above statement of lien and account of indebtedness on behalf of said corporation; that I have read the within statement of lien and account of indebtedness and know the contents thereof and that the same is true to the best of my knowledge, information and belief.

_____
Hershl B. Pilcher

Subscribed and sworn to before me this 9th day of July, 1977.

My commission expires 9-3-80

_____
Notary Public

INVOICE

No. 529-V
BOOK 370 PAGE 563

BI-CO. RENTAL, INC.

BOX 843 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4631

Jack Crynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

INVOICE DATE: Dec. 30, 1976
OUR ORDER NO: 529-V
YOUR ORDER NO:
TERMS: F.O.B.
SALESMAN: Chuck Stillion
SHIPPED VIA: Bi-Co. #46

NOTE: Dragon Trail - Colo.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Equipment Rental - 11-29-76 thru 12-20-76		4,891.20
4	Stripper Rubbers @60.00		240.00
XX	3% Colo. Sales Tax on $5,131.20		153.94
	Bi-Co. #46, to deliver equipment - 3 hrs. @25.00		75.00
		TOTAL	$5,360.14

IM 1400 REGENT FORMS PENNSAUKEN NJ 08109

BOOK 370 PAGE 564

I-CO RENTALS INC.

943 Rangely, Colorado 81648
Phone 675-2239

Box 44 Vernal, Utah 84078
Phone 789-4651

Grayburg

DATE 11-29-76

RESS _____ WELL NO. _____ LEASE _____

CKING (Description)		HRS	RATE	TOTA
Loaded power swivel + propane tank hauled to above loc. unloaded return to Rangely	TRUCK #46	3	@ 25.00	75
	DRIVER Toby Brown	3		
ES	SWAMPER			
GHT				
OVED BY				

INVOICE

No. 563-QV
BOOK 370 PAGE 565

BI-CO. RENTAL, INC.

BOX 843 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4051

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

INVOICE DATE: Dec. 31, 1976

OUR ORDER NO: 602-V

YOUR ORDER NO:

TERMS: F.O.B.

SALESMAN: Ron Howry

SHIPPED VIA: Colo. Well Service

HOLE: Federal 24-6 ---- Colorado

PO OR CO

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Equipment Rental from 12/23/76 thru 12/29/76		1,200.(
	Extra charge for using acid in tank #35		100.(
	3% Colo. Sales Tax on $1,300.00		39.(
		TOTAL	$1,339.(

P.

FM 1600 REGENT FORMS PENNSAUKEN, N.J. 08105

No. 611-QV
BOOK 370 PAGE 566

BI-CO RENTAL, INC.

BOX 943 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4651

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, CO 80202

INVOICE DATE: January 12, 1977

OUR ORDER NO: 666-V

YOUR ORDER NO:

TERMS: Net 30 days - 1½% per month aft 30 days

SALESMAN:

SHIPPED VIA:

SHIPPED TO: Federal 24-6 Colorado

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Additional charges to our invoice #568-QV, dated 12/31/76		
	Bi-Co. Unit #46 to return tank #35 - 3 hrs. @ 25.00		75.

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE CHARGED AFTER 30 DAYS.

INVOICE

No. 648-97 P.

BOOK 370 PAGE 567

BI-CO. RENTAL, INC.

BOX 843 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4851

INVOICE DATE: Jan. 31, 1977

OUR ORDER NO: 633-V

YOUR ORDER NO:

TERMS: TERMS: NET 30 DAYS
1½ % PER MONTH CHARGED AFTER 30 DAY

SALESMAN: Chuck Stillion

SHIPPED VIA: Bi-Co.

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

SHIP TO: Dragon Trail - Colorado

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Equipment Rental		1,971.0
	Supplies		496.8
	3% Colo. Sales Tax on $2,467.80		74.0
	Bi-Co. $48 to deliver & return equipment 260 miles @.45		117.0
		TOTAL	$ 2,658.8

GRM 1406, REGENT FORMS, PENNSAUKEN N.J. 08109

As

INVOICE

No. 649-QV P.

BOOK 370 PAGE 568

BI-CO. RENTAL, INC.

BOX 843 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4851

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

INVOICE DATE: Jan. 31, 1977

OUR ORDER NO: 686-V

YOUR ORDER NO:

TERMS: NET 30 DAYS
1½ % PER MONTH CHARGED AFTER 30 DAYS

SALESMAN: Paul Pilcher

SHIPPED VIA: Bi-Co.

WORK: Federal 24-6 Colorado

PPD OR COLL

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Equipment Rental from 12-22-76 to Jan. 14, 1977		1,447.00
	3% Colo. Sales Tax		43.41
	Bi-Co. #43 to deliver & return equipment - 360 miles @.45		162.00
		TOTAL	$ 1,652.41

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No. 651-07 P.
BOOK 379 PAGE 57

BI-CO RENTAL, INC.

BOX 643 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2233 • VERNAL, UTAH (801) 789-4851

INVOICE DATE: Jan. 31, 1977

OUR ORDER NO: 709-V

YOUR ORDER NO:

TERMS: NET 30 DAY
~~1½% PER MONTH CHARGED AFTER 30~~

SHIPPED VIA:

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

SHIPPED TO

QUANTITY	DESCRIPTION	PRICE	AMO
	Allen Drill Collar charge to check out 4 drill collars - as per attached invoice #1630		$ 60

FORM 5400, REGENT FORMS, PENNSAUKEN, N.J. 08108

No. 370-8V 571

BI-CO. RENTAL, INC.

BOX 943 • RANGELY, COLO. 81648

OFFICE PHONE

RANGELY, COLO. (303) 675-2239 • VERNAL, UTAH (801) 789-4651

INVOICE DATE: April 29, 1977

OUR ORDER NO: 1009-V

YOUR ORDER NO:

TERMS: NET 30 DAYS
1½ % PER MONTH CHARGED AFTER 30 DAYS

SALESMAN: Paul Pilcher

SHIPPED VIA:

Jack Grynberg & Associates
1050 17th St. - Suite 1950
Denver, Colo. 80202

Attn: Nutt Burkhalter

SHIPPED TO: Federal 24-6

PPD. OR C

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Equipment Rental - from 4/11/77 to 4/18/77		$ 322.7
1	Metal Ring		15.4
	3% Colo. Sales Tax on $338.15		10.1
	Bi-Co. Unit #47 to deliver - 4 hrs. @25.00		100.0
	Bi-Co. Unit #45 to deliver & return - 360 miles @.40		144.0
		TOTAL	$ 592.2

FORM 1400 REGENT FORMS PENNSAUKEN N J 08109

BOOK 370 PAGE 572

STATE OF COLORADO }
COUNTY OF RIO BLANCO } ss.
I hereby certify that this instrument was filed for recordation in my office at 3:45 o'clock P. M. July 11 19 77
Reception No. 319
Lue W. Mantle
COUNTY CLERK AND RECORDER
By Faye Ann Henderson Deputy

NOTICE AND STATEMENT OF LIEN

TO: Ian Cumming, J. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and to all whom it may concern:

KNOW ALL MEN BY THESE PRESENTS, that Colo. Well Service, Inc. a corporation organized and existing under the laws of the State of Colorado, hereinafter called Claimant, wishing to avail itself of all provisions of the statutes in such cases made and provided, does hereby declare that it claims and holds a lien in the total amount of $32,765.90, together with such interest and costs as may be allowed by law, which sum is for past due rentals, services performed and supplies delivered.

1. That the property to be charged with the lien is all of the right, title and interest, leasehold or otherwise, of Ian Cumming, K. D. Archer, and Jack Grynberg, individually, and d/b/a Jack Grynberg and Associates, and of any owners, part owners or lessees in whose behalf said named persons now act or have acted as agents or trustees, in and to all of the following described lands:

Lots 6, 7, and 8 in Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian, all located in Rio Blanco County, Colorado, together with all appurtenances and improvements thereto and thereon, specifically including but without limitation the following:

(a) That certain well drilled for oil and gas purposes described as follows:

Well No. 44-6 located approximately 609 feet from the South line and approximately 680 feet from the East line of said Section 6, Township 2 South, Range 102 West of the 6th Principal Meridian in Rio Blanco County, Colorado.

(b) Any machinery, materials and supplies furnished to the properties described in subparagraph (a) and,

(c) Any other appurtenances to or improvements upon the properties described in subparagraph (a) above.

2. The within lien is claimed for and on account of machinery, material, supplies and equipment furnished by the claimant and used in the operation and maintenance of the properties described in paragraph 1(a), and the rental for such machinery, material and equipment, and labor performed upon the above described property by virtue of a contract express or implied with lessee of such real estate and those owners and part owners of the property described in paragraph 1 above in whose behalf said persons acted as agents or trustees.

3. That the just and true account of the amount due claimant because of the items performed and furnished as specified in paragraph 2 above after allowing all credits is $32,765.90, together with such

EXHIBIT

interest and costs as may be allowed by law, all as shown on the invoices attached hereto.

COLO. WELL SERVICE, INC.

By Hershl B. Pilcher
Hershl B Pilcher

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF)

I, Hershl B. Pilcher, being of lawful age, being first duly sworn upon my oath depose and state:

That I am Vice President of Colo. Well Service, Inc., the claimant therein named, am authorized to make and do make the above statement of lien and account of indebtedness on behalf of said corporation; that I have read the within statement of lien and account of indebtedness and know the contents thereof and that the same is true to the best of my knowledge, information and belief.

Hershl B. Pilcher
Hershl B. Pilcher

Subscribed and sworn to before me this 9th day of July, 1977.

My commission expires 9-3-80

Letty J. Jones
Notary Public

LETTY J. JONES NOTARY PUBLIC STATE OF COLORADO

Colo. Well Service, Inc.

P. O. Box 1006 - Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 574

Terms: Net 30 Days

ack Grynberg & Associates
050 17th Street
uite 1950
enver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 14, 1977

Invoice No. 1-585

Rig 999

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work		Amount
				Daily Rate, $2,700.00 Rig Up, 2,500.00 ÷ 24 x rig hours. (Moving Rig) Rig Down, 2,500.00 ÷ 24 x rig hours.		
2/28/76	Federal	44-6	39693	Moving rig, 7 hrs. @ 104.17		729
2/29/76			39694	Rig up, 9 hrs. @ 104.17		937
2/30/76			39695	Rig up, 8 hrs. @ 104.17 8 hrs. @ 112.50		833 900
2/31/76			39696	16 hrs. @ 112.50		1,800
3/77			39697	16 hrs. @ 112.50		1,800
4/77			39698	Daily Rate, 2,700.00		2,700
5/77			39699	Daily Rate, 2,700.00		2,700
6/77			39700	Daily Rate, 2,700.00		2,700
7/77			39701	8 hrs. @ 112.50 Rig down, 10 hrs. @ 104.17		900 1,041
					SUB TOTAL	$ 17,041
/30/76				Continental-Emsco Co. Invoice No. 1728861	$ 38.06	
4/77				H. S. Sowards & Sons, Inc. Ticket No. 24245	8,701.16	
6/77				Ticket No. 24272	816.42	
/30/76				Utah-Colorado LP Gas, Inc. Invoice No. 33134	457.32	
				Total	$10,012.96	10,012.
				10% Service charge on 3rd party charges.		1,001.
					TOTAL	$ 28,056.04

Colo. Well Service, Inc.

P. O. Box 1006 — Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 375

Terms: Net 30 Days

Jack Grynberg & Associates
1050 17th Street
Suite 1950
Denver, Colorado 80202

TERMS. NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 20, 1977

Invoice No. 1-593

Rig #20

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amoun
12/29/76	Federal	44-6		Jones & Laughlin Supply Division Invoice No. 541527-01	27.5
				10% Service charge on 3rd party charges.	2.7
				TOTAL	$ 30.29
				Refer to our original Invoice, No. 12-508.	

Colo

Colo. Well Service, Inc.

P. O. Box 1006 - Office Phone 675 2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 576

ack Grynberg & Associates
0 17th Street
te 1950
ver, Colorado 80202

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Terms Net 30 Days

Date February 9, 19

Invoice No. 2-673

S.O. No.

Date	Lease	Well No.	Ticket	Description of Work	Amo
/28/76	Federal	44-6	1120	Mack, T-19 with float, 10 hrs. @ 33.00 Loaded subbase, dog house, & transferred to above location. Returned to CWS yard & loaded water tank and transferred to the above location. Returned to CWS yard.	330
				TOTAL	$ 330.00

10 hrs. @ 33.00

Colo. Well Service, Inc.

P. O. Box 1066 -- Office Phone 675 2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 577

Terms: Net 30 Days

ck Grynberg & Associates
50 17th Street
ite 1950
nver, Colorado 80202

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 27, 197

Invoice No. 1-631

Rig 099

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
3/77	Federal	44-6		Hi-Way Service Ticket No. 3767	168.4
				10% Service charge on 3rd party charges.	16.8
				TOTAL	$ 185.24
				Refer to our original Invoice No. 1-585.	

Colo.

Colo. Well Service, Inc.

P. O. Box 1006 — Office Phone 675 2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 578

Terms: Net 30 Days

k Grynberg & Associates
0 17th Street
te 1950
ver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 24, 197

Invoice No. 1-625

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
/77	Federal	44-6	1115	Mack, T-18 with float, 9 hrs. @ 33.00 Traveled from CWS yard to the above location. set out fuel tank, junk house, top dog house, 2-subbases, water tank, power unit, loaded cat walk, pipe racks, & transferred to CWS yard.	297.(
/77			1105	Mack, T-18 with float, 9 hrs. @ 33.00 Unloaded cat walk, pipe racks at CWS yard. Traveled to the above location. Loaded junk house, little dog house, & transferred to CWS yard. Returned to above location. Loaded water tank & transferred to CWS yard.	297.(
/77			293	~~XXXXX~~ Mack, T-18 with float, 10 hrs. @ 33.00 Unloaded tool house & top dog house at CWS yard. Traveled to the above location. Loaded power unit on ramp, loaded light plant, fuel tank, & transferred to CWS yard, unloaded. Returned to above location. Loaded boiler & transferred to CWS yard, unloaded. Swamper, 5 hrs. @ 10.00	330.0 50.0
3/77			**1029	Mack, T-18 with float, 11 hrs. @ 33.00 Traveled from CWS yard to the above location. Loaded 2-propane tanks & transferred to CWS yard, unloaded. Returned to the above location. Loaded power sub., ramp, power unit, & transferred to CWS yard, unloaded. Returned to above location. Loaded bottom dog house & transferred to CWS yard, unloaded.	363.0
/77			1117	Mack, T-18 without float, 4 hrs. @ 27.00 Transferred 2-fracmasters from Location to CWS yard. (2-trips)	108.0
/77			**1029	Swamper, 11 hrs. @ 10.00 = 110.00 TOTAL	$ 1,555.00

43 hrs./Colo.

Colo. Well Service, Inc.

P. O. Box 1006 — Office Phone 6.5-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 579

Terms: Net 30 Days

k Grynberg & Associates
0 17th Street
te 1950
ver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 24, 197

Invoice No. 1-624

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
/77	Federal	44-6	291	Mack, T-19 with float, 8 hrs. @ 33.00 Traveled from CWS yard to the above location. Put up gin poles. Rig down Rig #99. Put down gin poles & loaded junk rack. Transferred to CWS yard, unloaded. Swamper, 8 hrs. @ 10.00	264.0(80.0(
4/77			1030	Mack, T-19 with float, 9 hrs. @ 33.00 Traveled from CWS yard to the above location. Loaded 11-joints of casing, 2-pipe racks, & transferred to CWS yard, unloaded. Returned to the above location. Loaded pump, flat tank, 9-joints of tubing & transferred to CWS yard, unloaded. Returned to the above location. Loaded Fracmaster #30 & transferred to CWS yard, unloaded. Swamper, 6 hrs. @ 10.00	297.0(60.0(
				TOTAL	$ 701.00

17 Jan. / Colo.

Colo. Well Service, Inc.

P. O. Box 1006 — Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 580

Terms: Net 30 Days

ick Crynberg & Associates
150 17th Street
ite 1950
nver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 8, 1977

Invoice No. 1-576

Rig #20

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
/9/76	Federal	44-6		Continental - Emsco Company Invoice No. 1728583	40.3
				10% Service charge on 3rd party charges.	4.0
				TOTAL	$ 44.33
				Refer to our original Invoices #12-508 & #12-533	

Colo. Well Service, Inc.

P. O. Box 1006 -- Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 581

Terms: Net 30 Days

ck Grynberg & Associates
50 17th Street
ite 1950
nver, Colorado 80202

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 7, 1977

Invoice No. 1-570

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
/22/76	Federal	44-6	282	Mack, T-19 with float, 7 hrs. @ 33.00 Traveled from CWS yard to the above location. Loaded pump and transferred to location Ø24-6. Unloaded & Set. Returned to above location loaded flat tank, transferred to location Ø24-6. Unloaded & Set. Returned to above location loaded power swivel and propane tank, transferred to CWS yard and unloaded. Swamper, 7 hrs. @ 10.00	231. 70.
/29/76			267	Mack, T-19 with float, 13 hrs. @ 33.00 Loaded subbase at CWS yard, transferred to the above location, unloaded. Put up Gin Poles, rig up Rig # 99. Put down Gin Poles and returned to CWS yard. Swamper, 13 hrs. @ 10.00	429. 130.(
'30/76			262	Mack, T-19 with float, 8 hrs. @ 33.00 Loaded 2-propane tanks, 4-joints bluey line, & kelly (filled both propane tanks.) at CWS yard, transferred to the above location. Unloaded & Set. Returned to CWS yard. Swamper, 8 hrs. @ 10.00	264.(80.(
				TOTAL	$ 1,204.80

Colo. Well Service, Inc.

P. O. Box 1006 – Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 582

Terms: Net 30 Days

ack, Grynberg & Associates
050 17th Street
uite 1950
enver, Colorado 80202

TERMS NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 7, 1977

Invoice No. 1-569

S.O. No. _____

Date	Lease	Well No.	Ticket	Description of Work	Amount
12/28/76	Federal	44-6	1107	Mack, T-18 with float, 8 hrs. @ 33.00 Loaded junk house, fuel tank, transferred to the above location. Returned to CWS yard loaded light plant, power unit, transferred to the above location. Returned to CWS yard.	264
12/29/76			1108	Mack, T-18 with float, 12 hrs. @ 33.00 Loaded junk rack and transferred to the above location. Set bottom sub., water tank, top dog house, junk house, top subbase, fuel tank, light plant, broiler, and bottom dog house. Returned to CWS yard.	396
				TOTAL	$ 660.00

201 .../Colo.

Colo. Well Service, Inc.

P. O. Box 1006 — Office Phone 675-2237
RANGELY, COLORADO 81648

BOOK 370 PAGE 583

Terms: Net 30 Days

Jack Grynberg & Associates
1050 17th Street
Suite 1950
Denver, Colorado 80202

TERMS: NET 30 DAYS
1½% PER MONTH WILL BE
CHARGED AFTER 30 DAYS

Date January 14, 1977

Invoice No. 1-585

S.O. No. _____

Rig #99

Date	Lease	Well No.	Ticket	Description of Work		Amount
				Daily Rate, $2,700.00 Rig Up, 2,500.00 ÷ 24 x rig hours. (Moving Rig) Rig Down, 2,500.00 ÷ 24 x rig hours.		
12/28/76	Federal	44-6	39693	Moving rig, 7 hrs. @ 104.17		729.1
12/29/76			39694	Rig up, 9 hrs. @ 104.17		937.5
12/30/76			39695	Rig up, 8 hrs. @ 104.17 8 hrs. @ 112.50		833.3 900.0
12/31/76			39696	16 hrs. @ 112.50		1,800.0
1/3/77			39697	16 hrs. @ 112.50		1,800.0
1/4/77			39698	Daily Rate, 2,700.00		2,700.0
1/5/77			39699	Daily Rate, 2,700.00		2,700.0
1/6/77			39700	Daily Rate, 2,700.00		2,700.0
1/7/77			39701	8 hrs. @ 112.50 Rig down, 10 hrs. @ 104.17		900.0 1,041.7
					SUB TOTAL	$ 17,041.7
12/30/76				Continental-Emsco Co. Invoice No. 1728861	$ 38.06	
1/4/77				H. S. Sowards & Sons, Inc. Ticket No. 24245	8,701.16	
1/6/77				Ticket No. 24272	816.42	
12/30/76				Utah-Colorado LP Gas, Inc. Invoice No. 33134	457.32	
				Total	$10,012.96	10,012.9
				10% Service charge on 3rd party charges.		1,001.3
					TOTAL	$ 28,056.0

STATE OF COLORADO,)
County of Rio Blanco.) ss.

Certified to be full, true and correct copy of original in my custody.
WITNESS my hand and the Seal of Said Court this 5th day of May '82

Andrea Moore Molina
Dep Clerk of the County Court
1 Dist.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 27
Submitted by MESA
Hearing Date 2-17-82

NO. 6765

PAUL GWALTNEY, dba LOVELACE ENTERPRISES AND A PARTNER IN R & G PRODUCTION SERVICES, A PARTNERSHIP	§	IN THE DISTRICT COURT
V.	§	HOOD COUNTY, TEXAS
JACK GRYNBERG dba JACK GRYNBERG AND ASSOCIATES	§	_____JUDICIAL DISTRICT

PLAINTIFF'S ORIGINAL PETITION

TO THE HONORABLE JUDGE OF SAID COURT:

Now comes PAUL GWALTNEY, dba Lovelace Enterprises and as a partner in R & G Production Services, a partnership, hereinafter called Plaintiffs, and files this Original Petition, complaining of Jack Grynberg, dba Jack Grynberg and Associates, hereinafter called Defendant, and for cause of action Plaintiff would respectfully show this Court:

I.

Plaintiff resides at No. 28 Peninsula-Scenic View, Granbury, Hood County, Texas. Defendant resides at 1050 17th Street, Suite 1950, Denver, Colorado. Defendant has engaged, and continues to engage in business within this state and maintains a regular place of business within this state. Service of process may be had by serving a copy of the process with the person in charge of Defendant's regular place of business, Mr. John Cowen, at 1404-A Highway 373-E, Granbury, Hood County, Texas.

A copy of said process, together with notice of such service upon the person in charge of Defendant's place of business is being sent under separate cover to the Defendant, at his principal place of business, by registered mail, return receipt requested.

II.

Plaintiff is engaged in the business of furnishing labor, material, machinery, equipment, supplies, and services used in connection with the drilling, completion and operation of oil and gas wells and pipelines.

III.

At the special instance and request of Defendant, acting by and through his duly authorized agents and employees, acting in the course and scope of their employment and agency, Plaintiff did, over a period of June 1, 1977 through August 15, 1977, furnish material, labor, machinery, equipment, supplies and services in connection with Defendant's drilling, coring, testing, completing, equipping, repairing, maintaining, and operating certain oil and gas wells referred to in Plaintiff's Exhibit A, located on certain land in Hood County, Texas, further described in Plaintiff's Exhibit B, and certain land located in Parker County, Texas, further described in Plaintiff's Exhibit C.

IV.

As a result of the furnishing of said labor, material, equipment and services Defendant became indebted to Plaintiff, dba Lovelace Enterprises in the sum of $12,381.90 which Defendant was bound and obligated to pay. As a result of the furnishing of said labor, material, equipment and services Defendant became indebted to Plaintiff, as a partner in R & G Production Services, a partnership, in the sum of $2,956.35 which Defendant was bound and obligated to pay.

V.

On or about August 10, 1977, and at various other dates shown on said exhibits, Plaintiff delivered formal written demand on Defendant for the payment in full of said accounts. However, Defendant refused, and still refuses, to pay said accounts or any part thereof. Plaintiff has made repeated demands on Defendant, and Defendant refused, and still refuses, to pay said accounts or any part thereof. A copy of said written demands are attached hereto marked Exhibit D, Exhibit E and Exhibit F, all of which are made a part hereof by reference.

VI.

A contractor's lien under the provisions of the Texas Revised Civil Statutes, Articles 5473, et seq. has been secured

and fixed against the interest of Defendant in the above described wells and real property as evidenced by a statement of Plaintiff, verified by affidavit, together with exhibits, all as required by the Texas Revised Civil Statutes, Article 5476-A. Said affidavits and exhibits are being sent this date, under separate cover, to be filed in the office of the County Clerk of Hood County, Texas, and the office of the County Clerk of Parker County, Texas. Copies of said verified affidavits and exhibits are attached hereto, marked Exhibit G, and made a part hereof by reference for all purposes including a more particular description of said claim and account.

VII.

After allowing all just offsets against said claim and account, Plaintiff presented his claim to Defendant more than 30 days preceding the filing of this action, but said claim has not been paid; therefore Plaintiff has been compelled to employ an attorney to file this action and to collect said claim, and for that purpose Plaintiff has retained the services of Hooper, Chappell & Broiles, 810 West Tenth Street, Fort Worth, Texas, for which services Plaintiff has agreed to pay a reasonable fee in the amount of $5,129.42 which Plaintiff is entitled to recover from Defendant under the provisions of the Texas Revised Civil Statutes, Article 2226.

WHEREFORE, Plaintiff prays:

1. That judgment be rendered against Defendant for the sum of $15,338.25 together with interest and all costs hereof and for the further sum of $5,129.42 as attorney's fees;

2. That judgment be rendered against Defendant for foreclosure of Plaintiff's contractor's liens on the above described property;

3. For order of sale and such other and further relief, both general and special, at law or in equity, to which Plaintiff may be entitled.

Respectfully submitted,

HOOPER, CHAPPELL & BROILES

By _____
Winfred Hooper, Jr.

THE STATE OF TEXAS §

COUNTY OF Hood §

BEFORE ME, THE UNDERSIGNED AUTHORITY, on this day personally appeared Paul Gwaltney, who being by me duly sworn, states:

I am an individual doing business as Lovelace Enterprises and further a partner in a partnership doing business as R & G Production Services.

The foregoing and annexed account, claim, and cause of action in favor of Paul Gwaltney doing business as Lovelace Enterprises and further doing business as R & G Production Services, a partnership, in and against Jack Grynberg doing business as Jack Grynberg and Associates, in the sum of $15,338.25 is within the knowledge of affiant just and true, and that it is due, and that all just and lawful offsets, payments and credits have been allowed.

_____
Paul Gwaltney, dba
Lovelace Enterprises and Partner in
R & G Production Services

SWORN TO AND SUBSCRIBED BEFORE ME, this 13th day of September 1977.

_____
Notary Public in and for County of Hood, State of Texas.

THE STATE OF TEXAS }
COUNTY OF HOOD }

I, DORIS DYER, County and District Clerk, Hood County, Texas, do hereby certify that the above and foregoing is a true and correct copy of the instrument of record in

~~Vol.~~ _____ ~~Page~~ _____ As Filed 16705 Records of

Hood County, Texas.

WITNESS my hand and seal of office, this the 5th day of May 1982.

DORIS DYER, COUNTY AND DISTRICT CLERK
HOOD COUNTY, TEXAS

BY: Patty Hudson
DEPUTY

FILED

Exhibit G

SEP 10 '97

Dana Dyer
Clerk Dist.-County Court, Hood County, Texas

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 28
Submitted by MESA
Hearing Date 5-17-82

THE STATE OF TEXAS §

COUNTY OF HOOD §

AFFIDAVIT FOR CONTRACTORS LIEN

BEFORE ME THE UNDERSIGNED AUTHORITY, personally appeared PAUL GWALTNEY, who, upon oath deposed and stated:

My name is Paul Gwaltney, doing business as Lovelace Enterprises and further a partner in a partnership doing business as R & G Production Services, hereinafter referred to as claimants. I have personal knowledge of the facts set forth below and am competent and authorized to make this affidavit.

Pursuant to contracts by and between claimants and Jack Grynberg, doing business as Jack Grynberg and Associates, who is the owner, or reputed owner, of a leasehold interest in the real property described herein, claimants performed labor, performed services and furnished materials to improve such real property. Such labor, services and materials may be generally described as follows:

1. Production, maintenance and operation of oil and gas wells;
2. Oil and gas pipeline and gas transmission line;
3. Excavation, installation and service for oil and gas pipelines;
4. Repair and maintenance work on wellheads;
5. Materials and labor for construction of fencing;
6. Other materials, labor and services in connection with operation and service on oil and gas wells and pipelines.

Claimants are the original contractors for the improvements for which a lien is claimed.

After allowing all just credits and offsets, the amount of $12,381.90 remains unpaid and is due and owing under

said contract with claimant, dba Lovelace Enterprises, and claimants claim a lien on said property to secure the payment of the above amount.

After allowing all just credits and offsets, the amount of $2,956.35 remains unpaid and is due and owing under said contract with R & G Production Services, a partnership, and claimants claim a lien on said property to secure the payment of the above amount.

The real property sought to be charged with such lien is fully described in Exhibit A, said Exhibit being attached and incorporated into this affidavit for all purposes.

An itemized account, being a true and just copy of all labor, services, and materials, performed and provided by claimants is attached to this affidavit as claimants' Exhibit B. Said Exhibit B is incorporated into this affidavit and made a part thereof for all purposes.

Paul Gwaltney

Paul Gwaltney, dba
Lovelace Enterprises
No. 28 Peninsula-Scenic View
Granbury, Texas

Paul Gwaltney

Paul Gwaltney, Partner
R & G Production Services
Box 118
Tolar, Texas

SWORN TO AND SUBSCRIBED BEFORE ME this 13th day of September, 1977.

Pat Bradley

Notary Public in and for County of Hood, State of Texas

THE STATE OF TEXAS §

COUNTY OF PARKER §

AFFIDAVIT FOR CONTRACTORS LIEN

BEFORE ME THE UNDERSIGNED AUTHORITY, personally appeared PAUL GWALTNEY, who, upon oath deposed and stated:

My name is Paul Gwaltney, doing business as Lovelace Enterprises and further a partner in a partnership doing business as R & G Production Services, hereinafter referred to as claimants. I have personal knowledge of the facts set forth below and am competent and authorized to make this affidavit.

Pursuant to contracts by and between claimants and Jack Grynberg, doing business as Jack Grynberg and Associates, who is the owner, or reputed owner, of a leasehold interest in the real property described herein, claimants performed labor, performed services and furnished materials to improve such real property. Such labor, services and materials may be generally described as follows:

1. Production, maintenance and operation of oil and gas wells;
2. Oil and gas pipeline and gas transmission line;
3. Excavation, installation and service for oil and gas pipelines;
4. Repair and maintenance work on wellheads;
5. Materials and labor for construction of fencing;
6. Other materials, labor and services in connection with operation and service on oil and gas wells and pipelines.

Claimants are the original contractors for the improvements for which a lien is claimed.

After allowing all just credits and offsets, the amount of $12,381.90 remains unpaid and is due and owing under

said contract with claimant, dba Lovelace Enterprises, and claimants claim a lien on said property to secure the payment of the above amount.

After allowing all just credits and offsets, the amount of $2,956.35 remains unpaid and is due and owing under said contract with R & G Production Services, a partnership, and claimants claim a lien on said property to secure the payment of the above amount.

The real property sought to be charged with such lien is fully described in Exhibit A, said Exhibit being attached and incorporated into this affidavit for all purposes.

An itemized account, being a true and just copy of all labor, services, and materials, performed and provided by claimants is attached to this affidavit as claimants' Exhibit B. Said Exhibit B is incorporated into this affidavit and made a part thereof for all purposes.

Paul Gwaltney

Paul Gwaltney, dba
Lovelace Enterprises
No. 28 Peninsula-Scenic View
Granbury, Texas

Paul Gwaltney

Paul Gwaltney, Partner
R & G Production Services
Box 118
Tolar, Texas

SWORN TO AND SUBSCRIBED BEFORE ME this 13th day of September, 1977.

Pat Bradley

Notary Public in and for County of Hood, State of Texas

THE STATE OF TEXAS }
COUNTY OF HOOD }

I, DORIS DYER, County and District Clerk, Hood County, Texas, do hereby certify that the above and foregoing is a true and correct copy of the instrument of record in

Vol. ~~Page~~ Page ~~Page~~ Corr. Filed (6705) Records of Hood County, Texas.

WITNESS my hand and seal of office, this the 5th day of May 19 82.

DORIS DYER, COUNTY AND DISTRICT CLERK
HOOD COUNTY, TEXAS

BY: Patty Hudson
DEPUTY

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 29
Submitted by MESA
Hearing Date 5-17-82

Copies sent to Hudman & Stone

Vol: 11 Page 399

No. 6705

PAUL GWALTNEY, d/b/a LOVELACE ENTERPRISES, et al	X	IN THE DISTRICT COURT OF
vs.	X	HOOD COUNTY, TEXAS
JACK GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES	X	29th JUDICIAL DISTRICT

JUDGEMENT

On the 15th day of December, 1980, came on to be heard the above styled and numbered cause. The Plaintiffs, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES and R&G PRODUCTION SERVICES, a Partnership, appeared in person and by attorney and announced ready. The Defendant, JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES, appeared in person and by attorney and announced ready. A jury of twelve citizens was duly empaneled and sworn, whereupon began the present action of evidence.

On the 18th day of December, 1980, the case was submitted to the jury on Special Issues. On the 18th day of December, 1980, the jury returned their verdict which was accepted by the Court.

The verdict of the jury is incorporated herein for all purposes is if set out verbatim.

Based upon the pleadings, the evidence, argument of counsel and the verdict of the jury, the Court finds that the Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES is entitled to judgement in the amount of $12,381.90 plus interest at the rate of 9% per annum from August 15, 1977. The Court further finds that the Plantiff, R&G PRODUCTION SERVICES, a Partnership is entitled to judgement in the sum of $2,259.85 plus pre-trial interest from August 15, 1977 to Dec. 15, 1980. The Court further finds the Plaintiffs jointly recover the sum of $7,500.00 as resonable attorneys fees incurred through the trial of this case.

The Court further finds that the Defendant suffered no damage by any fraudulent act which may have been committed upon him and that therefore the Defendant takes nothing by way of Defendants Counterclaim.

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It is therefore ORDERED, ADJUDGED AND DECREED that:

1) Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES have and recover from JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES the sum of $12,381.90 plus interest in the amount of $3,714.57 from August 15, 1977 until December 15, 1980 plus interest at the rate of 9% per annum from December 15, 1980 until paid.

2) Plaintiff, R & G PRODUCTION SERVICES, a partnership, have and recover from JACK GRYNBERG, d/b/a, JACK GRYNBERG & ASSOCIATES the sum of $2,259.85 plus interest from August 15, 1977, until December 15, 1980 in the sum of $677.95 plus interest at the rate of 9% per annum from December 15, 1980 until fully paid.

3) The Plaintiff, PAUL GWALTNEY, d/b/a, LOVELACE ENTERPRISES and R& G PRODUCTION SERVICES, a partnership jointly have and recover the sum of $7,500.00 as a fair and reasonable attorney fee through trial and that Plaintiffs jointly recover an additional $1,500.00 attorney fee in the event of an appeal to the Court of Civil Appeal and an additional $1,000.00 in the event of an appeal to the Texas Supreme Court.

N.J.

4) That Counter-Plaintiff take nothing by way of its counterclaim.

5) That the Contractor's Lien filed by Plaintiffs pursuant to Art. 5476-A in Hood County and Parker County, Texas are valid and proper and that Plaintiff is entitled to foreclose on said liens, for which lot execution issue.

6) That all costs of court be taxed against the Defendant for which let execution issue.

7) That order of sale and all other writs and documents necessary to the execution and enforcement of this judgement be issued.

8) All other relief not expressly granted herein is denied.

SIGNED and entered this 18th day of February, 1981.

Herman Fitts

Judge Presiding
29th Judicial District

THE STATE OF TEXAS }
COUNTY OF HOOD }

I, DORIS DYER, County and District Clerk, Hood County, Texas, do hereby certify that the above and foregoing is a true and correct copy of the instrument of record in Vol. 11 Page 399 District Civil Minutes Records of Hood County, Texas.

WITNESS my hand and seal of office, this the 7th day of May 19 82.

DORIS DYER, COUNTY AND DISTRICT CLERK
HOOD COUNTY, TEXAS

BY: Patty Hudson
DEPUTY

8 P4:04

IN THE UNITED STATES DISTRICT COURT

IN AND FOR THE DISTRICT OF COLORADO

Civil Action No.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 30
Submitted by MESA
Hearing Date 5-17-82

VIERSEN & COCHRAN DRILLING COMPANY, an Oklahoma corporation,

Plaintiff,

vs.

JACK J. GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES, a sole proprietorship,

Defendant.

COMPLAINT

77-M-161

The Plaintiff above named, by and through its attorneys, Gorsuch, Kirgis, Campbell, Walker and Grover, for a complaint against the Defendant states, alleges and avers as follows:

JURISDICTION

1. Plaintiff is a corporation incorporated under the laws of the State of Oklahoma having its principal place of business in the State of Oklahoma. Plaintiff is also qualified to do business in the states of Colorado and Wyoming.

2. Defendant, Jack J. Grynberg, is a resident of the State of Colorado and sometimes operates his business of a sole proprietorship under the name of Jack Grynberg & Associates as reflected by Trade Name Affidavit filed in the City and County of Denver, State of Colorado.

3. The matter in controversy exceeds the sum or value of $10,000.00, exclusive of interest and costs, and jurisdiction of this court is under 28 U.S.C.A. §1332.

CLAIM FOR RELIEF OF VIERSEN & COCHRAN DRILLING COMPANY AGAINST JACK J. GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES, A SOLE PROPRIETORSHIP

4. Under an effective date of December 28, 1973, the Plaintiff and Defendant entered into a drilling contract under

which Plaintiff was obligated to drill a well for oil and/or gas known as the Kent Ranch Prospect Well to be located in the NW¼ of the NW¼ of Section 18, Township 14 North, Range 101 West in Sweetwater County, Wyoming, and Defendant was obligated to pay for the drilling of said well on a daywork basis all pursuant to the specifications and the provisions contained in said drilling contract. A copy of said drilling contract is attached hereto as Exhibit A and by this reference made fully a part hereof, and same is hereinafter referred to as "Drilling Contract."

5. Coincidentally with the execution of the said Drilling Contract, Plaintiff and Defendant entered into a letter agreement dated December 3, 1973 and accepted and agreed to by Defendant on December 28, 1973, which letter agreement is referred to as "Exhibit 'B' to IADC Contract Kent Ranch 11-18" whereunder a prepayment of the sum of $250,000.00 was agreed to be paid by Defendant to Plaintiff as an estimate of the sum to be earned by Plaintiff under the specifications provided in the said Drilling Contract assuming no unusual occasion would prolong normal drilling operations, and in addition whereunder Defendant agreed to prepay to Plaintiff the sum of $200,000.00 for the furnishing of certain other services connected with the drilling of said well as specified in the said letter agreement. As a result of the agreement to pay the prepayments as aforesaid, it was further provided that Plaintiff would reduce the daywork sums specified in the Drilling Contract without drill pipe and with drill pipe by an amount of $110.00 per day. A copy of the said letter agreement amending the Drilling Contract is attached hereto as Exhibit B and by this reference made fully a part hereof, said letter agreement being hereinafter sometimes referred to as "Drilling Contract Amendment."

6. Notwithstanding the tenor of the Drilling Contract Amendment, the prepayments of $250,000.00 and $200,000.00 were

provided for at the request of the Defendant for income tax purposes. Such prepayments were made by Defendant and Plaintiff received same early in January, 1974.

7. While the Drilling Contract provided for the commencement of operations for the drilling of the Kent Ranch 11-18 well by January 25, 1974 or within ten days from the date of completion of roadway and other ingress or egress facilities and the clearing and grading of location, whichever was the later date, and Plaintiff was ready, willing and able to commence drilling operations within the time specified, Defendant advised Plaintiff in the latter part of February, 1974 that he was not prepared to begin drilling the well because of unforeseen legal problems and requested that Plaintiff attempt to obtain a drilling contract with some other party in southwestern Wyoming so that Defendant could cure its title problems and be ready for the commencement of drilling operations on the Kent Ranch Well when the drilling rig became available after release from the other contract. Plaintiff was able to obtain another drilling contract in southwestern Wyoming and commenced operations on such well about April 1, 1974 and completed the drilling of same about June 13, 1974. Defendant having cleared its title problems, Plaintiff moved its drilling rig to the specified location on the Kent Ranch Prospect and commenced the actual drilling of said well in the latter part of June, 1974.

8. Plaintiff continued the drilling of the said Kent Ranch Well 11-18 in a good and workmanlike manner and in conformity with the terms and provisions of the said Drilling Contract as amended, but because of encountering drilling problems beyond the control of Plaintiff and as a result of omissions and commissions of Defendant, the drilling of said well was delayed from time to time.

Plaintiff completed the drilling of said well to the plugging thereof on January 16, 1975 and Defendant released the drilling rig on January 20, 1975 and Plaintiff rigged down and moved off the location between January 20, 1975 and January 26, 1975. In conformity with the Drilling Contract as amended, Plaintiff invoiced Defendants for its costs and expenses incurred in connection with the drilling of said well to the extent of $368,715.85 over and above the prepaid amounts totaling $450,000.00. By letter from Defendant to Plaintiff on November 6, 1975, Defendant approved for payment invoices totaling $304,052.56 in addition to the said prepayment sums totaling $450,000.00, but did not pay to Plaintiff any portion of the amount reflected by the approved invoices.

9. Paragraph 5.3 of the Drilling Contract provides that any sum or sums not paid within thirty days after the due date specified shall bear interest at the rate of 10% per annum from such date until paid. Total interest due and payable pursuant to the Drilling Contract through December 31, 1976 is the amount of $70,677.02.

10. Notwithstanding repeated demands of Plaintiff to Defendant, Defendant has refused to pay any portion of the sums due and payable to Plaintiff under the terms of said Drilling Contract as amended except the aforesaid prepayments totalling $450,000.00.

WHEREFORE, Plaintiff prays for the following relief:

1. For damages of and from Defendant in the amount of $368,715.85 plus the additional sum for interest computed in accordance with the Drilling Contract in the amount of $70,677.02 to December 31, 1976, making the total demand and claim of Plaintiff against Defendant as of said date the sum of $439,392.87.

2. For interest on said sum of $368,715.85 at the rate of 10% per annum from and after December 31, 1976, same being computable at the rate of $101.02 per day.

3. For costs of court and for such other and further relief, general and special, to which Plaintiff may show itself entitled.

GORSUCH, KIRGIS, CAMPBELL,
WALKER AND GROVER

By: Roscoe Walker, Jr.
Roscoe Walker, Jr.

By: C. Willing Browne
C. Willing Browne

Attorneys for Plaintiff,
Viersen & Cochran Drilling Co.
1200 American Nat'l. Bank Bldg.
Denver, Colorado 80202
893-1000

Plaintiff's Address:

P. O. Box 280
Okmulgee, Oklahoma 74447

I, the undersigned, Clerk of the United States District Court for the District of Colorado, do certify that the foregoing is a true copy of an original document remaining on file in my office.
WITNESS my hand and Seal of this Court this 4th day of May 1982
JAMES R. MANSPEAKER
By Connie Kiel
Deputy

INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

ROTARY DRILLING BID PROPOSAL AND CONTRACT

Contract Numbers	Owner's
	Contractor's

TO: _____

Please submit bid on this drilling contract form for performing the work outlined below, upon the terms and for the consideration set forth, with the understanding that if the bid is accepted by

_____

this instrument will constitute a contract between us. Your bid should be mailed or delivered not later than _____ P.M. on _____, 19____ to the following address:

_____

_____

DRILLING CONTRACT entered into between the parties designated as follows:

OWNER: JACK GRYNBERG AND ASSOCIATES

1050 17th STREET SUITE 1950

Address: DENVER, COLORADO 80202

CONTRACTOR: VIERSEN & COCHRAN DRILLING COMPANY

P.O. BOX 19227

Address: OKLAHOMA CITY, OKLAHOMA 73119

IN CONSIDERATION OF the mutual promises and agreements herein contained and the specifications and special provisions set forth in EXHIBIT "A" attached hereto and made a part hereof, Owner engages Contractor as an independent contractor to drill the hereinafter designated well in search of oil or gas, in conformity therewith.

1. LOCATION OF WELL: #1-18

Well Name and Number: KENT RANCH PROSPECT Parish/County: SWEETWATER State: WYOMING

Field Name: _____ Well location and land description: NW NW SECTION 18-14N-101W

NOTE: The above is for well and contract identification only and Contractor assumes no liability whatsoever for a proper survey or location stake on Operator's lease.

2. TIME ELEMENT:

Contractor agrees to use his best efforts to commence operations for the drilling of well by the 25th day of JANUARY, 19 74 or within 10 days from the date of completion of roadway and other ingress or egress facilities, and the clearing and grading of location, whichever is the later date, and to thereafter prosecute operations hereunder with due diligence and without undue delays or interruptions. It is agreed by both parties that time is of the essence of this contract. or as soon as possible after completion of the RAINBOW RESOURCES-FEDERAL #1-2 well.

3. DEPTH:

Subject to the right of Owner to direct the stoppage of work at any time (as provided in Par. 6), the well shall be drilled to the depth as specified below:

3.1 Contract Footage Depth: The well shall be drilled to 13,500 feet or _____ formation, or to the depth at which the 4½ inch casing (oil string) is set, whichever depth is first reached, on a footage basis and Contractor is to be paid for such drilling at the footage rate specified below, which depth is hereinafter referred to as the contract footage depth. ~~Daywork~~

3.2 Day Work Basis Drilling: All drilling below the above specified contract footage depth shall be on a day work basis and Contractor shall be paid for such drilling at the applicable day work rate specified below.

3.3 Complete Day Work Basis Drilling: If all operations hereunder are performed at applicable day work rates, provisions of this contract applicable to drilling on a "footage basis" shall not apply.

3.4 Maximum Depth: Contractor shall not be required to drill said well under the terms of this contract below a maximum depth of 14,000 feet.

4. FOOTAGE RATE, DAY WORK RATES, BASIS OF DETERMINING AMOUNTS PAYABLE TO CONTRACTOR:

Owner agrees to pay Contractor for the work performed, services rendered, and material, equipment, and supplies furnished by Contractor a sum computed on the following rates:

4.1 For work performed on a footage basis the rate will be $ DAYWORK per linear foot of hole drilled determined by steel line measurement from the surface of the ground if Contractor digs cellar, or from the bottom of the cellar if Owner digs cellar, less footage made in regular size hole while working on day work basis.

4.2 For work performed on a day work basis the day work rate per twenty-four hour day with 5 man crew shall be:

	Without Drill Pipe		With Drill Pipe	
	Per Day	Per Hour	Per Day	Per Hour
From Surface To Depth Of 14,000 ft.	$2810.00	$117.084	$2960.00	$123.334
From ____ ft. To ____ ft.	$	$	$	$
From ____ ft. To ____ ft.	$	$	$	$
From ____ ft. To ____ ft.	$	$	$	$

EXHIBIT A

Stand By Time Rate: $2700.00 Per Day $ 112.50 Per Hour

If under the above column "With Drill Pipe" no day work rate is specified, then the day work rate per 24-hour day when drill pipe is in use shall be the applicable day work rate specified above under the column "Without Drill Pipe" plus compensation for additional expense in an amount equal to (a)_____ cents per foot per day on _____ inch drill pipe, and (b)_____ cents per foot per day on _____ inch drill pipe, computed on the basis of the maximum drill pipe in use at any time during each 24-hour day.

Drill pipe shall be considered in use not only when in actual use but also while it is being picked up or laid down. When drill pipe is standing in the derrick it shall not be considered in use, provided, however, that if Contractor furnishes special strings of drill pipe, drill collars, and handling tools as provided for in Par. 7.13 and 7.14 of Exhibit "A", attached hereto and made a part hereof, the same shall be considered in use at all times when on location or until released by Owner. If Contractor is drilling with Owner's tubing, or drill pipe, the charge on the day work rate basis shall be construed as without drill pipe unless otherwise specified in Par. 27. In no event shall fractions of an hour be considered in computing the amount of time drill pipe is in use but such time shall be computed to the nearest hour, with thirty minutes or more being considered a full hour and less than thirty minutes not to be counted.

4.3 Work Stoppage Rate: $ 2850.00 Per Day $ 118.75 Per Hour

The above rate shall apply under the following circumstances:

(a) During any continuous period that normal operations are suspended or cannot be carried on due to weather, water conditions, or due to Federal, State or Local governmental action. It is understood, however, that Owner shall have the right to release the rig in accordance with Owner's right to direct stoppage of the work (See Par. 6), effective when conditions will permit the rig to be moved from the location.

(b) During any period when Contractor has notified Owner that the rig is available for movement to the drilling site and movement cannot be accomplished because of Owner's failure or inability to furnish and/or maintain adequate roadway and/or canal to location and/or location and/or weather prevents positioning the rig on a water location drill site.

(c) During any period after operations under this Contract have been completed and Owner has released the rig and the same cannot be dismantled and/or transported from the location due to inadequate roadway or canal or weather or water conditions which will not allow such activity to be conducted with reasonable safety.

(d) Owner agrees at all times to maintain the road and location in such a condition that will allow free access and movement to and from the drilling site in an ordinarily equipped highway type vehicle. If Contractor is required to use dozers, tractors, four-wheel drive vehicles, or any other specialized transportation equipment for the movement of necessary personnel, machinery, or equipment over access roads or on the drilling location, Owner shall furnish the same at his expense and without cost to the Contractor. The actual cost of repairs to any transportation equipment furnished by the Contractor or his personnel damaged as a result of improperly maintained access roads or location will be charged to the Owner.

4.4 In the event it is necessary to shut down Contractor's rig for repairs or maintenance while Contractor is performing day work hereunder, Contractor shall be allowed compensation at the applicable day work rate for such shut down time up to a maximum of two hours for any one repair or maintenance job. 36 hours in aggregate per month

4.5 Standby time shall be defined as the time when the rig is shut down although in readiness to begin or resume operations but Contractor is waiting on orders of Owner or on materials, services or other items to be furnished by Owner.

4.6 Owner shall reimburse Contractor for the costs of material, equipment, work, or services which are to be furnished by Owner as provided for herein but which for convenience are actually furnished by Contractor at Owner's request.

4.7 The term day work shall apply to the work performed by the Contractor at a stipulated sum per day as distinguished from work for which the Contractor is compensated at a stipulated price per foot of hole drilled. Unless otherwise provided herein, the term day work shall include the following work performed by the Contractor: (a) All drilling below the contract footage depth as provided in Par. 3.1, including the setting of any string of casing below such depth; (b) All work performed by the Contractor, whether or not prior to reaching the contract footage depth, in an effort to restore the hole to such condition that further drilling of other operations may be conducted, in the event of loss of or damage to the hole as a result of the failure of Owner's casing or equipment either during or after the running and setting of such casing or as a result of the subsequent failure of the cementing job resulting in parted casing; (c) All other work performed by Contractor at the request of Owner, regardless of depth, which is not within the scope of the work to be performed on a footage basis, including all coring, drill stem testing, bailing, gun or jet perforating, electric logging, acid treatment, shooting, cleaning out, hydraulic fracturing, plugging, running tubing, setting liners, squeeze cementing, abandoning well and installation of well head equipment.

4.8 In determining the amount of day work time for which the Contractor is to be compensated at the applicable day work rate, it is agreed that such day work time shall begin when Contractor at the request of Owner suspends normal drilling operations being conducted on a footage basis for the purpose of conducting operations to be performed hereunder on a day work basis. There shall be included in day work time any time required to condition the hole preparatory to performing such day work and also the time required to restore the hole to the same drilling conditions which existed when operations were suspended for the purpose of beginning day work, in order to again resume normal drilling operations.

5. TIME OF PAYMENT:

Subject to Owner's right to require that Contractor furnish him with satisfactory evidence that Contractor has paid all labor and material claims chargeable to Contractor, payment becomes due by Owner to Contractor as follows:

5.1 If the well is drilled to total depth on a footage basis, payment becomes due for all services (footage and day work) when Contractor completes the performance of the services which he agrees to perform under this contract and the acceptance thereof by the Owner; provided, however, if Contractor prior to the completion of the contract performs a substantial amount of day work, payment for such day work shall be due and payable upon presentation of invoice therefor at the end of the month in which such day work was performed.

5.2 If the entire hole or the bottom section of the hole is drilled on a day work basis, payment shall become due as follows: Upon Contractor's completion of the footage basis drilling to the depth specified above and upon acceptance by the Owner of the hole as drilled to such depth in accordance with this agreement, payment becomes due for all footage drilled and for all work performed on a day work basis to the date of completion of the footage drilled. Payment for drilling and other work performed at day work rates below the depth specified at which day work basis drilling commences shall become due upon acceptance by Owner of the work performed in accordance with this contract upon presentation of invoice therefor upon completion of the well or at the end of the month in which such day work was performed, whichever shall first occur.

5.3 Any sum or sums not paid within 30 days after the due date hereinabove specified shall bear interest at the rate of 10 percent per annum from such date until paid.

6. STOPPAGE OF WORK BY OWNER OR CONTRACTOR:

6.1 OWNER'S RIGHT: Notwithstanding the provisions of Paragraph 3 with respect to the depth to be drilled, the Owner shall have the right to direct the stoppage of the work to be performed by the Contractor hereunder at any time prior to reaching the specified depth, and even though Contractor has made no default hereunder, and in such event Owner shall be under no obligation to Contractor except as set forth in subparagraph 6.3 hereof.

6.2 CONTRACTOR'S RIGHT: Notwithstanding the provision of Paragraph 3 with respect to the depth to be drilled, in the event the Owner shall become insolvent, or be adjuticated a bankrupt, or file, by way of petition or answer, a debtor's petition or other pleading seeking adjustment of Owner's debts, under any bankruptcy or debtor's relief laws now or hereafter prevailing, or if any such be filed against the Owner, or in case a receiver be appointed of the Owner or Owner's property, or any part thereof, or the Owner's affairs be placed in the hands of a Creditor's Committee, Contractor may, at his option, elect to terminate further performance of any work under this contract and Contractor's right to compensation shall be as set forth in subparagraph 6.3 hereof. In addition to Contractor's right to terminate performance hereunder, Owner hereby expressly agrees to protect, indemnify and save Contractor harmless from any claims, demands and causes of action, including all costs of defense, in favor of Owner, Owner's joint venturers, or other parties arising out of any drilling commitments or obligations contained in any lease, farmout agreement or other agreement, which may be affected by such termination of performance hereunder.

6.3 (a) If work stoppage occurs prior to the spudding of the well, Owner shall pay to Contractor the sum of the following: (1) all expenses reasonably and necessarily incurred to be incurred by Contractor by reason of the contract and by reason of the premature stoppage of the work, excluding, however, expenses of normal drilling crew and supervision; (2) ten

percent (10%) of the amount of such reimbursable expenses; and (3) a sum calculated at the standby rate for all time from the date upon which Contractor commences any operations hereunder down to such date subsequent to the date of work stoppage as will afford Contractor reasonable time to dismantle his rig and equipment.

(b) If such work stoppage occurs after the spudding of the well, Owner shall pay the Contractor (1) the amount owing Contractor at the time of such work stoppage under the footage rate, applicable day work rate, and standby rate; but in such event Owner shall pay Contractor for a minimum footage of _____ feet regardless of whether or not the well has been drilled to such depth at the time of work stoppage; or (2) at the election of Contractor and in lieu of the foregoing Owner shall pay Contractor for all expenses reasonably and necessarily incurred and to be incurred by Contractor by reason of this contract and by reason of the premature stoppage of work plus the sum of $ 15,000.00

7. OPTIONAL RIGHT OF OWNER IN THE EVENT OF DEFAULT BY CONTRACTOR:

In the event Owner is dissatisfied with the performance of Contractor hereunder on account of unreasonably slow progress or incompetency in the performance of the contract as a result of causes reasonably within the control of Contractor, Owner shall give Contractor written notice in which Owner shall specify in detail the cause of his dissatisfaction. Should Contractor fail or refuse to remedy the matters complained of within five days after the written notice is received by Contractor, Owner shall have the right at his option to take over the operation of Contractor's equipment for the purpose of completing the drilling of the well. Should such drilling operation be taken over by the Owner, the cost of the operations conducted by Owner, without any allowance to Contractor for the use of drilling tools, machinery, and appliances of Contractor, shall be deducted from the contract price calculated in accordance with the terms of this contract as though Contractor had completely performed said contract; and the balance, if any, shall be paid to Contractor. Owner shall return such drilling tools, machinery, and appliances to Contractor when drilling of said well has been completed in as good condition as when taken over by Owner, normal wear and tear excepted. In event drilling operations are taken over by Owner as herein provided, all operations thereafter conducted shall be at risk of Owner and indemnity provisions of this contract shall not apply to such operations by Owner.

8. CASING PROGRAM:

8.1 The casing program to be followed in the drilling of said well is set forth in Exhibit "A", and the Contractor shall drill a well sufficient in size to set at the approximate depth therein indicated the size of casing so specified. The exact setting depths for each string of casing shall be specified by the Owner. The Owner may modify said casing program provided any modification thereof which materially increases the Contractor's hazards or costs of performing his obligations hereunder can only be made by mutual consent of Contractor and Owner.

8.2 The setting of any string of casing within the footage contract depth shall be performed by Contractor and the compensation payable to Contractor at the footage rate shall cover such work, which work shall include rig time for cementing casing, testing cement jobs on each string of casing, and the time required by governmental regulatory authorities having jurisdiction thereof or as directed by Owner for allowing cement to set. If, however, time so required is in excess of "allowed cement time" as specified in Par. 1 of Exhibit "A", all work performed and time consumed in cementing or recementing and for allowing cement to set shall be paid for at applicable day work rate. Allowed cement time will start at the time the plug hits bottom.

8.3 The setting of any string of casing below the footage contract depth shall be performed by Contractor under the direction of Owner but Owner shall pay Contractor for all time so consumed at the applicable day work rate.

8.4 Before each string of casing is run, Contractor agrees to condition the walls of the hole if necessary so that the hole is free from obstructions which might impede the lowering of the casing. Contractor agrees to keep thread protectors on the casing until it is run and to grease the threads as it is made up with a suitable pipe lubricant furnished by Owner.

8.5 Owner reserves the right to require Contractor to set strings of casing or liners in addition to those listed (subject to the limitations upon Owner's right to modify the casing program as provided for in Par. 8.1) and in such event Contractor agrees to provide rig time for cementing and testing cement on such liners and strings of casing and to provide rig time for performing cement squeezing jobs as required by Owner. Owner shall pay Contractor for time consumed by such work at the applicable day work rate.

9. LABOR, EQUIPMENT, MATERIALS, SUPPLIES, AND SERVICES:

The furnishing of labor, equipment, appliances, materials, supplies, and services of whatever character necessary or proper in the drilling and completion of said well and not otherwise specifically provided for herein shall be furnished by Contractor or Owner as specified in Exhibit "A" attached hereto and made a part hereof.

10. DRILLING METHODS AND PRACTICES:

10.1 Contractor agrees to perform all work to be conducted by him under the terms of this contract with due diligence and care and in a good and workmanlike manner and shall provide a competent superintendent to supervise the work.

10.2 Contractor shall maintain well control equipment in good condition at all times and shall use all reasonable means to control and prevent fires and blow-outs and to protect the hole.

10.3 Subject to the terms hereof, at all times during the drilling of the well, Owner shall have the right to control the mud program, and the drilling fluid must be of a type and have characteristics acceptable to Owner and be maintained by Contractor in accordance with the specifications shown in Par. 2 of Exhibit "A". No change or modification of said specifications which materially increases the Contractor's hazards or costs of performing his obligations hereunder shall be made by Owner without consultation with and consent of the Contractor. Owner shall have the right to make any tests of the drilling fluid which may be necessary. Should no mud control program be specified by Owner in Exhibit "A", Contractor shall have the right to determine the mud program and the type and character of drilling fluid during the time that Contractor is performing work upon a footage basis under the terms of this contract.

10.4 Contractor shall measure the total length of drill pipe in service with a steel tape at the point where the contract footage depth has been reached; and when requested by Owner, before setting casing or liner and after reaching final depth.

10.5 Contractor agrees to furnish equipment, workmen and instruments acceptable to owner and to make slope tests as provided in the Exhibit "A". Unless operations are on a day-work basis, all such slope tests shall be made at contractor's sole risk, cost and expense. If, in the opinion of the owner, it becomes advisable to obtain the use of an additional slope test instrument and accessory equipment for the purpose either of checking previous readings or of determining the direction of the drift, the rental charges therefor shall be paid by owner, and the running of same shall be on a day-work basis. Should the hole at any depth during the time contractor is performing work on a footage basis, have either a deviation from vertical or a change in overall angle in excess of the limits prescribed in Exhibit "A", Contractor agrees to restore the hole to a condition suitable to the owner either by conventional methods and procedures while drilling ahead or by cementing off and redrilling. While operations are being performed on a "Day Work Basis", or during "Complete Day Work Basis Drilling", contractor agrees to exercise due diligence and care to maintain the straight hole specifications, if any, set forth in paragraph "3" of Exhibit "A" but all risk and expense of maintaining such specifications or restoring the hole to a condition suitable to the Owner shall be assumed by Owner.

11. COMPLETION TESTS AND INSTALLATION OF WELL CONNECTIONS OR ABANDONMENT:

Contractor will either complete the well and install well head equipment and connections or plug and abandon same, in accordance with Owner's instructions, at the applicable rates set forth in Par. 4 above, using equipment, materials and services to be furnished and paid for by either Owner or Contractor as specified in Exhibit "A".

12. CORING AND CUTTINGS:

12.1 As directed by Owner and utilizing the type of coring equipment specified and furnished as shown in Exhibit "A" Contractor agrees at any time to take either rat-hole or full hole conventional or wire line cores in the manner requested by Owner. Regardless of depth, all coring shall be paid for at the applicable day work rate. All coring footage shall be deducted from the total footage charge if the well is being drilled on footage basis at that depth. Reaming of the rat-hole shall be paid for at the applicable day work rate.

12.2 When requested by Owner, Contractor shall save and identify the cuttings and cores, free from contamination, and place them in separate containers which shall be furnished by the Owner; such cuttings and cores shall be made available to a representative of Owner at the location.

FORMATIONS DIFFICULT OR HAZARDOUS TO DRILL:

13.1 In the event chert, pyrite, quartzite, granite, igneous rock or other impenetrable substance, is encountered while drilling on the footage basis and the footage drilled during each twenty-four (24) hour period multiplied by the footage rate does not equal the applicable day work rate plus cost of bits, all drilling operations shall be conducted on a day work basis at the applicable day work rate, with Owner furnishing the bits, until normal drilling operations and procedures can be resumed. The footage drilled on day work rate shall be deducted from the footage charge.

13.2 In the event water flow, domal formation, abnormal pressure, underground mine or cavern, having shale, or other similar formation, salt or other similar condition is encountered which makes drilling abnormally difficult or hazardous, causes sticking of drill pipe or casing, or other similar difficulty which precludes drilling ahead under reasonably normal procedures, Contractor shall, in all such cases, without undue delay, exert every reasonable effort to overcome such difficulty. When such condition is encountered, further operations shall be conducted on a day work basis at the applicable day work rate until such conditions have been overcome and normal drilling operations can be resumed. Owner shall assume the risk of loss of or damage to the hole and to Contractor's equipment in the hole from the time such condition is encountered. The footage drilled while on day work basis hall be deducted from the footage charge.

13.3. In the event loss of circulation or partial loss of circulation is encountered, Contractor shall, without undue delay, exert every reasonable effort to overcome such difficulty. When such condition is encountered, Owner shall assume risk of loss of or damage to the hole and to Contractor's equipment in the hole. Should such condition persist in spite of Contractor's efforts to overcome it, then after a period of NA hours time consumed in such efforts, further operations shall be conducted on a day work basis at the applicable day work rate until such condition has been overcome and normal drilling operations can be resumed. The total rig time furnished by Contractor under the terms of this paragraph shall be limited to a cumulative NA hours. The footage drilled while on day work basis shall be deducted from the footage charge.

14. REPORTS TO BE FURNISHED BY CONTRACTOR:

14.1 Contractor shall keep and furnish to Owner an accurate record of the work performed and formations drilled on the IADC-API Daily Drilling Report Form or other form acceptable to Owner. A legible copy of said form signed by Contractor's representative shall be furnished by Contractor to Owner.

14.2 Delivery tickets covering any material or supplies furnished by Owner shall be turned in each day with the daily drilling report. The quantity, description, and condition of materials and supplies so furnished shall be checked by Contractor and such tickets shall be properly certified by Contractor.

15. INGRESS AND EGRESS TO LOCATION:

Owner hereby assigns to Contractor Owner's rights of ingress and egress with respect to the tract of land where the well is to be located for the performance by Contractor of all work contemplated by this contract. Should the Contractor be denied free access to the location for any reason not reasonably within the Contractor's control, any time lost by the Contractor as a result of such denial shall be paid for at a reasonable rate in keeping with the stage of operations at that time. In the event there are any restrictions, conditions, or limitations in Owner's lease which would affect the free right of ingress and egress to be exercised by Contractor hereunder, its employees, or subcontractors, Owner agrees to timely advise Contractor in writing with respect to such restrictions, conditions, or limitations, and Contractor agrees to observe same.

16. INSURANCE:

During the life of this contract, Contractor shall at Contractor's expense maintain, with an insurance company or companies authorized to do business in the state where the work is to be performed and satisfactory to Owner, insurance coverages of the kind and in the amounts set forth in Exhibit "A". Contractor shall, if requested to do so by Owner, procure from the company or companies writing said insurance a certificate or certificates satisfactory to Owner that said insurance is in full force and effect and that the same shall not be cancelled or materially changed without Ten (10) days prior written notice to Owner.

17. RESPONSIBILITY FOR A SOUND LOCATION:

Owner shall prepare a sound location capable of properly supporting the drilling rig, and shall be responsible for a conductor pipe program adequate to prevent soil and sub-soil wash out. It is recognized that Owner has superior knowledge of the location and access routes to the location, and must advise Contractor of any sub-surface conditions, or obstructions (including, but not limited to, mines, caverns, sink holes, streams, pipelines, power lines and telephone lines) which Contractor might encounter while en route to the location or during operations hereunder. In the event sub-surface conditions cause a cratering or shifting of the location surface, or if seabed conditions prove unsatisfactory to properly support the rig during marine operations hereunder, and loss or damage to the rig, its associated equipment or personnel results therefrom, Owner shall, without regard to other provisions of this contract, reimburse Contractor to the extent not covered by Contractor's insurance, for all such loss or damage including payment of force majeure rate during repair and/or demobilization if applicable.

18. PAYMENT OF CLAIMS:

Contractor agrees to pay all claims for labor, material, services, and supplies to be furnished by Contractor hereunder, and agrees to allow no lien or charge to be fixed upon the lease, the well, or other property of the Owner or the land upon which said well is located.

19. RESPONSIBILITY FOR LOSS OR DAMAGE:

19.1 Contractor's Surface Equipment: Contractor shall assume liability at all times, regardless of whether the work is being performed on a footage basis or day work basis, for damage to or destruction of Contractor's surface equipment, including but not limited to all drilling tools, machinery, and appliances, for use about the surface, regardless of when or how such damage or destruction occurs, except for such loss or damage as provided in Paragraph 19.4 herein, and Owner shall be under no liability to reimburse Contractor for any such loss except loss or damage thereto caused by gross negligence or wilful acts or omissions of Owner or Owner's agents, servants, or employees or any loss or damage thereto occurring during the time that the operation of Contractor's equipment has been taken over by Owner as provided for in Par. 7 hereof.

19.2 Contractor's In-Hole Equipment—Footage Basis: Contractor shall assume liability at all times while work is being performed on a footage basis for damage to or destruction of Contractor's in-hole equipment, including but not limited to, drill pipe, drill collars, and tool joints, and Owner shall be under no liability to reimburse Contractor for any such loss except loss or damage thereto caused by gross negligence or willful acts or omissions of Owner or Owner's agents, servants, or employees or any loss or damage thereto occurring during the time that the operation of Contractor's equipment has been taken over by Owner as provided for in Par. 7, and except as provided for in Paragraphs 13.2, 13.3 and 19.4.

19.3 Contractor's In-Hole Equipment—Day Work Basis: Owner shall assume liability at all times while work is on a day work basis for damage to or destruction of Contractor's in-hole equipment, including but not limited to, drill pipe, drill collars, and tool joints, and Owner shall reimburse Contractor for the value of any such loss or damage provided such loss or damage is not due to the negligence of Contractor, his agents, servants or employees; the value to be determined by agreement between Contractor and Owner as 50 percent of current new replacement cost of such equipment delivered to the well site at the time this Contract was signed, less depreciation for service under this Contract.

19.4 Contractor's Equipment-Environmental Loss or Damage: Owner shall assume liability at all times for damage to or destruction of Contractor's equipment caused by exposure to unusually corrosive or otherwise destructive elements not normally encountered which are introduced into the drilling fluid from subsurface formations or the use of corrosive additives in the fluid due to conditions not normally contemplated at the time this contract was entered into by the parties. In calculating the amount of the loss caused by such damage or destruction the parties hereby agree that the same shall be determined by the difference in the value of the equipment prior to such damage or destruction and the value immediately thereafter. The value of the equipment immediately after the damage or destruction shall be determined by a competent independent appraisal or by good faith, arms length sale of the salvaged equipment. The value of the equipment prior to such damage or destruction shall be that amount in actual cash required to replace such equipment with that of like, kind, grade quality and quantity or to restore such equipment to its prior condition. Owner may, at his option, elect to pay such loss by the actual purchase of the replacement equipment and take the salvage, or in the event of repair or restoration, to pay the actual cost thereof.

19.5 Owner's Equipment: Owner shall assume liability at all times for damage to or destruction of Owner's equipment, including but not limited to casing, tubing, well head equipment, and tankage, and Contractor shall be under no liability to reimburse Owner for any such loss or damage except that due to negligence of Contractor, his agents, servants and employees

19.6 The Hole—Footage Basis: Subject to the provisions of Par. 13 hereof (relating to formation difficult or hazardous to drill and to loss of circulation) should a fire or blowout occur or should the hole for any cause attributable to Contractor's operations be lost or damaged while Contractor is engaged in the performance of work hereunder on a footage basis, all such loss of or damage to the hole shall be borne by the Contractor; and if the hole is not in condition to be carried to the contract depth as herein provided, Contractor shall, if requested by Owner, commence a new hole without delay at Contractor's cost; and the drilling of the new hole shall be conducted under the terms and conditions of this contract in the same manner as though it were the first hole. In such case Contractor shall not be entitled to any payment or compensation for expenditures made or incurred by Contractor on or in connection with the abandoned hole, except for day work earned in coring, testing, and logging said well for which Contractor would have been compensated had such hole not been junked and abandoned.

Notwithstanding the foregoing provisions, if the hole is lost or damaged without negligence on the part of the Contractor but as a result of the failure of Owner's casing or equipment either during or after the running and setting of such casing, or as a result of subsequent failure of the cementing job resulting in parted casing, such loss shall be borne by the Owner and Contractor shall nevertheless be paid: (a) For all footage drilled and other work performed by Contractor prior thereto; (b) For work performed in an effort to restore the hole to such condition as that further drilling or other operations may be conducted at the applicable day work rate; and (c) The cost of dismantling the rig and moving to and rigging up Contractor's equipment prior to starting the drilling of a new hole at a location designated by Owner if such be required. The work of drilling the new hole shall be performed by the Contractor under the terms and conditions of this contract.

19.7 The Hole—Day Work Basis: In the event the hole should be lost or damaged while Contractor is working on a day work basis or as a result of work performed on a day work basis unless such loss or damage is caused by negligence of Contractor, his agents, servants, or employees, Owner shall be responsible for any such loss of or damage to the hole.

19.8 Underground Damage: Owner agrees to indemnify Contractor for any and all sums which Contractor shall become liable by final judgment to pay for damages resulting from operations under this contract on account of injury to, destruction of, or loss or impairment of any property right in or to oil, gas, or other mineral substance or water, if at the time of the act or omission causing such injury, destruction, loss, or impairment, said substance had not been reduced to physical possession above the surface of the earth, and for any loss or damage to any formation, strata, or reservoir beneath the surface of the earth.

19.9 Inspection and Assembly of Materials To Be Furnished By Owner:

(a) Contractor agrees to visually inspect, using normal rig personnel, all materials to be furnished by Owner before using same and to notify Owner of any apparent defects therein; and Contractor's use of such materials without notifying Owner shall be conclusive evidence that such materials were free from apparent defects. Contractor shall not be liable for any loss or damage resulting from the use of materials to be furnished by Owner containing latent defects. The term latent defect shall include, but not be limited to, improper or defective assembly by a manufacturer; the fitness of the material for the use intended; and its adaptability or ability to fit, mate, join or otherwise be incorporated with other materials.

(b) Contractor will preassemble, disassemble, or assemble materials to be furnished by Owner only when as directed by Owner and when such work can be accomplished by normal rig personnel. Contractor shall assume no liability for such service. All of such services shall be performed on a day work basis.

19.10 Indemnity by Contractor: Contractor agrees to protect, idemnify, and save harmless the Owner from and against all claims, demands, and causes of action in favor of Contractor's employees or third parties on account of personal injuries or death or on account of property damages (other than property damages as in this Par. 19 specifically provided for) arising out of the work to be performed by Contractor hereunder and resulting from the negligent acts or omissions of Contractor, Contractor's agents, employees, and subcontractors.

19.11 Indemnity by Owner: Owner agrees to protect, idemnify, and save harmless, the Contractor from and against all claims, demands and causes of action in favor of Owner's employees or third parties on account of personal injuries or death or on account of property damages (other than property damages as in this Paragraph 19 specifically provided for) arising out of work performed by Owner, Owner's agents, employees, and contractors or subcontractors (other than the contractor under this Contract) or equipment furnished in connection therewith and resulting from the negligent acts or omissions of such Owner, Owner's agents, employees, contractors or subcontractors.

19.12 Pollution and Contamination: Notwithstanding anything to the contrary contained herein, it is understood and agreed by and between the Contractor and Owner that the responsibility for pollution or contamination shall be as follows:

(a) The Contractor shall assume all responsibility for, including control and removal of, and protect, defend and save harmless the Owner from and against all claims, demands and causes of action of every kind and character arising from pollution or contamination, which originates above the surface of the land or water from spills of fuels, lubricants, motor oils, normal water base drilling fluid and attendant cuttings, pipe dope, paints, solvents, ballast, bilge and garbage wholly in Contractor's possession and control and directly associated with Contractor's equipment and facilities.

(b) The Owner shall assume all responsibility for, including control and removal of, protect, defend and save the Contractor harmless from and against all claims, demands, and causes of action of every kind and character arising from all other pollution or contamination which may occur during the conduct of operations hereunder, including but not limited to, that which may result from fire, blowout, cratering, seepage or any other uncontrolled flow of oil, gas, water or other substance, as well as the use or disposition of oil emulsion, oil base or chemically treated drilling fluids, contaminated cuttings or cavings, lost circulation and fish recovery materials and fluids.

(c) In the event a third party commits an act or omission which results in pollution or contamination for which either the Contractor or Owner, for whom such party is performing work, is held to be legally liable, the responsibility therefor shall be considered, as between the Contractor and the Owner, to the same as if the party for whom the work was performed had performed the same and all of the obligations respecting defense, indemnity, holding harmless and limitation of responsibility and liability, as set forth in (a) and (b) above, shall be specifically applied.

20. INDEPENDENT CONTRACTOR RELATIONSHIP:

20.1 In the performance of the work herein contemplated on a "footage basis", Contractor is an independent contractor, with the authority to control and direct the performance of the details of the work, Owner being only interested in the results obtained. The work on such "footage basis" shall meet the approval of Owner and be subject to the right of inspection and supervision herein provided. Owner shall not unreasonably withhold approval of all such work, when performed by Contractor in accordance with the generally accepted practices and methods customary in the industry. Contractor agrees to comply with all laws, rules, and regulations, federal, state, and local, which are now, or may in the future become applicable to Contractor, Contractor's business, equipment, and personnel engaged in operations covered by this contract or accruing out of the performance of such operations; provided, however, as between the Owner and Contractor specific provisions herein contained respecting the risk and responsibility for such compliance shall be controlling.

20.2 When operations hereunder are being conducted on a "day work" basis or all the work contemplated is on a "complete day work" basis, the work shall be conducted in accordance with the orders and directions of the Owner. In the event Owner fails to direct the performance of the work and allows Contractor to perform the same in accordance with the generally accepted methods and practices customary in the industry, it shall be conclusively presumed that Contractor acted and performed the work in the same manner as would have been the case had Owner exercised his right to direct and control it. The specific provisions contained herein with respect to risk of loss and responsibility while on a "day work" basis shall be controlling.

20.3 Owner shall be privileged to designate a representative or representatives who shall at all times have access to the premises for the purpose of observing tests or inspecting the work of the Contractor. Such representative or representatives shall be empowered to act for Owner in all matters relating to the work herein undertaken and Contractor shall be entitled to rely on the orders and directions issued by such representative or representatives as being those of the Owner.

21. NO WAIVER EXCEPT IN WRITING:

It is fully understood and agreed that none of the requirements of this contract shall be considered as waived by either party unless the same is done in writing, and then only by the persons executing this contract, or other duly authorized agent or representative of the party.

22. FORCE MAJEURE:

Neither Owner nor Contractor shall be liable to the other for any delays or damage or any failure to act due, occasioned or caused by reason of federal or state laws or the rules, regulations, or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the procurance or use of tools and equipment, or due, occasioned or caused by strikes, action of the elements, or causes beyond the control of the party affected thereby; and any delay due to the above causes or any of them shall not be deemed to be a breach of or failure to perform this contract or any part

(Contract Page 6)

thereof. Provided, however, nothing herein contained shall abrogate the obligation of Owner to pay Contractor the "Work Stoppage" rates as set forth in Paragraph 4.3 above.

23. INFORMATION CONFIDENTIAL:

All information obtained by the Contractor in the conduct of drilling operations on this well, including, but not limited to, depth, formations penetrated, the results of coring, testing, and surveying, shall be considered confidential and shall not be divulged by Contractor, or his employees, to any person, firm, or corporation other than Owner's designated representatives.

24. ASSIGNMENT OF CONTRACT:

Contractor agrees not to sublet or assign this contract except for work normally performed by subcontractors without the written consent of the Owner.

25. NOTICES AND PLACE OF PAYMENT:

All notices to be given with respect to this contract unless otherwise provided for shall be given to the Contractor and to the Owner respectively at the addresses hereinabove shown. All sums payable hereunder to Contractor shall be payable at his address hereinabove shown unless otherwise specified herein.

26. ARBITRATION:

Every controversy or claim arising out of or relating to this Contract, or the alleged breach thereof, will be settled by arbitration according to the law pursuant to the rules then obtaining of the American Arbitration Association, and judgment upon the award so rendered may be entered in any court having jurisdiction thereof.

27. SPECIAL PROVISIONS:

OWNER AGREES TO PAY CONTRACTOR $38,475.00 TO MOVE RIG TO LOCATION, RIG UP, READY TO SPUD.

CONTRACTOR WILL PAY DRILLERS FIFTEEN CENTS ($.15) PER MILE DRIVING ALLOWANCE NOT TO EXCEED ONE HUNDRED (100) MILES PER DAY, PER CREW.

IN THE EVENT ADEQUATE HOUSING OR TRAILER HOUSE PARKING CANNOT BE ACQUIRED BY RIG PERSONNEL WITHIN REASONABLE DISTANCE FROM LOCATION, THEN OWNER WILL PAY ALL TRANSPORTATION CHARGES IN EXCESS OF FIFTEEN DOLLARS ($15.00) PER DAY, PER CREW.

SHOULD TRAVEL TIME NECESSITATE TWELVE (12) HOUR TOURS, OWNER WILL PAY ADDITIONAL COST ABOVE NORMAL EIGHT (8) HOUR TOURS.

28. ACCEPTANCE OF CONTRACT:

This instrument shall not become a binding contract until Owner has noted its acceptance and Owner shall be under no obligation to Contractor until such acceptance has been noted and a fully executed copy of this agreement sent to Contractor. Contractor will sign all copies of this instrument and return all but one signed copy to Owner.

Owner JACK GRYNBERG AND ASSOCIATES

By Cecil D. Gritz

The foregoing contract is accepted by the undersigned as Contractor this 3rd day of DECEMBER, 19 73, subject to rig availability, and subject to all of its terms and provisions, with the understanding that it will not be binding upon Owner until Owner has noted its acceptance, and with further understanding that unless said contract is thus executed by Owner within 25 days of the above date Contractor shall be in no manner bound by its signature thereto.

Contractor VIERSEN & COCHRAN DRILLING COMPANY

By L. Glenn Moore

Title L. GLENN MOORE - Vice-President

Accepted this 28 day of December, 19 73, which is effective date of this agreement.

Owner JACK GRYNBERG AND ASSOCIATES

By Cecil D. Gritz

Title Cecil D. Gritz - Petroleum Engineer

Printed in U.S.A.

See attached Exhibit "A"

EXHIBIT "A"

Drilling Contract dated DECEMBER 3, 1973.

Owner JACK GRYNBERG AND ASSOCIATES Contractor VIERSEN & COCHRAN DRILLING COMPANY

Well Name and Number KENT RANCH PROSPECT

SPECIFICATIONS AND SPECIAL PROVISIONS

1. CASING PROGRAM (See Par. 8)

	Size		Weight		Approx. Setting Depth		To Be Set By	Allowed Cement Time
Conductor	20	in.		lbs./ft.	as required	ft.	Owner	--- hours
Surface	9 5/8	in.		lbs./ft.	2,000	ft.	Owner	--- hours
Protection	7	in.		lbs./ft.	10,500	ft.	Owner	--- hours
Oil String		in.		lbs./ft.		ft.		hours
Liner	4 1/2	in.		lbs./ft.	3,500	ft.	Owner	---
Tubing		in.		lbs./ft.		ft.		

2. MUD CONTROL PROGRAM (See Par. 10.2)

Depth Interval (ft) From	To	Type Mud	Weight (lbs./gal.)	Viscosity (Secs)	Water Loss (cc)
		per mud engineer			

It is understood that in the event it becomes necessary to discontinue drilling operations and to suddenly raise the mud weight _____ lb. per gallon above the weight currently being used OR to raise the mud weight at any time to _____ lbs. per gallon, it will conclusively constitute "Abnormal Pressure" as that term is employed in Paragraph 13.2 of the Contract. Operations will thereafter go forward under the terms of such provision (13.2) until such condition has been overcome; the well is under control and the mud system stabilized at a weight less than _____ lbs. per gallon, so as to permit normal drilling operations to be resumed.

Other mud specifications: _____

3. STRAIGHT HOLE SPECIFICATIONS (See Par. 10.5)

Well Depth From	To	Maximum Distance Between Surveys, Feet	Maximum Deviation from Vertical, Degrees	Maximum Change of Angle (or Over-All Angle Between) Any Two Surveys, Degrees(1)
-0-	TD	500	10	1 1/2

Location of well bore at _____ feet shall be _____

(1) a. Reduce proportionately for survey intervals less than 100 feet, but do not use intervals shorter than 30 feet.
b. If these limits are exceeded and the distance between surveys is more than 100 feet, Contractor shall take intermediate surveys no more than 100 feet apart. If such intermediate surveys show that above limits for any interval have been exceeded, Contractor shall correct hole deviation to within limits of above specifications.
c. When directional surveys are required, the change of angle shall be the change of over-all angle.

4. INSURANCE (See Par. 16)

4.1 Adequate Workmen's Compensation Insurance complying with State Laws applicable or Employers' Liability Insurance covering all of Contractor's employees working under this agreement.

4.2 Comprehensive Public Liability Insurance or Public Liability Insurance with limits of $ 100,000.00 for the death or injury of any one person and $ 300,000.00, for each accident.

4.3 Comprehensive Public Liability Property Damage Insurance or Public Liability Property Damage Insurance with limits of $ 100,000.00 for each accident and $ ---- aggregate per policy.

4.4 Automobile Public Liability Insurance with limits of $ 100,000.00 for the death or injury of each person and $ 300,000.00 for each accident; and Automobile Public Liability Property Damage Insurance with limits of $ 100,000.00 for each accident.

4.5 _____

4.6 _____

EXHIBIT "A" (Continued)

7. EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY DESIGNATED PARTY

The machinery, equipment, tools, materials, supplies, instruments, services, and labor listed as the following numbered items including any transportation required for such items unless otherwise specified, shall be provided at the location and at the expense of the party hereto as designated by an X mark in the appropriate column.

	ITEM	TO BE PROVIDED BY AND AT EXPENSE OF: Owner	Contractor
7.1	Cellar and runways	X	
7.2	Fuel (located at ALL RIG AND BOILER FUEL)	X	
7.3	Fuel Lines (length)		
7.4	Water at source LAY AND TAKE UP WATER LINES	X	
7.5	Water well	X	
7.6	Water lines 1 MILE WATER LINE - PUMP		X
7.7	Water storage tanks 1000 capacity		X
7.8	Labor to operate water well or water pump		X
7.9	Maintenance of water well, if required	X	
7.10	Mats for engines and boilers, or motors and mud pumps		X
7.11	Transportation of Contractor's property:		
	Move in		X
	Move out		X
7.12	Materials for "boxing in" rig and derrick		X
7.13	Special strings of drill pipe and drill collars as follows: 3 1/2" DP - drill collars and accessories	X	
7.14	Kelly joints, subs, elevators and slips for use with special drill pipe	X	
7.15	Drill pipe protectors for Kelly joint and each joint of drill pipe running inside of casing for use with normal strings of drill pipe	X	
7.16	Drill pipe protectors for Kelly joint and each joint of drill pipe running inside of casing for use with special strings of drill pipe	X	
7.17	Coring reel with wire line of sufficient length for coring at maximum depth specified in contract	X	
7.18	Wire line core barrel	X	
7.19	Conventional core barrel	X	
7.20	Rate of penetration recording device 4 pin recorder		X
7.21	Extra labor for running and cementing casing	X	
7.22	Casing tools and casing crew	X	
7.23	Running of casing-conductor	X	
7.24	Running of casing-surface	X	
7.25	Running of casing protection	X	
7.26	Running of casing production	X	
7.27	Running of casing liner	X	
7.28	Power casing tongs	X	
7.29	Tubing tools	X	
7.30	Power tubing tong	X	
7.31	Swabbing unit with swabbing line	X	
7.32	Swab	X	
7.33	Swab lubricator	X	
7.34	Swab rubbers	X	
7.35	Drilling mouse and rat holes cellar and all dirtwork	X	
7.36	Drilling hole for conductor pipe rotating head & rubbers	X	
7.37	All instrumentation except that specified in 7.20	X	
7.38	Special well control equipment, separators, chokes, etc.	X	
7.39	Insp. cost of 4½" DP & drill collars & maint.	X	
7.40	Inspection cost of 3½" drill pipe & transportation & assembly	X	

8. OTHER PROVISIONS:

7.41	Tractor Towage to Move In and Out of Location	X
7.42	Tractor Towage to Move In Crew Vehicle In & Out	X
7.43	Cost to Level & Align Rig As Required	X
7.44	Cess Pool for Owners & Contractors Trailer House	X
7.45	Wage Increase Will Be Reimbursed By Owner	X
7.46	Double Deck Shale Shaker $40.00 per day	X

Initialed by the For Owner _____ For Contractor _____

tion as correct:

EXHIBIT "A" (Continued)

5. EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY CONTRACTOR

The machinery, equipment, tools, materials, supplies, instruments, services and labor hereinafter listed, including any transportation required for such items, shall be provided at the location at the expense of Contractor unless otherwise noted hereon and otherwise provided for in Par. 7 hereof.

5.1 Drilling Rig.

Complete drilling rig, designated by Contractor as his rig No. 13, the major items of equipment being:

Drawworks: NATIONAL 808 (Make and Model)

Engines: Make, Model, and H. P. CATERPILLAR DIESEL D397 No. on Rig 3

Pumps: Make and Size CONT-EMSCO TRIPLEX F800 6 1/4 X 9 800 HP

Auxiliary Pump: Make, Size, and Power GARDNER-DENVER GXR 7 3/4 X 18 1000 HP

Boilers: Number. Make. H. P. and W. P. ----

Derrick or Mast: Make, Size, and Capacity LEE C MOORE 136' 860,000#

Substructure: Size and Capacity 18 FEET

Drill Pipe: Size 4 1/2 in. 18,000 ft.; Size ____ in. ____ ft; Size ____ in. ____ ft.

Drill Collars: Number and Size AS REQUIRED FOR 4 1/2" DRILLING STRING

Blowout Preventers:

Size	Series or Test Pr.	Make & Model	Number
10	5000	CAMERON - QRC	1
10	5000	DUAL SHAFFER	1
10	5000	HYDRIL	1

5.2 Trucking service and other transportation, hauling, or winching services as required to move Contractor's property to location, rig up Contractor's rig, tear down Contractor's rig, and remove all of Contractor's property from location.
5.3 Drilling bits, reamers, stabilizers, reamer cutters, and other drilling tools or devices (except while on daywork).
5.4 Contract fishing tool services and fishing tool rentals (except while on daywork).
5.5 Derrick timbers.
5.6 Normal strings of drill pipe and drill collars specified above.
5.7 Conventional drift indicator.
5.8 Steel ~~XXXXXX~~ mud pits a~~XXXXXXXX~~pits.
5.9 Services in connection with erection and dismantling of Contractor's derrick.
5.10 Necessary pipe racks and rigging up material.
5.11 Normal storage for mud and chemicals.
5.12 Necessary spools, flanges and fittings to connect blowout preventers to Owner's well head equipment.

6. EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY OWNER

The machinery, equipment, tools, materials, supplies, instruments, services and labor hereinafter listed, including any transportation required for such items, shall be provided at the location at the expense of Owner unless otherwise noted herein and otherwise provided for in Par. 7 hereof.

6.1 Furnish and maintain adequate roadway and/or canal to location, right-of-way, including rights-of-way for fuel and water lines, river crossings, highway crossings, gates and cattle guards.
6.2 Stake location, clear and grade location, and provide turnaround, including surfacing when necessary.
6.3 Test tanks with pipe and fittings.
6.4 Mud storage tanks with pipe and fittings.
6.5 Separator with pipe and fittings.
6.6 Labor to connect and disconnect mud tank, test tank, and separator.
6.7 Labor to disconnect and clean test tanks and separator.
6.8 Drilling mud, chemicals, lost circulation materials and other additives.
6.9 Pipe and connections for oil circulating lines.
6.10 Labor to lay, bury and recover oil circulating lines.
6.11 Drilling bits, reamers, reamer cutters, stabilizers and special tools while operating on daywork basis.
6.12 Contract fishing tool services and tool rental while operating on a day work basis.
6.13 Wire line core bits or heads and wire line core catchers if required.
6.14 Conventional core bits and core catchers.
6.15 Diamond core barrel with head.
6.16 Cement and cementing service.
6.17 Electrical and Gamma-Neutron logging services.
6.18 Directional, caliper, or other special services.
6.19 Gun or jet perforating services.
6.20 Explosives and shooting devices.
6.21 Formation testing, hydraulic fracturing, acidizing and other related services.
6.22 Equipment for drill stem testing.
6.23 Mud logging services.
6.24 Sidewall coring service.
6.25 Welding service for welding bottom joints of casing, guide shoe, float shoe, float collar and in connection with installing of well head equipment if required.
6.26 Casing, tubing, liners, screen, float collars, guide and float shoes and associated equipment.
6.27 Casing scratchers and centralizers.
6.28 Well head connections and all equipment to be installed in or on well or on the premises for use in connection with testing, completion and operation of well.
6.29 Special or added storage for mud and chemicals.

VIERSEN & COCHRAN DRILLING COMPANY
BOX 10227 • OKLAHOMA CITY • OKLAHOMA • 73110
PHONE 601-6611

EXHIBIT "B" TO IADC CONTRACT KENT RANCH 11-18

EXHIBIT B

December 3, 1973

Mr. Cecil D. Gritz
Jack Grynberg & Associates
1050 - 17th St., Suite 1950
Denver, Colorado 80202

Re: Acceptance Agreement and Amendment
International Association of
Drilling Contractors
Rotary Drilling Bid Proposal and
Contract
Dated December 3, 1973

Gentlemen:

This letter when accepted by you in the manner hereinafter provided will constitute our agreement regarding the drilling of the Kent Ranch 11-18 well ("said well") in Section 18, T 14 N - R 101 W, Sweetwater County, Wyoming, and will further constitute an amendment of that certain IADC Drilling Contract dated December 3, 1973 between Viersen & Cochran Drilling Company, as Contractor, and Jack Grynberg and Associates, as Operator.

Returned herewith is your "Rotary Drilling Bid Proposal and Contract" agreement dated December 3, 1973 ("Bid Proposal"), with respect to said Well which has been accepted by us subject to your acceptance of the terms of this letter agreement.

You have requested that operations for road and location building for the drilling of said Well commence prior to December 31, 1973, and that Contractor furnish its Rig No. 13, or some other drilling rig of suitable capability, for the drilling operations. We agree to the timely commencement of such operations and the furnishing of such a drilling rig, weather and other conditions beyond our control permitting; however, this will require the immediate expenditure and/or commitments for large sums of money; therefore, in order for us to make this drilling rig available for said Well, we will require that you, as Operator, prepay to us, as Contractor, the sum of $250,000.00 prior to the commencement of the drilling operations for said well. This prepayment is an estimate of the sums to be earned by us, as Contractor, under Specifications provided in said proposed Contract, assuming no unusual occasion will prolong normal drilling operations. If, however, all of said prepayment is earned by us prior to completion of drilling operations, then after such prepayment has been fully earned by us we will bill you each thirty (30) days for the amounts then owing by you to us as provided in the ~~provided in the~~ proposed Contra If, however, we do not earn all of said prepayment, then we will make appropriate adjustment to you within thirty (30) days after completion of

EXHIBIT B

JACK J. GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES, A SOLE PROPRIETORSHIP

4. Under an effective date of December 28, 1973, the Plaintiff and Defendant entered into a drilling contract under

drilling operations of said well.

In accordance with our previous discussions with respect to this matter, we further agree to pay for the following services: Road and location construction, supervision, tubular inspection, transportation, drilling fluids, logging, cement, mud, supplies, and all miscellaneous expenses not covered above. In consideration of our agreement to pay for such services, we will require that you prepay to us, in addition to the sum referred to in the previous paragraph, the sum of $200,000.00 for furnishing of such services. Again, this additional prepayment is based upon an estimate of the cost of such services. If, however, all of said additional prepayment is earned by us prior to completion of drilling operations, then after such additional prepayment has been fully earned by us we will bill you each thirty (30) days for the amounts then owing by you to us as provided in the proposed Contract. If, however, we do not earn all of said additional prepayment, then we will make appropriate adjustment to you within thirty (30) days after completion of drilling operations on said well. As a result of this additional payment, all of the drilling contractor's expenses referred to on the Bid Proposal will be reduced by $110.00 per day with respect to daywork with drill pipe, and $110.00 per day daywork without drill pipe.

We further agree to promptly furnish you written confirmation with respect to the date that we actually commence rigging up and spud date, and will thereafter furnish you daily drilling reports in accordance with said Contract.

This agreement is made for good and valuable consideration exchanged between the parties and in all instances where applicable shall be deemed an amendment to said Contract and Bid Proposal. Otherwise said Contract and Bid Proposal shall remain as originally executed in all instances where not specifically amended by this letter.

If this letter correctly sets forth your understanding of our agreement regarding the drilling of said Well, please sign the copy of this letter in the space provided and return it directly to us prior to December 31, 1973 with your check for the two prepayments called for herein.

Very truly yours,

VIERSEN & COCHRAN DRILLING COMPANY

L. Glenn Moore

L. Glenn Moore
Vice-President

ACCEPTED & AGREED TO THIS 28th DAY OF DECEMBER, 1973 by:

JACK GRYNBERG AND ASSOCIATES

Cecil D. Gritz

Cecil D. Gritz
Petroleum Engineer

COCHRAN DRILLING COMPANY AGAINST JACK J. GRYNBERG, d/b/a JACK GRYNBERG & ASSOCIATES, A SOLE PROPRIETORSHIP

4. Under an effective date of December 28, 1973, the Plaintiff and Defendant entered into a drilling contract under

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 31
Submitted by MESA
Hearing Date 5-17-82

FILING FEE PAID

IN THE DISTRICT COURT

IN AND FOR THE CITY AND COUNTY OF DENVER

STATE OF COLORADO

FILED IN DISTRICT COURT
CITY & COUNTY OF DENVER, COLO.
SEP 29 2 49 PM '77

Civil Action No. C74650

T.W.T. EXPLORATION, INC.,

Plaintiff,

vs.

JACK GRYNBERG & ASSOCIATES,

Defendant.

C O M P L A I N T

SEMVR

C74650

COMES NOW the Plaintiff by and through its attorneys, LOWERY, RIGHT & GLICKSMAN, P.C., and for a Complaint against the Defendant states and alleges as follows:

1. Plaintiff is a Utah corporation.

2. Defendant is located in the City and County of Denver, State of Colorado.

3. On or about October 21, 1976 Plaintiff and Defendant entered into an agreement whereby Plaintiff agreed to perform drilling services for the Defendant in Rio Blanco County, Colorado.

4. Pursuant to said agreement Plaintiff commenced work on or about October 31, 1976 and has performed all of its obligations pursuant to said agreement.

5. The total agreed price for the work performed is $54,792.50, and Defendant has paid $12,150.00 of said amount.

6. There is due and owing Plaintiff the sum of $42,642.50 as of November 16, 1976, interest at the rate of 1 1/2% per month as provided for in the agreement of the parties.

7. Pursuant to the agreement of the parties, Plaintiff is entitled to reasonable attorneys fees incurred in the bringing of this action.

C74650

WHEREFORE, Plaintiff prays for judgment against the Defendant in the amount of $42,642.50 plus interest at 1 1/2% per month from November 16, 1976, reasonable attorneys fees and such other relief as the Court shall deem proper.

LOWERY, RIGHT & GLICKSMAN, P.C.

By Daniel Woodrow

Daniel Woodrow, Reg. No. 7647
110 Sixteenth Street
1410 Petroleum Club Bldg.
Denver, Colorado 80202
825-8243

Plaintiff's address:

1640 Park Ave. Suite 201
Park City, Utah 84060

MAR 1982

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico 32
Case No. 7513 Exhibit No.
Submitted by Mesa
Hearing Date 5-17-82

STATE OF ILLINOIS

IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT

CRAWFORD COUNTY

FILED

Case Number 80-SC-18

QUENTION FROST (Quention Frost) VS JACK J. GRYNBERG & ASSOCIATES

Clerk of Circuit Court, Second Judicial Circuit, Crawford County, Illinois

Plaintiff(s) Defendant(s)

SMALL CLAIM COMPLAINT

I, the undersigned, claim that the defendant is indebted to the plaintiff in the sum of $ 572.00 for replacement of lost abstract

and that the plaintiff has demanded payment of said sum; that the defendant refused to pay the same and no part thereof has been paid; that the defendant resides at 1050 17th St., Suite 950, Denver, Colorado 80265 Phone No. (303)572-1455 : that the plaintiff resides at R. R. #4, Robinson, IL 62454 Phone No (618)546-1106 : in the State of Illinois.

Date January 22, 1980 (Month Day Year)

Quention Frost (Signature of Plaintiff)

AFFIDAVIT

Quention Frost on oath states that the allegations in this complaint are true.

x Quention Frost

Signed and sworn to before me January 22, 1980

(SEAL)

x Phyllis Fischhoff (Notary Public)

SMALL CLAIM DOCKET

Complaint filed on ..... by ..... Clerk
Date Reset ..... by ..... Clerk
Date Reset ..... by ..... Clerk

FEES		
CLERK'S	25	00
Certified Mail		
Sheriff		
Execution		
Library	2	00
Process Server	35.	00 (SUMMONS)
Deft. Filing Motion (out)	(5.	00)
Library	2.	00

Plaintiff.... in Court Pearsonette Conrad

Defendant.... in Court [redacted] appears by Counsel [illegible] Co.

Judgment for Plaintiff

$ 572. 00 Costs $ 60. 00

Stay ..... days

Against Defendants 4/14/80

Bench Trial before the Court

Dismissed as to .....

x H. Hale Jones (Judge or Magistrate)

COURT'S NOTATIONS

Vol..... Page..... Date 1/23/80

Complaint filed. Summons issued and sent to Sheriff of Denver, Colorado. Hearing set for February 25, 1980 at 9:30 a.m.

(Additional Space for court notation on back)

2-22-80 By agreement of parties cause continued generally

2/26/80 Cause set for hearing 3/3/80 at 9:30 A.M. Notice issued to Counsel for Plaintiff

2/27/80 Summons returned showing service.

2/29/80 Motion to Continue granted (motion on file) Counsel for Plaintiff agrees to Continuance. Cause continued to 4/7/80 at 9:30 A.M. Alias Jurat signed (order on file). Notice to issue.

W. Hanley Jones
Judge

3/20/80 Notice of Hearing, set for April 7, 1980 at 9:30 A.M. sent to Mr. David M. Correll and Mr. Lawrence Eaton.

3/21/80 By agreement of parties cause continued to April 16, 1980 at 9:30 A.M. Notice to issue.

W. Hanley Jones
Judge

3/21/80 Notice of Re-Setting of Hearing for April 16, 1980 at 9:30 A.M. sent to: Mr. David M. Correll and Mr. Lawrence Eaton.

3/25/80 Hearing set for April 16, 1980 at 9:30 a.m. has been reset for April 14, 1980 at 10:00 a.m. David Correll's office has notified Mr. Lawrence Eaton.

4/14/80

4/15/80 Citation returned showing service

5/30/80 Citation called for hearing. Defendant fails to appear. Cause set for hearing 6/13/80 at 10:00 A.M. Notice to issue to all parties

W. Hanley Jones
Judge

5/30/80 Notice of Hearing set for June 13, 1980 at 10:00 A.M. sent to: Mr. Lawrence Eaton and Mr. Jack Grynberg.

6/2/80 Petition For Rule To Show Cause filed.

6-13-80 Parties appear by Counsel. Motion To Dismiss Rule To Show Cause filed & argument heard. Decision taken under advisement. Parties to submit memo of law in seven days. Citation proceedings within 10 days.

Robert W. Walker
Judge

7-10-80 Citation To Discover Assets set for Aug 18, 1980 at 10:00 A.M. Notice To Be Issued.

Robert W. Walker Judge

8-8-80 Re subject matter taken under advisement. Counsel to serve memo. In on Defendant and Counsel & service memo as provided in Supreme Court rule

Clerk's Certificate of Copy

STATE OF ILLINOIS
CRAWFORD COUNTY } ss.

I, Clell T. Keller, do hereby certify that I am the clerk of the Circuit Court in and for said County, in the State aforesaid, and the keeper and custodian of the records thereof, and do hereby certify that the foregoing is a true, perfect and complete copy of:

Complaint
Judgment

QUENTION FROST

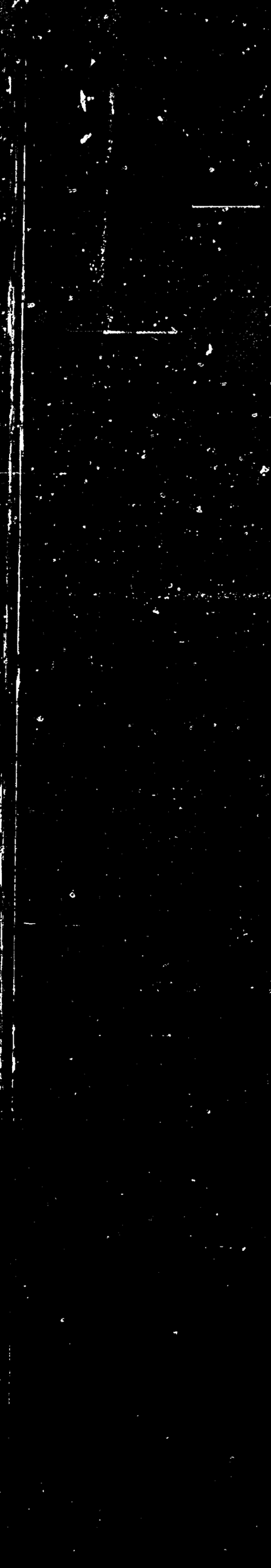
VS.

JACK J. GRYNBERG & ASSOCIATES

as the same appears of record in File No. 80-SC-18 ~~XXXXXX~~ ~~Record~~ ~~Page~~ ~~XXXXXX~~ in my office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said Court, at my office in Robinson, this 6 th day of May A. D. 1982,

Clell T. Keller CLERK.



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 33
Submitted by MESA
Hearing Date 5-17-82

STATE OF ILLINOIS
IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT
CRAWFORD COUNTY

FRANK J. WEBER and
WANDA A. WEBER,
PLAINTIFFS

VS.

OLIN M. WEAVER, SR., JACK GRYNBERG AND ASSOCIATES, VELMA CORTELYOU, and MARATHON OIL COMPANY,
DEFENDANTS

NO. 79-CH-35

CERTIFIED TRUE COPY
DATE May 5, 1982
Clerk, Crawford County, Illinois

COMPLAINT

Now come the Plaintiffs, FRANK J. WEBER and WANDA A. WEBER, by JAMES V. HILL, their Attorney, and for their Complaint against the Defendants, OLIN M. WEAVER, SR., JACK GRYNBERG AND ASSOCIATES, VELMA CORTELYOU, and MARATHON OIL COMPANY, states:

1. That the Plaintiffs are owners of the surface, and one-half of the oil, gas and other minerals in and under the following described real estate, to-wit:

> The East Half of the Northwest Quarter of Section 30, Township 7 North, Range 12 West of the Second P.M.,

under an Agreement for Deed with one of the Defendants, VELMA CORTELYOU, dated December 2, 1978.

2. That the Defendant, VELMA CORTELYOU is the owner of one-half of the oil, gas and other minerals in and under said real estate for and during her natural lifetime, remainder to the Plaintiffs

3. That the real estate above described is subject to a certain oil and gas lease dated April 5, 1971, and recorded in Miscellaneous Record 153 at page 11, in the Office of the Recorder of Crawford County, Illinois, a true and correct copy of said lease being attached hereto and incorporated herein by reference as Exhibit A, said lease being to the Defendant, OLIN M. WEAVER, SR.

4. That pursuant to the terms of the aforementioned oil and gas lease, the Defendant, OLIN M. WEAVER, SR. did enter unto the above described premises, but, contrary to the terms of said lease,

has failed to produce any oil and gas from same, but, through his operations, has done the following:

A. Permitted wells drilled for oil to remain unplugged, after such wells were no longer used for the purpose for which they were drilled, contrary to the provisions of the Illinois Revised Statutes, Chapter 100 1/2, Section 26, sub-paragraph 10.

B. Permitted discarded machinery and materials to remain around the surface of said premises, filled slush pits without pumping them out, which ruined the surface of said premises, and failed to restore the surface of the land to its condition before drilling, contrary to the provisions of Illinois Revised Statutes, Chapter 100 1/2, Section 26, sub-paragraph 12.

C. Permitted salt water and other wastes from wells drilled on said premises to escape to the surface of the premises causing damage thereto contrary to the provisions of Illinois Revised Statutes, Chapter 100 1/2, Section 26, sub-paragraph 13.

5. That pursuant to the aforementioned oil and gas lease, the Defendant, OLIN M. WEAVER, SR. did enter into an alleged agreement with the Defendant, JACK GRYNBERG AND ASSOCIATES, and pursuant to said Agreement, the Defendant, JACK GRYNBERG AND ASSOCIATES, did enter onto the above described real estate, did drill an oil well thereon, did dig salt water and oil field refuse pits on said premises, and did place certain machinery, equipment and materials upon said premises, and did produce a limited quantity of oil from said premises, which was not in paying quantities, and did more than two (2) years ago, abandon the oil well, all machinery, equipment and materials placed by them upon said premises, and have conducted no activities thereon for more than 2 years, last past. A copy of the Agreement between the Defendants, OLIN M. WEAVER, SR. and JACK GRYNBERG AND ASSOCIATES dated January 29, 1976 and recorded in Miscellaneous Record 185, at page 244, in the Office of the Recorder of Crawford County

Illinois is attached hereto and incorporated herein by reference as Exhibit B.

6. That the acts of the Defendants, OLIN M. WEAVER, SR. and JACK GRYNBERG AND ASSOCIATES, constitute a forfeiture of said oil and gas lease, pursuant to the terms of Illinois Revised Statutes, Chapter 80, Sections 39 and 40.

7. That the acts of the Defendants, OLIN M. WEAVER, SR. and JACK GRYNBERG AND ASSOCIATES have caused irreparable damage to the surface of the premises of the Plaintiff by their allowance of salt water to spill onto the surface of said lands, by occupying the lands of the Plaintiffs with said machinery, equipment and materials, and by allowing unplugged wells and open salt water and slush pits to remain on said premises.

8. That the Defendant, MARATHON OIL COMPANY, did purchase certain oil from the oil and gas lease above described produced by JACK GRYNBERG AND ASSOCIATES, and is made a party to this complaint for purpose of determining whether there are presently any proceeds of the sale of oil and gas withheld by said Defendant.

WHEREFORE, Plaintiffs pray as follows:

A. That the oil and gas lease above mentioned shall be declared to be forfeited by reason of the abandonment of said lease and the failure to produce oil and gas from the premises under the terms of said lease.

B. That the Court shall direct that said lease be released and cancelled of record.

C. That the Defendant, VELMA CORTELYOU, be decreed to be the owner of a reserved one-half interest in the oil, gas and other minerals in and under said real estate for and during her lifetime, remainder to the Plaintiffs, and that she be granted her share of any royalties currently held by MARATHON OIL COMPANY to her credit from said premises.

D. That the Defendants, OLIN M. WEAVER, SR., and JACK GRYNBERG AND ASSOCIATES, individually and separately, shall be decreed to be liable to pay all costs of this suit, including reasonable Attorney's fees for the Plaintiffs' Attorney as provided by the Statutes of the State of Illinois, to be determined by the Court and taxed as a part of the costs.

E. That the Plaintiffs be decreed to be the owner of the oil, gas and other minerals in and under the above described premises, subject to the reservation of VELMA CORTELYOU, free and clear of all the interest of the Defendants.

F. That Plaintiffs be granted a judgment against the Defendants, OLIN M. WEAVER, SR. and JACK GRYNBERG AND ASSOCIATES , for the damages to the surface of said premises in an amount in excess of $15,000.00.

G. That Plaintiffs be decreed to be the owners of any oil and gas wells, pipes, casing, machinery, equipment and materials located on the premises above described, as well as the proceeds of any oil produced from said premises and not previously paid out, subject to the rights of the royalty owner, VELMA CORTELYOU, to her share of said oil proceeds, and that all of the real and personal property connected with said lease and owned by any of the Defendants, OLIN M. WEAVER, SR. and JACK GRYNBERG AND ASSOCIATES, BE decreed to be the property of the Plaintiffs.

H. That Plaintiffs be granted such other and further relief as equity may require.

FRANK J. WEBER AND WANDA A. WEBER, PLAINTIFFS

BY: Frank J. Weber
FRANK J. WEBER

STATE OF ILLINOIS
COUNTY OF CRAWFORD

FRANK J. WEBER, being first duly sworn upon oath, deposes and states that he has read the above and foregoing Complaint by

him subscribed, has knowledge of the contents thereof, and that the same is true in substance and in fact.

Frank J. Weber

FRANK J. WEBER

STATE OF ILLINOIS

COUNTY OF CRAWFORD

Subscribed and sworn to before me this 25th day of December, 1979.

NOTARY PUBLIC

JAMES V. HILL
ATTORNEY FOR PLAINTIFFS
P.O. BOX 250
ROBINSON, ILLINOIS 62454
TELEPHONE (618) 544-8661

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 5th day of April, 19 71, by and between

Mrs. Velma Cortelyou, a widow

hereinafter called "Lessor" (whether one or more), and OLIN H. WEAVER, SR.,

hereinafter called "Lessee";

WITNESSETH:

1. Lessor in consideration of Eighty and no/100---------- Dollars ($ 80.00) in hand paid by Lessee, receipt of which is hereby acknowledged, and of the provisions herein contained on the part of Lessee to be paid and performed hereby grants, leases and lets exclusively unto Lessee the land hereinafter described for the purpose of exploring for oil, gas and other hydrocarbons by geological, geophysical and other exploratory methods (including core drilling), and for the purpose of operating, drilling, mining for and producing oil, gas and other hydrocarbons (including the production thereof by repressuring the subsurface formations and strata with fluids or gases), together with the right to remove and dispose of said products, the right to inject water, brine and other substances into subsurface strata, the right to lay pipe lines, construct telephone and electric power lines, roadways, ponds, collection pits, tanks, power houses and other structures and fixtures for producing, treating and caring for such oil, gas and other hydrocarbons, and all other rights and privileges necessary or convenient for the economical operation of said land alone or co-jointly with neighboring lands. The land referred to above and hereby leased is situated in Crawford County in the State of Illinois, and is described as follows, to-wit:

The East Half of the Northwest Quarter of Section Thirty (30), Township Seven (7) North, Range Twelve (12) West, Crawford County, Illinois, containing eighty (80) acres;

This lease also covers and includes all land or interest in land owned or claimed by Lessor adjacent or contiguous to the land particularly described above whether the same be in said section or sections or in adjacent sections, although not included within the boundaries of the land particularly described above. For the purpose of calculating the payments hereinafter provided for, said land is estimated to comprise 30 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or any other hydrocarbon is or can be produced from said land. The consideration above stated is paid to, and accepted by, the Lessor as a good and sufficient consideration for all rights and privileges herein granted to Lessee.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; and (b) on gas, including gas produced from oil wells (commonly called casinghead gas), and other hydrocarbons produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas and other hydrocarbons so sold or used, provided that on gas and other hydrocarbons sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a well producing gas only is not sold or used, Lessee may pay as royalty One Hundred Dollars ($100.00) per well per year and if such payment is made it will be considered that gas is being produced from the lands herein described with the effect as provided in this lease. No royalty shall be paid on oil, gas or other hydrocarbons used in the development and operation of said land, consumed by injection into said land, or unavoidably lost or consumed in the handling, treating, transporting or storing of the same.

4. If operations for the drilling of a well are not commenced on said land on or before the 5th day of April, 19 72, this lease shall terminate as to both parties unless the Lessee shall, on or before that date, pay or tender to the Lessor, to the Lessor's agent, or to the depository bank for credit as hereinafter provided, the sum of ---------- Dollars ($ ----------) which shall operate as rental and cover the privilege of deferring the commencement of such operations for a period of twelve months. In like manner and upon like payments or tenders, the commencement of such operations may be further deferred for like periods successively during the primary term.

5. Payment or tender of all moneys due Lessor shall be made either (a) to the Lessor direct, or ~~(b) if the Lessor consists of two or more persons, payment may be made to ---------- who is hereby appointed agent of Lessor to receive such payments, or (c) by deposit to the credit of Lessor or Lessor's agent in the ---------- bank of ----------~~

EXHIBIT "A"

which bank, or its successors, is hereby made the lawful agent of Lessor or his successors in title to receive and credit said payments, and shall continue as the depository of any and all sums payable under this lease regardless of any change in the ownership of said land, or in the oil and gas or in the rentals or royalties to accrue hereunder. All payments due Lessor under this lease may be made by check or draft of Lessee mailed, delivered or tendered on or before the date said payment is due to Lessor, to Lessor's agent, or to the depository bank named herein. If Lessee shall, in good faith and with reasonable diligence, attempt to pay the rental herein provided for, or any portion thereof, but shall fail to pay or incorrectly pay said rental, or some portion thereof, this lease shall not terminate unless Lessee, within thirty days after written notice of its error or failure, shall fail to rectify the same.

6. Subject to the other provisions of this lease with reference to performance by Lessee, it is agreed that: (a) if during primary term Lessee shall, prior to obtaining production, drill a dry hole, or if during primary term and after obtaining production such production shall cease from any cause, this lease shall not terminate, provided (1) production shall be resumed or operations for the drilling of a well shall be commenced on or before the next ensuing rental paying date, or (2) Lessee begins or resumes the payment of rentals in the manner and the amount above provided on or before the rental paying date next ensuing after the expiration of three months from date of completion of such dry hole or cessation of production; (b) if, at or after the expiration of primary term, oil, gas or any other hydrocarbon is not being produced on said land, or lands unitized therewith, for any cause, but Lessee is then engaged in drilling a well for oil or gas or for fluid or gas injection purposes, in other reworking operations, or in the injection of fluid or gas, this lease shall remain in force so long as such drilling, reworking or injection is prosecuted with no cessation of more than sixty consecutive days, and, if such drilling, reworking or injection results in the production of oil, gas or any other hydrocarbon, so long thereafter as oil, gas or any other hydrocarbon is produced.

7. Should Lessee be prevented from commencing or continuing drilling operations, reworking operations, the injection of fluids or gas under the terms of this lease, the production of oil, gas or other hydrocarbon from said land, or the compliance with one or more of the express or implied covenants hereof by reason of acts of Lessor, acts of God, fire, war, riot, strike, lack of market, inability to obtain equipment due to governmental order or action, failure of carriers to transport equipment, oil, gas or other hydrocarbon, or regulation by State or Federal action, nevertheless, this lease shall not be terminated, forfeited or cancelled, but shall remain in full force and effect for so long as any such condition or conditions exist and for ninety days thereafter. Following the termination of such ninety-day period this lease shall remain in full force and effect in accordance with, and subject to, the other provisions of this lease. Lessee shall not be liable in damages for failure to comply with any of the express or implied covenants of this lease when such failure of Lessee is caused by any of the aforesaid conditions.

8. In the event Lessor now owns one or more dwelling houses situated on the leased premises, Lessor shall have the right to the free use of gas from any gas well situate on said premises for domestic purposes in the principal dwelling house now on said land used for noncommercial residential purposes by making his own connections with the well, the use of said gas to be at the sole risk and expense of the Lessor or other person occupying said dwelling house. Gas from any oil well may be used for said purpose if and when the Lessee consents thereto but subject nevertheless to all the foregoing conditions and limitations. The Lessee shall have the right to use gas, oil and water produced on said land for its operations thereon, except water from the wells, ponds and tanks of Lessor.

9. When requested by Lessor, Lessee shall bury all pipe lines below ordinary plow depth in cultivated land. Lessee shall pay for damages caused by its operations to Lessor's growing crops on said land.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), all of the covenants, terms and provisions hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall either (a) operate to enlarge the obligations or diminish the rights of Lessee or its successors or assigns, or (b) be binding on Lessee or its successors or assigns until Lessee, its successors and assigns have been notified thereof and have been furnished, forty-five days before payment is due, with the original recorded muniments of title evidencing such change or division in ownership or a certified copy thereof. If Lessee assigns this lease in whole or as to specific parts, the obligation, if any, to pay rentals shall be apportioned as between the several lease owners ratably according to the surface acreage of each, and default by one or more in the payment or tender of rentals shall not affect the validity of the lease on that portion of said lands upon which pro rata rentals are duly paid or tendered. If the Lessee assigns this lease as to all or any part of said land, the Lessee shall thereupon be released and discharged as to that part of said lands so assigned from any liability to the Lessor, his heirs, executors, administrators or assigns thereafter accruing upon any of the covenants or conditions of this lease either express or implied.

11. Lessee shall have the right at any time during this lease or within a reasonable time after the termination thereof to remove machinery, equipment, fixtures, buildings and all other structures placed on said land, including the right to draw and remove casing.

12. If said land is now or shall hereafter be owned in severalty or in separate tracts, said land nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among, and paid to, such separate owners in the proportion that the acreage owned by each such separate owner bears to the acreage of all of said land; provided, however, that if said land consists of two or more disjoined tracts, this paragraph shall apply separately to each disjoined tract or each disjoined group of tracts and provided further that if a portion of the leased premises is hereafter pooled or consolidated with other lands for the purpose of operating the pooled or consolidated tract as one lease, this paragraph shall apply separately to the portion so pooled or consolidated and to the portion not so pooled or consolidated. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

13. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee, at its option, may pay and discharge any judgments, taxes, mortgages, or other liens on or against said land, and may also redeem said land for and on behalf of the Lessor or Lessee, and in the event Lessee exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such judgment, tax, mortgage or other lien, any royalty or rentals accruing hereunder. The Lessee may become purchaser at any and all tax or foreclosure sales of the above lands. Lessor agrees to pay his proportionate share of all taxes of whatsoever kind or character now or hereafter levied by any duly constituted taxing authority upon the oil, gas and other hydrocarbons in, under and produced from said land, but the Lessee shall have the right to pay such taxes and to deduct the Lessor's proportionate share thereof from any royalty payments accruing hereunder. In case the Lessor owns a less interest in said land than the entire and undivided fee simple estate therein, then the royalties and rentals in this lease provided for shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

14. Lessee is hereby granted the right, power and option at any time or times to pool and combine the land covered by this lease or any portion thereof with any other land, lease or leases in the vicinity thereof when in the Lessee's judgment it is desirable to do so. Such pooling may include all oil, gas and other hydrocarbon or may be limited to one or more such substances and may extend to all zones and formations or may be limited to one or more zones or formations. Any such pooling shall be into a unit or units not exceeding forty acres each for the exploration, development and production of oil, and not exceeding six hundred and forty acres for the exploration, development and production of gas, including condensate, provided, however, that a reasonable tolerance shall be permitted so that the size of any such unit or units may exceed the respective acreage limitations herein specified when necessary to conform to the geographical boundaries of over-sized or irregular sections or other surveyed tracts or subdivisions thereof. Lessee shall execute in writing and file for record in the county or counties in which the pooled land is situated an instrument identifying and describing the pooled acreage, zones, formations and substances pooled, and further defining the effective date and term of such pooling. Any unit may include land upon which a well has theretofore been completed, or upon which operations for drilling have been commenced. Production, drilling or reworking operations anywhere on such unit shall be treated as production, drilling or reworking operations on all land covered by this lease. There shall be allocated to the land covered by this lease and included within the unit that proportion of the pooled production from any such unit (whether or not from the land covered by this lease) that the acreage of such land covered by this lease and included within the unit bears to the total acreage in such unit, and such allocated production shall be treated as if produced from such land under and by virtue of this lease; royalties shall be paid hereunder only upon that portion of such production so allocated; and as to pooled production from land in such unit, such royalties shall be in lieu of any other royalties.

15. Lessee may at any time surrender this lease as to all or any part of the lands covered thereby, by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the proper county, and if surrendered only as to a part of said land, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately.

16. This lease may be executed in one or more counterparts and shall be binding on any person executing the same, or any counterpart thereof, regardless of whether all owners of said land execute the same.

17. This lease and all its provisions shall extend to and be binding upon all successors and assigns of Lessor and Lessee. Lessor hereby releases and waives all rights under the Homestead Exemption Laws.

IN WITNESS WHEREOF, The parties hereto have caused this lease to be executed as of the date hereinabove set forth.

Velma Cortelyou
MRS. VELMA CORTELYOU (Lessor)

Olin M. Weaver
OLIN M. WEAVER, JR. Lessee

STATE OF ILLINOIS,
County of Crawford } SS.

I, M. Lucille Wesner, a Notary Public in and for Crawford County, do hereby certify that

OLIN M. WEAVER, SR.

personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of Homestead.

Given under my hand and official seal this 12th day of May, A. D., 1971.

My Commission Expires 4-10-72

M. Lucille Wesner
NOTARY PUBLIC

STATE OF ILLINOIS, Michigan
County of Wayne } SS.

I, the undersigned, a Notary Public in and for Wayne County, do hereby certify that

Velma Cortelyou

personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that she signed, sealed and delivered the said instrument as her free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of Homestead.

Given under my hand and official seal this 1 day of April, A. D. 19 71

My Commission Expires April 24, 1973

Janet L. Fe[illegible]
NOTARY PUBLIC
Wayne Co. [illegible]

STATE OF ILLINOIS,
County of _____ } SS.

I, _____, a Notary Public in and for _____ County, do hereby certify that

personally known to me to be the same person whose name _____ subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that _____ signed, sealed and delivered the said instrument as _____ free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of Homestead.

Given under my hand and official seal this _____ day of _____, A. D., 19____.

My Commission Expires _____

_____
NOTARY PUBLIC

D-5113 Filed for record May 12, 1971 at 1:20 P.M. Ruth Bradbury, Recorder

#2 F.40

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80202 • PHONE 303 - 572-1455

TELEX: 45-864
CABLE: GRYNBERG
DENVER, COLORADO

January 29, 1976

Mr. Olin M. Weaver
410 S. Prairie
Robinson, Illinois 62454

Re: Farm-In Letter Agreement, dated
May 14, 1975
T 7N - R 12W
Sec. 30: E½NW¼
Containing 80 acres
Sec. 30: NW corner of the NW¼NW¼
Containing 31 acres
Crawford County, Illinois
111 total acres, more or less

Dear Mr. Weaver:

This will confirm the telephone conversation between you and Mr. John Simons several weeks ago, clarifying and amending captioned Farm-In Letter Agreement to read as follows:

I. First Party (Grynberg) shall, at no risk or expense to Second Party (Weaver) commence or cause to be commenced with four months from the date hereof the actual drilling of a Test Well at a location of First Party's choice on the farm-in acreage.

II. Said Test Well is to be drilled with due diligence in a workmanlike manner in accordance with good oilfield practices to a depth of 2800 feet or a depth sufficient to penetrate the Porous Section of the Devonian Formation to the Clear Creek Formation, including the Dutch Creek Formation, whichever is the lesser. First Party shall have the right but not the obligation to drill the Test Well or any development well on the farm-in acreage to a depth of 3500 feet or a depth sufficient to test the Silurian Formation. First Party shall deliver a copy of the field log of the Test Well to Second Party.

III. If First Party drills said Test Well as a producing well and otherwise complies with the requirements and provisions of this Agreement then Sec. Party shall promptly deliver to First Party an assignment of all rights and title covering the farm-in acreage from the surface of the ground to 100 feet below the deepest depth drilled, including all horizons capable of production, excepting those horizons from the surface to the McClosky Formation at approximately 1550 feet which are presently producing on the farm-in acreage. However, if First Party elects not

EXHIBIT "B"

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to complete the Test Well as a producer in any formation to which he has the rights to do so under this Agreement then Second Party has the option to take over the well and set pipe and attempt completion of the Test Well, such option to be exercised within 6 hours of Second Party's receiving notification that First Party does not elect to complete the Test Well as a producer. If Second Party should elect to take over the Test Well under the conditions set forth above it will then assume all costs and liabilities from the time of take over through completion or plugging and abandoning and Second Party shall hold First Party harmless against any claims arising from such completion attempt.

First Party has the right to earn additional assigments of lower horizons if it should drill the Test Well to the Devonian and a development well to a lower depth, such additional drilling shall entitle First Party to an assignment to 100 feet below the deepest depth drilled.

IV. If First Party has earned an assignment of the farm-in acreage Second Party shall reserve the following overriding royalties under such assignments:

a) From the base of the McClosky Formation at approx. 1550 feet to the base of the Salem Formation at approximately 1860 feet — 1/16 of 8/8 (6.25% of 8/8)

b) From the base of the Salem Formation to the depth earned — 1/32 of 8/8 (3.125% of 8/8)

Thus First Party will earn a net revenue interest of 81.25% under a) above and a net revenue interest of 84.375% under b) above.

V. In the event that the FIRST PARTY should fail to commence the drilling of a Test Well within the allotted time period, then the only consequence of such failure to perform shall be the forfeiture of the interest to be earned by the FIRST PARTY and the automatic termination of this Agreement and all rights and privileges of the FIRST PARTY hereunder.

If the above amended terms of our May 14, 1975 agreement meet with your approval kindly sign one copy of this agreement and return to us in the enclosed envelope.

If you have any further questions, please contact either me or Mr. Simons.

Thank you for your co-operation in this matter.

Sincerely,

JACK GRYNBERG AND ASSOCIATES

Karin G. Overbeck
Admin. Coord.

ACCEPTED and AGREED to this 1st day of 31 1976
by: Olin M. Weaver
Olin M. Weaver

State of Illinois } ss
Crawford County

This instrument filed for record in the Recorder's Office, Crawford County, Illinois
AUG 11 1977
at 8:40 A.M. and recorded in Book 185
of Misc. Page 244
Ruth Bastin
Recorder

OIL CO... THE
...ON COMMISSION
New Mexico
Exhibit No. 34
Case No. 7513
MESA
Submitted by
5-12-82
Hearing Date

valid against the former wife as a third party. While she did not endorse the Certificate, she knew of the assignment, apparently consented to it, and benefitted from it by her husband's purchase of a motor boat. Under these circumstances, it appears that the Bank does have a right to foreclose its lien on the Certificate and accomplish this through a set-off procedure. The divorce and awarding of the Certificate to Mrs. Herren does not affect the possession and thus the perfection of the pledge by the Bank.

A separate Order will be entered in consonance with this finding and opinion.



In re Jack J. GRYNBERG, a/k/a Jack Jakob Grynberg, a/k/a Jack Grynberg, d/b/a Jack Grynberg and Associates, a/k/a Jack Grynberg & Associates, Debtor.

Bankruptcy No. 81 B 00821 M.

United States Bankruptcy Court, D. Colorado.

April 9, 1981.

Upon motion of certain creditors seeking an order changing the membership of the creditors' committee, the Bankruptcy Court, John P. Moore, J., held that: (1) a creditor whose claim is disputed is nonetheless a creditor holding an unsecured claim for purposes of appointment to creditors' committee; (2) arbitrary exclusion of creditors representing those whose claims were disputed by debtor denied those creditors their right to representation on creditors' committee; and (3) court's role, in considering motion seeking an order changing membership of creditors' committee, was to determine whether committee was representative and finding it not to be, to order its change to achieve that result.

Order in accordance with opinion.

1. Bankruptcy ⇐231

A creditor whose claim is disputed is nonetheless a creditor holding an unsecured claim for purposes of appointment to creditors' committee. Bankr.Code, 11 U.S.C.A. §§ 101(4)(A), (9)(A), 151102(a).

2. Bankruptcy ⇐231

Creditors' committee must be representative. Bankr.Code, 11 U.S.C.A. §§ 1102(c), 151102(a).

3. Bankruptcy ⇐231

Arbitrary exclusion of creditors representing those whose claims were disputed by debtor denied those creditors their right to representation on creditors' committee. Bankr.Code, 11 U.S.C.A. §§ 1102(c), 151102(a).

4. Bankruptcy ⇐231

Court's role, in considering motion seeking an order changing membership of creditor's committee, was to determine whether committee was representative, and finding it not to be, to order its change to achieve that result rather than appointing specific creditors. Bankr.Code, 11 U.S.C.A. §§ 1102(c), 151102(a).

Ernest W. Lohf, Denver, Colo., for debtor.

James Ruh, Denver, Colo., for Paul Danzig, Louis Degen, Robert Russell, and Carl Zwerner.

Michael E. Katch, Denver, Colo., for Oceanic Exploration Co.

Stephen E. Snyder, Denver, Colo., for Colorado School of Mines Foundation, Inc.

Dolores B. Kopel, United States Trustee, Denver, Colo.

MEMORANDUM OPINION AND ORDER REGARDING THE CREDITOR'S COMMITTEE

JOHN P. MOORE, Bankruptcy Judge.

THIS MATTER arises upon a motion of certain creditors seeking an order changing

the membership of the creditor's committee pursuant to 11 U.S.C. § 1102(c). In the exercise of the authority vested in her by 11 U.S.C. § 151102(a), the United States Trustee has refused to appoint to the committee creditors holding disputed claims. Accordingly, the pending motions were filed seeking a review of the United States Trustee's decision and the appointment of certain named creditors. I conclude that there is no statutory basis for the exclusion of creditors holding disputed unsecured claims. I further conclude the Court should not order the appointment of specific creditors at this juncture.

[1] My conclusions are based upon the specific language of the Code, starting with § 151102(a) which states:

> As soon as practicable after the order for relief under chapter 11 of this title, the United States trustee shall appoint a committee of creditors holding unsecured claims.

Accordingly, two things are initially clear. First, the statute vests the United States Trustee with discretion and latitude in the selection of members who are to serve on the committee. Second, there is only one qualification for membership set by statute and that is the persons appointed must be creditors holding unsecured claims.

To refine that qualification, we turn to the definition of "creditor" contained in § 101(9)(A) and find that a creditor is one who "has a claim against the debtor that arose at the time of or before the order for relief concerning the debtor". Then, in § 101(4)(A) we find that a "claim" is a:

> [R]ight to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, immatured, *disputed*, undisputed, legal, secured, or unsecured * * *. (emphasis added)

Therefore, simply by employing the appropriate definitions we find that a creditor whose claim is disputed is nonetheless a creditor holding an unsecured claim. Since § 151102(a) imposes no further limitation, I can find no legal foundation for the exclusion of a creditor from membership on the creditor's committee simply because that creditor's right to payment is disputed by the Debtor.

[2, 3] Moreover, it is clear that the creditor's committee must be representative. Congress has given the Court power to order reformation of a committee chosen by the United States Trustee which "is not representative of the different kinds of claims or interests to be represented." 11 U.S.C. § 1102(c). In my judgment, an arbitrary exclusion of creditors representing an entire "kind" of claim [here, those whose claims are in dispute] denies those creditors their right to representation. Obviously, the result of such arbitrary action is a non-representative committee which, in turn, mandates judicial intervention under § 1102(c).[1]

[4] That brings us to the point of whether the Court should order the appointment of specific members in this case. Creditors have suggested the Court order their appointment to the committee,[2] but is that the Court's function at this time? As I view the Code, that question must be answered in the negative.

In my judgment § 1102(c) must be read in conjunction with § 151102(a) and (b). When that is done, it becomes clear that in keeping with the separation of the administrative role of the United States Trustee[3] and the adjudicative function of the Court, the initial selection of the members of the creditor's committee (which is a purely administrative function) ought to be, and is, left to the United States Trustee. The Court's present role is only to determine

1. It should also be observed that the course followed by the United States Trustee could ultimately lead to manipulation of the choice of the creditor's committee by a debtor who chose to dispute certain claims. That is not the case here, however, as the disputes appear bona fide.

2. They have also initially sought the removal of others, but that endeavor has been abandoned.

3. See: 28 U.S.C. § 586(a)(3).

whether the committee appointed by the United States Trustee is representative, and finding it not to be, to order its change to achieve that result.

At this juncture then, since the United States Trustee has omitted creditors from membership on the committee because they held disputed claims, the Court's only function is to order that omission rectified. It would seem to me to violate the separation of administrative and adjudicative functions were the Court to go beyond that function and order the appointment of specific creditors.

The United States Trustee is certainly able to reconsider her selections and make appropriate choices in keeping with the conclusions arrived at by the Court. It should not be presumed that she will abuse her discretion, nor should the Court step beyond its adjudicative role at this point. Accordingly, it is

ORDERED that the United States Trustee be, and she is hereby, directed to expand the composition of the creditor's committee in this case to include a creditor or creditors holding disputed unsecured claims.



In re BUTCHER BOY MEAT MARKET, INC., Debtor.

Bankruptcy No. 78-466K.

United States Bankruptcy Court, E. D. Pennsylvania.

April 10, 1981.

Motion was filed for reconsideration of order of dismissal from which appeal had been taken. The Bankruptcy Court, William A. King, Jr., J., held that where, after notice and hearing and counsel failing to appear, Court dismissed bankruptcy proceeding, appeal of order of dismissal divested Court of subject-matter jurisdiction and thus Court could not reconsider or modify order under appeal.

Motion denied.

1. Federal Courts ⇐681

Generally, once notice of appeal has been filed, lower court loses jurisdiction over subject matter of appeal.

2. Bankruptcy ⇐444.2

Filing of timely and sufficient notice of appeal has effect of immediately transferring jurisdiction from bankruptcy court to district court with respect to any matters involved in appeal and thus, after notice of appeal is timely filed, bankruptcy court has no power to vacate judgment, or to grant motion to dismiss action without prejudice, or to allow filing of amended or supplemental pleadings.

3. Federal Courts ⇐681

During pendency of appeal, district court retains only limited authority to take any steps that will assist Court of Appeals in its determination.

4. Bankruptcy ⇐11(3)

Bankruptcy court has wide latitude to reconsider and vacate prior decisions, so long as proceedings have not been terminated.

5. Bankruptcy ⇐444.2

Where, after notice and hearing and counsel failing to appear, bankruptcy court dismissed bankruptcy proceeding, appeal of order of dismissal divested bankruptcy court of subject-matter jurisdiction and thus court would not be able to reconsider or modify order under appeal to district court.

Benson Zion, Bryn Mawr, Pa., for debtor.

Donald M. McCurdy, Gene Foehl, Media, Pa., for Anderson Associates, Inc.

Anthony L. V. Picciotti, West Chester, Pa., for Pete Crisanti and Alex Crisanti.

Larry H. Slass, Philadelphia, Pa., for Oakview Shopping Center.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513
Exhibit No. 35
Submitted by MESA
Hearing Date 5-17-82

courts should fulfill their traditional role of defining and maintaining the proper bounds of administrative discretion and safeguarding the rights of the individual. See 4 Davis, Administrative Law, Treatise § 28.21 (1965 pocket part, p. 31); Jaffe, Judicial Control of Administrative Action 372 (1965).

Cappadora v. Celebrezze, *supra*, 356 F.2d at 6.

Accordingly, the District Court's order granting the Secretary's motion to dismiss is reversed insofar as it pertains to appellant's request for review of the refusal to reopen. The case is remanded to the District Court for a determination whether the Secretary abused his discretion in refusing to reopen his earlier determination.

Reversed and remanded.

L. D. LLOYD, Plaintiff-Appellee,

v.

Jack GRYNBERG, an individual d/b/a Jack Grynberg and Associates, and International Timber Co., a corporation, Defendant-Appellant.

No. 71-1430.

United States Court of Appeals, Tenth Circuit.

July 12, 1972.

Action for breach of employment contract, wherein employee claimed that employment was to be for two-year term and employer claimed that employee acted in incompetent manner. The United States District Court for the District of Colorado, William E. Doyle, J., rendered judgment for plaintiff and defendant appealed. The Court of Appeals, Hill, Circuit Judge, held that evidence sustained verdict for employee.

Affirmed.

1. Frauds, Statute of ⇐113(3)

Letter agreement, subscribed by both parties, disclosing intention that it be employment agreement and setting forth employee's duties and compensation, satisfied Colorado statute of frauds although term of employment was not clearly set forth.

2. Evidence ⇐455

Parol evidence of preliminary negotiations and contemporary statements of parties was admissible to permit jury to interpret and give meaning to contract terms.

3. Evidence ⇐461(1)

Evidence of surrounding facts and circumstances of execution of employment contract, uncertain as to term, was admissible only to give jury basis from which to determine intention of parties as to period of time that plaintiff would be employed.

4. Courts ⇐106.5(9)

Reviewing court must assume that jurors followed law as given by court.

5. Courts ⇐106.3(5)

Reviewing court will not upset or disturb verdict if case has been submitted upon proper and adequate instructions and verdict is supported by evidence.

6. Master and Servant ⇐40(3)

Evidence in action for breach of employment contract, wherein employee claimed that employment was to be for two-year term and employer claimed that employee acted in incompetent manner, sustained verdict for employee.

Ted J. Gengler, Denver, Colo. (Raymond J. Gengler, Denver, Colo., on brief), for defendant-appellant.

Roger Sollenbarger, Lakewood, Colo., for plaintiff-appellee.

Before HILL, HOLLOWAY and McWILLIAMS, Circuit Judges.

HILL, Circuit Judge.

This appeal is from a judgment after a jury verdict in a diversity action brought in the District of Colorado upon an alleged breach of contract.

The basic facts in the case are essentially without controversy. The appellee, Lloyd, who was the plaintiff in the trial court, is a consultant forester and is a recognized expert in his field of endeavor with an impressive background of employment, including much experience in overseas forestry operations. The appellant, Grynberg, one of the defendants in the trial court, is a petroleum and geophysical engineer who has organized several natural resource investment companies. The other defendant and appellant, International Timber Co., a corporation, was organized by Grynberg with the intention of securing worldwide timber concessions in its name, and upon the basis of these proposed holdings to secure a $5,000,000 stock issue for the development of the timber concessions.

In his search for these needed timber concessions, Grynberg sought and procured the services of Lloyd. After several conferences between the parties, a letter contract dated June 23, 1969, was entered into between them.[1]

Immediately following the execution of the contract, Lloyd embarked upon the employment venture and traveled extensively overseas seeking timber suitable for acquisition and development by International. Upon his return from this trip, he filed a detailed report with Grynberg, therein setting forth the accomplishments of his trip. The report discloses the location of prospective timber concessions, but does not show any actual acquisitions. On September 23, 1969, after Lloyd returned from the trip and made his report, Grynberg became dissatisfied with the arrangement between the parties, and by a letter of that date attempted to terminate his agreement with Lloyd.

After some negotiations between the parties had failed, Lloyd filed this action against Grynberg under the contract of June 23 to recover the balance of an alleged two-year salary at $1,000 per month, the balance of expenses due, and the value of corporate stock in In-

1. June 23, 1969
Mr. L. D. Lloyd
Flying L Ranch
Glenwood, Washington 98619
Dear Les:

This letter will set forth an understanding between us.

You have joined my firm, Jack Grynberg and Associates, which is going to seek timber concessions around the world. Today we laid the groundwork for the formation of a Sub-chapter S corporation entitled "International Timber Company", of which you were nominated Executive Vice President.

Jack Grynberg and Associates will seek concessions around the world, and you will be in charge of all the technical work. In addition, you will initially be in charge of all negotiations, until such time as a proper negotiator joins your team.

Jack Grynberg and Associates agrees to pay you a consulting fee of $1,000 a month upon receipt of a statement from you. Jack Grynberg and Associates will also pay all travel, telephone, correspondence, and other expenses necessary to the conduct of this business.

In addition, you are to be issued twenty thousand dollars' worth of stock per year in any new corporation, which will go public whenever we have accumulated enough timber properties to justify a public underwriting in excess of five million dollars. The stock will be valued on the basis of a public price at such a time as the underwriter issues the stock to the public. This stock is to be issued to you on a tax-free basis.

It is understood between us that we should be able to get the company going within a two-year period.

If this meets with your approval, please sign in the space provided below.

Sincerely yours,
/s/ Jack J. Grynberg
Jack Grynberg and Associates
JJG:jl
AGREED AND ACCEPTED THIS 23rd day of June, 1969.
/s/ L.D. Lloyd

ternational which Grynberg agreed to give to Lloyd for each of the two years' employment. At the trial of the case, the jury returned a verdict awarding Lloyd $18,000 for salary due, and the sum of $1,332 for unpaid expenses.

Appellant first contends here that the letter contract sued upon was void and unenforceable under the provisions of the Colorado Statutes of Frauds, and that the trial court, at the close of the plaintiff's evidence, erred as a matter of law in not ruling to that effect. The appellant also contends that the verdict and judgment are contrary to the evidence in that the same clearly showed that Lloyd acted in an incompetent manner and contrary to the interest of Grynberg, thereby justifying the termination of Lloyd's employment.

Prior to submission of the case to the jury, the court, as a matter of law, denied recovery upon the value of the corporate stock claimed by Lloyd to be due. No cross-appeal was taken from this action by the court. Therefore, we will not consider appellant's contentions here with reference to the corporate stock.

In our consideration of the appeal, it is important to note that the case was tried and submitted to a jury upon appropriate and adequate jury instructions, and no required objections material here were made to the instructions, after given, as provided for by Rule 51, F.R.Civ.P. The basis of the submission of the case to the jury by the trial judge is dispositive of the issues raised here.

By the answer, the pre-trial order, and a motion made at the close of the plaintiff's evidence, counsel for Grynberg raised the issue of the application of the Colorado Statutes of Frauds, C.R.S.1963, 59-1-12. The trial judge overruled this motion made at the close of the plaintiff's case.

[1] For the Statutes of Frauds to constitute a defense in this case, we would have to conclude that the agreement between the parties was not evidenced by a writing subscribed to by the parties, and was not to be performed within one year. An examination of the June 23 letter, without doubt, discloses that it was intended to be an employment agreement between the parties; the duties to be performed by Lloyd and his compensation are clearly set out, and the letter is signed by Grynberg and "agreed to and accepted" by Lloyd in writing at the bottom of the letter. It may be conceded that the term of the employment is not set out as clearly as it might have been. From a legal standpoint, it lacks only a clarification as to this ambiguity in order to make it a plain, complete and binding contract. The jury, with appropriate instructions from the court, resolved any question as to the term of employment intended by the parties. In addition, the jury rejected Grynberg's contention that Lloyd acted in an incompetent manner in performing his part of the contract.

[2] Included in the parol evidence admitted during the trial was evidence of the preliminary negotiations between the parties and statements of the parties made contemporaneously with the making of the contract. This type of evidence is clearly admissible to enable the jury to interpret and give meaning to the terms contained in the contract.[2]

[3-6] In the instructions given to the jury at the trial of this case, the trial judge succinctly stated the contentions of the parties involved. The court advised the jury that the defendant contended Lloyd was not hired for two years or for any period; that he was hired on a temporary basis; further, that there was not a clear understanding expressed in the contract whereby the

2. Lee E. Morris, Inc. v. United States for Use and Benefit and on Behalf of Roberts, 219 F.2d 541 (10th Cir. 1955); Pacific Portland Cement Co. v. Food Machinery & Chemical Corp., 178 F.2d 541 (9th Cir. 1949). Corbin on Contracts, Ch. 24 § 543, Ch. 26 § 579.

defendant made a promise which is sufficiently clear that it can be recognized as a contract and can be enforced; and further that the defendants contended that if it be assumed there was a contract, nevertheless the plaintiff violated the contract by not properly carrying out his functions under it and therefore the defendant had a right to terminate plaintiff's employment as it did and that plaintiff cannot recover upon the contract. The court further instructed, in substance, that if the jury found that the contract does have some ambiguity as to time for performance, the parties have a right to introduce oral evidence as to what the intention of the parties was; that oral evidence of the surrounding facts and circumstances of the execution of the contract had been shown by the evidence, but only to give the jury a basis from which to determine the intention of the parties as to the period of time plaintiff would be employed by the defendant. The statements of the law given by the court to the jury were correct statements of the law. We must assume that the jurors followed the law as given to them by the court.[3] In the interpretation of the contract as to the term of employment, we must assume from the verdict returned that the jury generally adopted the contentions of the plaintiff-appellee and rejected the contentions of the defendant-appellant. The law is clear that an appellate court will not upset or disturb a jury verdict if the case has been submitted upon proper and adequate instructions and the verdict is supported by the evidence.[4] We have carefully considered the evidence as adduced in the trial of the case and the instructions given to the jury in submitting the case. We are compelled to conclude that the case was properly submitted to the jury with proper and adequate instructions and there is ample evidence to support the verdict returned by the jury. We find no merit to the contentions of appellant.

Affirmed.

3. Atchison, T. & S.F. Ry. Co. v. Andrews, 231 F.2d 264 (10th Cir. 1954); Loew's Inc. v. Cinema Amusements, 210 F.2d 86 (10th Cir. 1954), aff'd in part and rev'd in part on other grounds sub nom. United States v. Paramount Pictures, Inc., 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260, cert. denied, 347 U.S. 976, 74 S.Ct. 787, 98 L.Ed. 1115.

4. See Sta-Rite Industries, Inc. v. Johnson, 453 F.2d 1192 (10th Cir. 1972); Krieger v. Bausch, 377 F.2d 398 (10th Cir. 1967).

Violet KING and Owen King, Plaintiffs-Appellants,
v.
Clarence E. WOODWARD, Defendant-Appellee,
and
Traders and General Insurance Company, Garnishee-Appellee.

No. 71-1737.

United States Court of Appeals, Tenth Circuit.

July 26, 1972.

Action against an automobile liability insurer. From a judgment of the United States District Court for the Western District of Oklahoma, Luther Bohanon, Chief Judge, the plaintiffs appealed. The Court of Appeals, Jones, Circuit Judge, held, inter alia, that a pickup truck being used for transportation of a load of strawberries was not a "private passenger automobile" within liability policy excluding nonowned vehicle other than private passenger automobile.

Affirmed.

1. Insurance ⇐435.2(5)

A pickup truck being used for transportation of a load of strawberries

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2.—CREDITORS HOLDING SECURITY – Page 1

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 36
Submitted by MESA
Hearing Date 5-17-82

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Amount of claim not entitled to priority	(6) Value of security, after deduction of value of security	
				$ Cts.	$ Cts.	
BBL Associates c/o James R. Lowenberg 55 W. Monroe St. Suite 3500 Chicago, Ill. 60603	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid	51,366.39 (plus interes	
Sam Barshop P.O. Box 32064 San Antonio, TX 78216	"	"	"	"	78,138.60	
R. Stephen Berry 78 rue Halle 75014 Paris, France	"	"	"	"	44,257.30 (plus interes	
Bi-Co Rental, Inc. P.O. Box 1006 Rangely, CO 81648	See Exh. A-2	See Exh. A-2	The claim and other matters are disputed. See Exh. A-2.	In excess of claim if claim and security interest are valid.	11,837.67 (plus interes	
Alexander Brodsky M.D. 6560 Fannin, #1130 Houston, TX 77030	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid.	177,163.27 (plus interes	
Jeanne C. Burbank Chief Accountant Iris Securities Company Two Embarcadero Center San Francisco, CA 94106	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown	
Thomas Burke, Jr. 738 Houston Natural Gas Building Houston, TX 77002	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	"	"	44,274.62 (plus interes	
Francis Cannon P.O. Box 325 Fort Washington PA 19034			"		80,670.77 (plus interes	

I hereby attest and certify on May 10, 82 that the document attached hereto is a full, true and correct copy of the original on file in my office and in my legal custody.

Clerk, U.S. Bankruptcy Court
District of Colorado

By: Gloria Seamer
Deputy Clerk

TOTAL Fwd. 487,708.62

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 2

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated and/or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		487,708.62
A. J. Carter c/o David J. Myler P.O. Box 986 Rangely, CO 81648	See Exh. A-2	See Exh. A-2	The claim and other matters are disputed.	$ Cts. In excess of claim if claim and security interest are valid.	$ Cts. 3,231.58 (possibly plus interest
D. A. Casey Casey Equipment Corporation P.O. Box 215 Cheswick, PA 15024	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	"	88,792.56 (plus interes
Gloria Casey 208 Glen Haven Lane Pittsburgh, PA 15238	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
Harvey M. Cohen, M.D. 2200 S. Federal Blvd. Denver, CO 80202	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	"	"	29,522.54 (plus interes
Colorado Well Service, Inc. P.O. Box 1006 Rangely, CO 81648	See Exh. A-2	See Exh. A-2	The claim and other matters are disputed. See Exh. A-2.	"	61,341.28 (plus interes
Wayne L. Connor, M.D. Southwest Medical Group 1930 S. Federal Blvd. Denver, CO 80219	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	"	29,524.27 (plus interes
Paul Danzig Danzig & Company Inc. 11 Embarcadero W. #220 Oakland, CA 94607	"	"	"	"	88,891.79 (plus interes
Louis Degen 410 - 17th St. #1200 Denver, CO 80202	"	"	"	"	87,217.89 (plus interes
			TOTAL Fwd.		876,230.53

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 3

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor, which claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		876,230.53
Richard S. Dinner 220 Bush Street 6th Floor San Francisco, CA 94104	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	$ Cts. In excess of claim if security interest is valid.	$ Cts. 88,881.23 (plus interes
Ernie Foreman, M.D. Southwest Medical Group 1930 S. Federal Blvd. Denver, CO 80219	"	"	"	"	29,516.70 (plus interes
Joshua Freedman 125 Worth Ave Suite 117 Plam Beach, FL 33480	"	"	"	"	80,670.77 (plus interes
Charles Friedman 6214 E. Cholla Pl. Paradise Valley, AZ 85253	"	"	"	"	44,394.09 (plus interes
N. J. Friedman 291 Geary Blvd. Room 604 San Francisco, CA 94108	"	"	"	"	44,393.26 (plus interes
Frances Geballe 259 Kings Mountain Road Woodside, CA 94062	"	"	"	"	39,134.21 (plus interes
Theodore Geballe 259 Kings Mountain Road Woodside, CA 94062	"	"	"	"	39,134.21 (plus interes
Alfred C. Glassell, Jr. Room 2300 First Natl Bank Bldg. Houston, TX 77002	"	"	"	"	354,796.64 (plus interes
Emmanuel Goldberg P.O. Box 8425 150 Allens Creek Rd. Rochester, N.Y. 14618	"	"	"	"	177,579.34 (plus interes
			TOTAL Fwd.		1,774,730.98

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 4

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of securities and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor. When claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		1,774,730.98
Estate of H. J. Goldenberg c/o Kalman S. Goldenberg P.O. Box 1145 Minneapolis, MN 55440	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid	78,216.27 (plus interes
Rhoda H. Goldman 3700 Washington St. San Francisco, CA 94118	"	"	"	"	88,805.12 (plus interes
Richard N. Goldman 3700 Washington St. San Francisco, CA 94118	"	"	"	"	88,805.12 (plus interes
Jerome J. Goldstein 4880 Havana St. Denver, CO 80239	"	"	"	"	178,226.41 (plus interes
Greater Houston Bank P.O. Box 1166 Houston, TX 77001	Note dated 10/30/74 evidencing loan on 10/30/74 secured by 4,999 shares Orange Bank stock			49,990.00	4,770.64
Greater Miami - Jewish Welfare Federation 420 Biscayne Blvd. Miami, FL 33137	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid	226,368.86 (plus interes
Evelyn Green 120 Broadway, Room 1450 New York, N.Y. 10005	"	"	"	"	354,871.93 (plus interes
Daniel B. Greenberg, Executor Estate of Mayer Greenberg Wilshire San Vicente Plaza Beverly Hills, CA 90211	"	"	"	"	328,293.40 (plus interes
			TOTAL Fwd.		3,123,088.73

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SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 5

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner on joint contract on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6A) Amount of claim without deduction of value of security
			Total Forwarded		3,123,088.73
Stephen Mark Grynberg Trust c/o Celeste C. Grynberg 4661 South Dasa Drive Englewood, CO 80110	Mortgage executed 3/18/78; recorded 1/10/80	Claim for losses trust property prior to 3/18/78; evidenced by promissory note	No	$ Cts. 500,000.00 (estimated for Debtor's interest only)	$ Cts. 2,000,000.00
Paul Gwaltney d/b/a Lovelace Enterprises 28 Peninsula-Scenic View Granbury, TX 76048	See Exh. A-2	See Exh. A-2	The claim and other matters are disputed. See Exh. A-2.	In excess of claim if claim and security interest are valid.	27,437.80 (plus intere
Peter Haas 1000 Chestnut St. San Francisco, CA 94109	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim and purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	"	88,812.80 (plus intere
Robert M. Hecht Oak Forest Bank Drawer C Houston, TX 7710__	"	"	"	"	78,023.60 (plus intere
Lewis Heicklen Sutton Terrace Apt. 709 Bala Cynwyd, PA 19004	"	"	"	"	77,340.79 (plus intere
Estate of Louis Honig c/o Joseph Nadel, Esq. Molinari, Casalnuovo & Berger One Market Plaza #2310 Stuart Tower San Francisco, CA 94105	"	"	"	"	44,401.44 (plus intere
Louis G. Isaacson 633 - 17th St. #2300 Denver, CO 80202	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
			TOTAL Fwd.		5,439,110.96

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 6

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of securities and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgement, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		5,439,110.16
Joseph Kanter The Kanter Corporation 3550 Biscayne Blvd. Miami, FL 33137	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	$ Cts. In excess of claim if security interest is valid	$ Cts. 128,406.27 (plus interest
Nancy Kanter 6010 North Bay Road Miami, FL 33140	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
Lucien Katzenberg Suite 910 Fox Pavillion Jenkintown, PA 19046	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	"	"	78,072.44 (plus interes
John W. Kelsey 4007 West Main Houston, TX 77027	"	"	"	"	44,081.00 (plus interes
Mavis P. Kelsey, M.D. c/o Thomas R. Kelsey, Esq. Hutcheson & Grundy #3300 Two Allen Center Houston, TX 70012	"	"	"	"	88,686.69 (plus interes
Daniel E. Koshland, Jr. c/o Iris Securities Attn: Jean Burbank Two Embarcadero Cneter San Francisco, CA 94111	"	"	"	"	78,268.05 (plus interes
Fred Lafer, Esq. 44 Mandeville Drive Wayne, NJ 07470	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
Walter Landor Ferryboat Klamath Pier 5 San Francisco, CA 94111	Danzig Creditor See Exh A-2	Danzig Creditor See Exh. A-2	"	"	44,326.48 (plus interes
			TOTAL Fwd.		5,900,951.09

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2.— CREDITORS HOLDING SECURITY - Page 7

(1) Name of creditor and complete mailing address including zip code (as far as known)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		5,900,951.09
Richard Lansburg American General 1201 Connecticut Ave., N.W. Washington, D.C. 20036	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	$ In excess of claim if security interest is valid Cts.	$ 22,270.33 Cts. (plus interes
Sidney Lansburg, Jr. American General 1201 Connecticut Ave., N.W. Washington, D.C. 20036	"	"	"	"	22,038.65 (plus interes
Frank R. Lautenberg 405 Route 3 Clifton, NJ 07015	"	"	"	"	88,636.37 (plus interes
Ann K. Lenway c/o Max Weingarten, Esq. Bronson, Bronson & McKinnon 555 California St. San Francisco, CA 94104	"	"	"	"	88,399.89 (plus interes
Walter Leventhal The Fairmont Bala Cynwyd, PA 19004	"	"	"	"	77,340.79 (plus interes
Hannah Levy 695 South Broadway Box 5487 Denver, CO 80216	"	"	"	"	88,404.90 (plus interes
Jack Levy 695 S. Broadway Box 5487 Denver, CO 80216	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
Martin J. Lichterman, Sr. 677 Phelan Memphis, TN 38102	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	"	"	78,252.24 (plus interes
Mercantile National Bank of Dallas P.O. Box 225415 Dallas, TX 75221	Note dated 2/19/81 evidencing loan secured by certificate of deposit in principal amount of $100,000 issued in name of CCG Trust, in which Debtor has an interest			100,000.00	100,000.00
			TOTAL Fwd.		6,466,294.26

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2.—CREDITORS HOLDING SECURITY - Page 8

(1) Name of creditor and complete mailing address (including zip code) if unknown, so state	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		6,466,294.26
Lawrence J. Muller 1491 Moffit Ave. Hewlett, NY 11557	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	$ Cts. In excess of claim if security interest is valid	$ Cts. 88,830.91 (plus interes
Oceanic Holding Company c/o Jack J. Grynberg 1950 Prudential Plaza 1050 - 17th St. Denver, CO 80265	Mortgage Indenture executed 1/2/76, recorded 1/19/76	Collateral security for Guaranty Agreement dated 1/2/76 between Debtor and his wife and Oceanic Holding Company in respect to obligations of Oceanic Exploration Company of Greece, a subsidiary of Oceanic Exploration Company	Not disputed. Contingent. Unliquidated.	500,000.00 (estimated for Debtor's interest)	Not ascertainable as of original petition
Margot P. Parke 12355 N. Commonwealth Ave. Chicago, IL 60614	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid	39,021.03 (plus interes
Madeline H. Russell 3778 Washington St. San Francisco, CA 94118	"	"	"	"	177,561.38 (plus interes
Robert Russell 520 Northwest 165th St. Rd. Suite 212 Miami, FL 33169	"	"	"	"	177,453.98 (plus interes
Peter J. Scott P.O. Box 6 South Orange County, NJ 07079	"	"	"	"	356,137.18 (plus interes
Philip S. Seltzer P.O. Box 325 Fort Washington, PA 19034	"	"	"	"	104,872.11 (plus interes
			TOTAL Fwd.		7,410,170.85

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2. — CREDITORS HOLDING SECURITY - Page 9

(1) Name of creditor and complete mailing address including zip code (if unknown, so state)	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value	(6) Amount of claim without deduction of value of security
			Total Forwarded		7,410,170.85
Louis Stein c/o Stanley Merves 1626 Suburban Station Bldg. Philadelphia, PA 19103	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	In excess of claim if security interest is valid	267,556.28 (plus interes
Iris G. Strauss 2355 N. Commonwealth Ave. Chicago, IL 60614	"	"	"	"	39,021.03 (plus interes
Richard Swig The Fairmont Hotel Corporation 950 Mason St. San Francisco, CA 94106	"	"	"	"	88,871.18 (plus interes
TWT Exploration Company P.O. Box 1329 Park City, UT 84060	Settlement of litigation in 1979; amount payable by Debtor's secured by Debtor's interest in Well No. 2-28, T-1-S, R 102 W, Rio Blanco County, Colorado			In excess of claim	54,794.50 (plus interes
Viersen & Cochran Drilling Co. P.O. Box 14227 Oklahoma City, OK 73119	See Exh. A-2	See Exh. A-2	The claim and other matters are disputed. See Exh. A-2	In excess of claim if claim and security interest are valid.	591,598.41 (plus interes
Martin Walsh 1951 Providence Rd. Media, PA 19063	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	"	290,645.46 (plus interes
Pauline C. Walsh 1951 N. Providence Road Rose Tree Media, PA 19063	"	"	"	"	150,871.74 (plus interes
Hugh M. Warren 14398 E. Baltic Circle Aurora, CO 80014	Possible Danzig Creditor See Exh. A-2	Possible Danzig Creditor See Exh. A-2	"	"	Unknown
			TOTAL Fwd.		8,893,529.45

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-2.—CREDITORS HOLDING SECURITY - Page 10

(1) Name of creditor and complete mailing address including zip code, if known, of entities	(2) Description of security and date when obtained by creditor	(3) Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, or subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	(4) Indicate if claim is contingent, unliquidated or disputed	(5) Market Value		(6) Amount of claim without deduction of value of security	
			Total Forwarded			8,893,529.45	
Sidney Weinstein M.D. 48 Rockspring Rd. West Orange, NJ 07052	Danzig Creditor See Exh. A-2	Danzig Creditor See Exh. A-2	The claim, the purported security interest, any amount possibly owing and other matters are disputed. See Exh. A-2.	$ In excess of claim if security interest is valid	Cts.	$ 355,609.78 (plus interes	Cts.
C. H. Wilkins 200 Walnut San Francisco, CA 94118	"	"	"	"		78,088.74 (plus interes	
Arnold H. Zidell 200 Walnut San Francisco, CA 94118	"	"	"	"		88,340.26 (plus interes	
Carl Zwerner 2114 Pierce St. Hollywood, FL 33020	"	"	"	"		177,438.64 (plus interes	
			GRAND TOTAL			9,593,006.87	

EXHIBIT A-2

TO

SCHEDULE A-2 - CREDITORS HOLDING SECURITY
JACK J. GRYNBERG

Certain of the individuals and entities (the "Danzig Claimants") listed in Schedule A-2 purport to be secured by garnishments and filed transcripts of one or more judgments entered in Danzig, et al v. Jack Grynberg and Associates, et al., Civil Action No. 462 022-4, in the Superior Court for the County of Alameda, State of California. The latest such judgment was entered on February 4, 1981, effective nunc pro tunc December 22, 1980. Four of the Danzig Claimants were named plaintiffs in the Danzig action and purported to sue on behalf of a class consisting of all Danzig Claimants. At the time of the filing of the original petition herein, the Debtor was perfecting an appeal from such judgments to the California Court of Appeal. The Debtor disputes, among other things, the propriety of any certification of a class in the Danzig action, the legal sufficiency of any purported class judgment, the validity of any of the Danzig claims and the purported security interests of the Danzig Claimants.

Certain of the Danzig Claimants, purporting to act on behalf of all Danzig Claimants, commenced actions in Colorado, Wyoming and possibly elsewhere to obtain enforcement of the Danzig California judgments. In connection therewith, transcripts of judgment appear to have been filed in every county in Colorado in which the Debtor or his wife, Celeste C. Grynberg, has or may have property, and various writs of garnishment were also served. The Debtor also is informed that one or more of the Danzig Claimants filed such transcripts in the following California counties: San Luis Obispo, Kern, Ventura, Monterey, San Benito and Fresno. In addition, one or more of the Danzig Claimants caused numerous lis pendens to be filed since 1975 in counties in Colorado, Utah and Wyoming against approximately 300,000 acres of oil and gas leases in which the Debtor or his wife, Celeste C. Grynberg, has or may have an interest. See Exhibit 12 to the Debtor's Statement fo Financial Affairs.

The Debtor claims set-offs against the Danzig Claimants as follows:

Name	Amount
BBL Associates	$ 6,875.00
Lawrence Muller	6,875.00
Pauline Walsh	13,750.00
Jerome J. Goldstein	13,750.00*
Phillip Seltzer	274,092.89

* Possibly satisfied previously.

Paul Gwaltney d/b/a Lovelace Enterprises became a judgment creditor on February 18, 1981, in an action entitled Gwaltney, et al. v. Jack Grynberg and Associates, et al., Civil Action No. 6705, Hood County District Court for the 29th Judicial District of the State of Texas. The judgment appears secured by a mechanic's lien filed by Gwaltney against the well equipment for 11 wells in Hood and Parker counties, Texas, in which the Debtor has an interest. If the judgment is enforceable, the lien appears to secure the judgment in full. The Debtor disputes any finality, validity or enforceability of the judgment or the lien.

May 8, 8
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Clerk
Court
District of Colorado
By: Gloria James
Deputy Clerk

Pursuant to a settlement of TWT Exploration, Inc. v. Jack Grynberg and Associates, Civil Action No. C-74650, District Court for the City and County of Denver, the Debtor executed a note in the principal amount of $54,792.50 secured by an interest in net profits from a gas well in Rio Blanco County, Colorado, in which the Debtor has an interest. The Debtor believes that the value of the security is in excess of the indebtedness secured.

Viersen & Cochran Drilling Co. obtained a judgment in Viersen & Cochran Drilling Co. v. Jack Grynberg and Associates, et al., Civil Action No. 77-C-161, United States District Court for the District of Colorado. The judgment was appealed to the Court of Appeals for the Tenth Circuit (Case No. 80-2325), which dismissed the appeal on procedural grounds and remanded to the District Court for further determinations. The judgment appears secured by certain writs of garnishment and by the filing of transcripts of judgment, to an extent unknown to the Debtor, in counties in Colorado and possibly elsewhere, where the Debtor has an interest in oil and gas or other properties. The Debtor disputes the validity and enforceability of the judgment and believes that the proper claim of Vierson & Cochran Drilling Co. is subject to a set-off in the approximate amount of $1,400,000 by reason of the Debtor's counterclaim asserted in Civil Action No. 77-C-161.

Colorado Well Service, Inc. commenced Civil Action No. C-2294, Colo. Well Service, Inc., et al. v. Grynberg, et al., which is pending in Rio Blanco District Court, State of Colorado, to foreclose a mechanic's lien filed against a certain Rio Blanco County oil and gas lease and appurtenant well and equipment, in which the Debtor has an interest, purportedly securing claims for $61,341.28 for services and materials. Bi-Co Rental, Inc. is also a plaintiff to the aforesaid Civil Action No. C-2294 and asserts entitlement to $11,837.67 secured by a mechanic's lien on the lease, well and other equipment in which Colorado Well Service, Inc. asserts a security interest. The Debtor disputes validity of all claims against him asserted in Civil Action No. C-2294 and enforceability of the liens claimed. If the claims and liens are valid, the Debtor believes that the claims are fully secured.

A. J. Carter asserts entitlement to $3,231.58 for services in Civil Action No. C-2217, Carter v. Grynberg, et al., District Court in and for Rio Blanco County, Colorado, and claims a mechanic's lien against oil and gas leases upon acreage in Rio Blanco County in which the Debtor has an interest. The Debtor disputes validity of the claim and enforceability of the lien. If the claim is valid, the Debtor believes that the claim is fully secured.

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY — Page 1

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
Amcan Oil Producers c/o Assets Administration, Inc. High Ridge Park Stamford, CN 06905	Claim for escrowed royalties and proceeds of acreage sales. Disputed prior to settlement not fully implemented as of filing of original petition and subject to further disputes.	63,125.00
A & S Oil and Gas Leasing Service Box 1044 Cheyenne, WY 82001	Filing charges within 90 days of filing of original petition	127.50
American Express Co. American Express Plaza New York, NY 10004	Travel and other charges within 90 days of filing of original petition	127.18
Anti-Defamation League 300 South Dahlia Denver, CO 80222	Contributions within 90 days of filing of original petition	250.00
J. D. Archer or Elizabeth Archer P.O. Box 8031 Salt Lake City, UT 84108	Possible claim for indemnification in Civil Action 2267, Rio Blanco County County District Court, Contingent. Disputed. Unliquidated.	Unknown
Avis Rent-A-Car P.O. Box 61004 Dallas-Fort Worth Airport, TX 75261	Travel within 90 days of filing of original petition	161.56
B & M Service Company, Inc. P.O. Box 888 Rangely, CO 81648	Claim for drilling services asserted in Civil Action No. 79CV67, B & M Service Company, Inc. v. Jack Grynberg & Associates, District Court for the County of Rio Blanco, State of Colorado. Disputed. In litigation.	580.68 (plus interest)
B & P Sales & Service P.O. Box 741 Stephenville, TX 76401	Well maintenance within 90 days of filing of original petition	305.94
Barnes & Lewis 510 American Bank Bldg. Odessa, TX 79761	Disputed account payable for legal services more than 90 days before petition.	938.82
Basin Inspection Service Box 386 Farmington, NM 87401	Claim for services reduced to judgment on which execution stayed pending outcome of other litigation	4,632.00 (plus interest)
Marilyn Bellett 15 Wilshire Road Philadelphia, PA 19151	Claim for attorney's fees in Civil Action No. CV-77-377, District Court of Eddy County, New Mexico. Disputed; unliquidated.	Unknown
The Bobbs Merrill Co., Inc. P.O. Box 558 Indianapolis, IN 46206	Books charged within 90 days of filing of original petition	25.47
	TOTAL	70,274.15

I hereby attest and certify on May 10, 82 that the foregoing is a full, true and correct copy of the original on file in my office.

Clerk, U.S. District Court
District of Colorado
By: Gene Deemer
Deputy Clerk

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 2

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	70,274.15
Bowen, Miller & Tungate Old Olney Trust & Banking Co. Bldg. 202 White Ave Olney, IL 62450	Legal fees within 90 days of filing of original petition	500.00
Bureau of Land Management P.O. Box 1778 Carlsbad, NM 88220	Filing fees within 90 days of filing of original petition	100.00
Burnett, Duckworth & Palmer 800 Royal Bank Bldg. 335 - 8th Ave., S.W. Calgary, Alberta T2P 1C9 Canada	Disputed accounts payable for legal services performed before June 15, 1980.	957.31
Camay Drilling Co. 4250 Wilshire Blvd. Los Angeles, CA 90010	Counterclaims upon Debtor's personal guaranty of promissory note and for interest and attorneys' fees asserted in Consolidated Civil Actions Nos. 79-C-694 and 79-C-1042, Universal Drilling Company, et al. v. Camay Drilling Company. Disputed. Contingent.	1,625,000.00 (approxima
Camay Drilling Co. 201 E. Compton Blvd. Gardena, CA [illegible]48	[Same claim as above]	
Central Bank of Denver Collections Dept. 1515 Arapahoe St. Denver, CO 80202	Traveler's Checks (acquired within 90 days of filing of original petition)	5,000.00
Central Bank of Denver Collections Dept. 1515 Arapahoe Street Denver, CO 80202	Chextra overdraft account balance within 90 days of filing of original petition	614.42
Central Bank of Denver 1515 Arapahoe Street Denver, CO 80202	Debtor is co-maker with Universal Drilling Services, Inc. (wholly-owned by Debtor) of note evidencing $245,000 loan to Universal Drilling Services, Inc. on 2/19/81 secured by rotary drilling rig owned by Universal Drilling Services, Inc. Not disputed. Contingent.	245,000.00
Central Bank of Denver 1515 Arapahoe Street Denver, CO 80202	Debtor is guarantor or co-obligor upon line of credit to Universal Drilling Services, Inc., collateralized by receivables of Universal Drilling Services, Inc. Not disputed.	71,747.40
	TOTAL Fwd	2,019,193.28

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 3

Name and address (including last known address of any negotiable instrument) complete mailing address including zip code of person, or estate)	Specify when claim was incurred and the consideration therefor, when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	2,019,193.28
Central Bank of Denver 1515 Arapahoe Street Denver, CO 80202	Debtor is personal guarantor of $135,725 indebtedness secured by receivables of Universal Drilling Services, Inc. Not disputed. Contingent.	135,725.00
Central Bank of Denver 1515 Arapahoe Street Denver, CO 80202	Possible direct or indirect claims based on writs of garnishment. Contingent. Unliquidated.	Unknown
Central Valley Electric Cooperative, Inc. P.O. Box 219 Artesia, NM 88210	Utilities-wells within 90 days of filing of original petition	152.30
Chuck Cline Mercedes 1127 - 20th Street Denver, Colo. 80202	Auto repair within 90 days of filing of original petition	146.93
Coleman, Haas, Martin & Schwab, Inc. 2140 W. Olympic Blvd, #201 Los Angeles, CA 90006	Shorthand reporter charges within 90 days of filing of original petition	356.17
Colorado Air Drilling, Inc. c/o William L. Weaver 200 North Sixth, #2 Grand Junction, CO 81501	Oil field services. Disputed. Claim asserted in Rio Blanco County District Court, Colorado, Civil Action C-2267	8,500.00 (plus interest
Colorado School of Mines Foundation, Inc. 1800 Jackson Street Golden, CO 80401	Pledge to Colorado School of Mines Resources Fund	100,000.00
Copy Boy Instant Printing Prudential Plaza 1050 Seventeenth St. Denver, CO 80265	Copies within 90 days of filing of original petition	23.16
Cordle and Associates 718 - 17th St., #1400 Denver, CO 80202	Accounting services within 90 days of filing of original petition	1,040.00
Ian Cumming c/o Terracor 529 East South Temple Salt Lake City, UT 84111	Counterclaim in Civil Action 2267, Rio Blanco County District Court for alleged negligence. Disputed, unliquidated.	Unknown
Del Webb Realty and Management Co. 1050 Seventeenth St. Denver, CO 80265	Parking or other miscellaneous charge within 90 days of filing of original petition	79.52
Denver Petroleum Club 3700 Anaconda Tower Denver, CO 80202	Dues within 90 days of filing of original petition	50.00
	TOTAL Fwd	2,265,266.36

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY — Page 4

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	2,265,266.36
		$ cts.
Dixon Paper Co. P.O. Box 5286, T.A. Denver, CO 80217	Office supplies within 90 days of filing of original petition	565.00
Dow Chemical USA Dowell Division P.O. Box 89421 Dallas, TX 75284	Oil field services and supplies more than 90 days before filing of original petition.	2,000.00 (approximat
Dowell Division of Dow Chemical Co. P.O. Box 89421 Dallas, TX 75284 OR 1300 First City East Building Houston, TX 77002	Claim for oil field services asserted in Civil Action No. C-2267, Dowell Division of the Dow Chemical Co. v. Grynberg, et al., District Court in and for Rio Blanco County, Colorado. Disputed.	64,000.00 (approximat
Dresser Industries P.O. Box 6504 Houston, TX 77005	Oil field services and supplies. Disputed.	1,932.92
Drilling Mud, Inc. 2821 Northwest 50th Oklahoma City, OK 73112	Oil field services and supplies. Disputed.	5,000.00
Duro Test Corporation 2321 Kennedy Blvd. North Bergen, NJ 17047	Personal bill of Debtor	1,578.53
Emery Air Freight P.O. Box 7 Scranton, PA 18557	Shipping charges within 90 days of filing of original petition	615.27
Empire Gas of Douglas 304 North Second St. Douglas, WY 82633	Disputed	6,080.31
Employers Overload P.O. Box 1213 Minneapolis, MN 55440	Temporary office help within 90 days of filing of original petition	113.95
Fischbach & Moore, Inc. d/b/a Arnhart Electric 3520 Main Street San Diego, CA 92113	Counterclaim for alleged damages asserted in Civil Action No.79-CV-9029, District Court in and for the City and County of Denver, Colorado. Disputed.	71,000.00 (approximat
Fishman & Geman, P.C. 2150 Energy Service One 717 - 17th Street Denver, CO 80202	Legal services. Partially disputed as to amount.	12,000.00 (approximat
Quentin Frost c/o David M. Correll P.O. Box 714 Robinson, IL 62454	Judgment rendered on in Action No. 80-SC-18, Crawford County Circuit Court, Second Judicial District Illinois. Believed to be unsecured.	634.00 (plus interest)
	TOTAL Fwd	2,430,786.34

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY — Page 5

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to set-off, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	2,430,786.34
Geer Oil Purchasing Drawer J Jacksboro, TX 76056	Well maintenance within 90 days of filing of original petition	319.90
General E ectric Company c/o Sheldon Friedman 633 Seventeenth St. #2300 Denver, CO 80202	Debtor's guaranty of note of Universal Drilling Services, Inc. in settlement of litigation February 2, 1981. Contingent.	22,940.83 (plus interest)
Ginsburg, Feldman, Weil & Bress 1700 Pennsylvania Ave., N.W., #300 Washington, D.C. 20006	Unpaid balance for professional services and disbursements which have been continuously rendered for legal services in connection with Civil Action No. 5198 pending in Court of Chancery of State of Delaware in and for New Castle County. Subject to possible set-off for stock.	136,546.51
Government Printing Office 1961 Stout Street Federal Building Denver, CO 80202	Books purchased within 90 days of filing of original petition	62.00
Grace Petroleum Corporation P.O. Box 99100 Oklahoma City, OK 73199	Disputed	19,837.47
Pascal Gwaltney 117 West Overroad Pecan Plantation Rte. 4, Box 108 Granbury, TX 76048	Counterclaim of third-party defendant in Civil Action No. C-76-76, Buehler Transfer Co. v. Grynberg v. Gwaltney. Disputed.	1,760.00 plus claime punitive da ages for accounting claimed royalty in- terests, amount not specified
Hadassah 560 South Monaco Blvd. Englewood, Colo. 80224	Contribution within 90 days of filing of original petition	125.00
Hadson Petroleum P.O. Box 1466 Shawnee, Okla. 74801	Well operating expense within 90 days of filing of original petition	12.67
Albert Hayutin 175 So. Forest Street Denver, CO 80222	Claims for alleged conversion of 1,000,000 shares of stock of Oceanic Exploration Company and alleged indebtedness for financial services and expenses which have been asserted in Civil Action No. C-69176, Hayutin v. Jack J. Grynberg and Celeste C. Grynberg, District Court in and for the City and County of Denver, Colorado. Disputed.	11,510,000.00
	TOTAL Fwd	14,122,390.72

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 6

Name of creditor (including last known holder of any negotiable instrument), complete mailing address (including zip code (if unknown, so state))	Specify when claim was incurred and the consideration therefor, when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint venturer, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	14,122,390.72
Stuart J. Heller 100 Monroe Denver, CO 80206	Real estate consulting within 90 days of filing of original petition	5,350.00
Hertz System, Inc. P.O. Box 25485 Oklahoma City, OK 73125	Travel within 90 days of filing of original petition	464.21
Hettinger & Leedy Suite 214 220 Masonic Temple Bldg. Riverton, WY 82501	Legal fees within 90 days of filing of original petition	3,679.89
David L. Hood 10499 Pearl Way Northglenn, CO 80233	Claims asserted individually and alleged on behalf of a purported class of investors to recover damages, interest, costs, attorney's and other fees based on alleged violations of of Section 10(b) of the Securities Exchange Act of 1934 which are asserted in Civil Action No. 76-W-1079 (consolidated with Civil Action No. 76-W-1108), Hood v. Oceanic Exploration Company, et al., United States District Court for the District of Colorado. Disputed.	6,825.00 plus unsta other amou on behalf o putative class membe or otherwis
Hughes Hot Oil Service P.O. Box 68 Loco Hills, NM 88255	Well operating expense within 90 days of filing of original petition	207.50
International Business Machines 400 Parson's Pond Drive Franklin Lakes, NJ 07417	Copy machine rental within 90 days of filing of original petition	244.96
Integrated Power Systems, Inc. 5850 Ranchester Houston, TX 77036	Debtor is co-obligor upon settlement agreement 9/29/80 of litigation involving Universal Drilling Contractors, Inc. Believed to be unsecured.	23,000.00 (plus interest)
Integrated Power Systems, Inc. a/k/a Ranchester Systems, Inc. c/o Jordan Hochstadt, Esq. 1700 Broadway, #1211 Denver, CO 80290	[Same claim as above]	
Intertel Communications 400 S. Lipan, Suite 3 Denver, CO 80223	Telephone expense within 90 days of filing of original petition	42.50
Jeffco Blue Print 807 Thirteenth Street Golden, CO 80401	Books purchased within 90 days of filing of original petition	43.78
Kirkpatrick Co. 3010 Liberty Tower Oklahoma City, OK 73102	Well operating costs within 90 days of filing of original petition	317.44
	TOTAL Fwd	14,182,566.00

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 7

Name of creditor (including last known holder of any negotiable instrument) complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	14,162,566.00
Ruth Leventhal 229 Orchard Way Merion Station, PA 19066	Claim for attorney's fees in Civil Action No. CV-77-377, District Court of Eddy County, New Mexico. Disputed; unliquidated.	Unknown
Mangone & Schnapp 485 Madison Avenue New York, NY 10022	Legal fees within year before filing of original petition	17,537.65
Martin Oil Co. 3500 Wadsworth Blvd. #204 Lakewood, CO 80235	Miscellaneous filing or other charges.	11.14
Martin Oil Co. P.O. Box 36078 Denver, CO 80236		
Ralph D. & Abigail Martin c/o James R. Leeton, Jr. Leeton & Leeton 701 C&K Petroleum Bldg. Midland, TX 79701	Claim for alleged failure to conduct diligent operations on oil and gas lease being litigated in Civil Action No 23,268, Martin v. Grynberg, et al., 43rd Judicial District, District Court for Parker County, Texas. Disputed.	Action to cancel leas no damages requested
Audrey Merves 254 Suburban Station J. F. Kennedy Blvd. Philadelphia, PA 19103	Claim for attorney's fees in Civil Action No. CV-77-377, District Court of Eddy County, New Mexico. Disputed; unliquidated.	Unknown
Mile Hi Office Supply Co. 2590 West 2nd Ave. Denver, Colo. 80219	Supplies within 90 days of filing of original petition	15.49
Morris, Nichols, Arsht & Tunnell Twelfth & Market Streets P.O. Box 1347 Wilmington, DE 19899	Legal fees within six months before filing of petition.	8,448.88
Mountain Bell Denver, CO 80244	Telephone charges within 90 days of filing of original petition	399.81
Floyd E. Murray 1000 Empire Savings Denver, CO 80202	Claim for alleged royalties being litigated in Civil Action No. C-40599, Murray v. Grynberg, District Court in and for the City and County of Denver, Colorado. Disputed.	3,000,000.00 (plus interest)
Muslow Oil & Gas, Inc. 1401 Commercial Natl. Bank Shreveport, LA 71101	Claim for proceeds in court escrow of Texas gas well operated by Debtor.	75,000.00 (approximat
Gordon W. Netzorg 1526 Lincoln Center Denver, CO 80264	Legal services. Disputed.	1,643.02
	TOTAL Fwd	17,255,621.99

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 8

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	17,265,621.99
North Dakota Geological Survey State Geologist University Station Grand Forks, ND 58202	Books purchased within 90 days of filing of original petition	5.00
Northwest Carriers, Inc. P.O. Box 2099 Park City, UT 84060	Contract claim litigated in Civil Action No. C-75786, Northwest Carriers Inc. v. Jack Grynberg & Associates, District Court in and for the City and County of Denver, Colorado. Disputed.	4,355.01 (plus interest)
Oceanic Exploration Company 1900 Prudential Plaza 1050 Seventeenth St. Denver, CO 80265	Counterclaim for damages in Civil Action No. 5198, Grynberg, et al. v. Burke, et al., Court of Chancery of State of Delaware in and for New Castle County, for damages for alleged acts by the Debtor beyond his authority alleged negligence and alleged breaches by the Debtor of duties as majority stockholder, officer and director of Oceanic Exploration Company. Disputed.	10,000,000.00
Oceanic Exploration Company 1900 Prudential Plaza 1050 Seventeenth St. Denver, CO 80265	Counterclaim by Oceanic Exploration Company in Civil Action No. 5198 identified immediately above declaring that a purported trust agreement and option relating to 5,222,558 shares of stock of Oceanic Exploration Company beneficially owned by the Debtor and his family affiliates are valid. Disputed.	No amount stated or ascertainab
Oil Reports & Gas Services P.O. Box 763 Hobbs, NM 88240	Technical reports within 90 days of filing of original petition	36.40
Oilwell Division United States Steel P.O. Box 1590 Houston, TX 77001	Debtor is personal guarantor or co-maker of $200,000 promissory note of Universal Drilling Contractors, Inc. Disputed.	200,000.00 (plus interest)
Overthrust Industries 410 - 117th Street #1810 Denver, CO 80202	Undisputed	624.55
Petroleum Information Corp. P.O. Box 1164 Denver, CO 80201	Maps, cards, etc., purchased within 90 days of filing of original petition	200.50
Placer Cego Petroleum, Ltd. #700 639 Fifth Ave., S.W. Calgary, Alberta Canada T2P0M9	Claim for proceeds in court escrow from Texas gas well operated by Debtor.	150,000.00 (approximat
	TOTAL Fwd	27,620,843.45

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 9

Name of creditor (including last known holder of any negotiable instrument) complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	27,620,843.45
		$ Cts.
Public Service of Colo. P.O. Box 840 Denver, CO 80255	Utilities within 90 days of filing of original petition	339.87
Quik Print 1515 Arapahoe St. Park Central Plaza Level Denver, CO 80202	Copy expenses incurred within 90 days of filing of original petition	21.20
Martin D. Robbins 727 Pearl Street Denver, CO 80203	Technical evaluations.	6,250.00
Victor Roberts 11406 Memorial Drive Houston, TX 77024	Claim for attorney's fees in Civil Action No. CV-77-377, District Court of Eddy County, New Mexico. Disputed; unliquidated.	Unknown
The Service Bureau Co. P.O. Box 22416 Denver, CO 80222	Payroll processing within 90 days of filing of original petition	126.00
Judith A. Siegel 1233 Ogden St., #506 Denver, CO 80218	Judgment for wages (more than 90 days before filing of original petition, appealed to Superior Court, City and County of Denver. Disputed.	226.17
Speedy Messenger and Delivery P.O. Box 3017 Denver, CO 80201	Delivery expenses within 90 days of filing of original petition	5.25
Supron Energy Corp. Building V Fifth Avenue, 5th Floor 10800 North Central Expressway Dallas, TX 75231	Well operating expenses within 90 days of filing of original petition	320.00
Teleshak Metallurgical Laboratory P.O. Box 29464 New Orleans, LA 70189	Disputed expert witness charges.	1,108.35
Tetrolite Division P.O. Box 14513-B St. Louis, MO 63178	Well operating expenses within 90 days of filing of original petition	102.83
Texas Oil & Gas Corp. P.O. Box 84622 Dallas, TX 75284	Disputed.	8,196.76
Texas Utilities Fuel Company 2001 Bryan Tower Dallas, TX 75201	Claim for attorneys' fees in Civil Action No. 77-7609-H, 160th Judicial District, District Court of Dallas County, Texas. Disputed.	10,000.00 (approximat
	TOTAL Fwd	27,647,539.88

All accompanying pertinent Exhibits and the accompanying Note to Schedules are an integral part of this Schedule.

SCHEDULE A-3. -- CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 10

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if known, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner on joint contract on any debt	Amount of claim
	Total Forward	27,647,539.88
		$ Cts
3 M P.O. Box 33388 St. Paul, MN 55133	Disputed.	405.10
Tri-State Oil Tools Industries, Inc. 2570 E. Texas Ave. Bossier City, LA 71010	Claims upon promissory note asserted in Civil Action No. 80-CV-4145, Tri-State Oil Tools Industires, Inc. v. Grynberg, District Court in and for City and County of Denver, Colorado. $30,000 not in dispute. Remainder disputed.	43,000.00 (plus interest)
TWA Reservations Service P.O. Box 20747 Kansas City, MO 64195	Travel expenses incurred within 90 days of filing of original petition	725.20
Union Oil Co. of California Oil & Gas Division 300 N. Carrizo Street Midland, TX 79701	Well operating expenses within 90 days of filing of original petition	8.63
J Wandel Press, Inc. 3825 Newport St. Denver, CO 80207	Printing expenses within 90 days of filing of original petition	690.12
Frank J. & Wanda Weber c/o Cox, Phillips and Weber 216 S. Cross P.O. Box 250 Robinson, IL 62454	Claim for damages litigated in Civil Action No. 79-CH-35, Weber v. Weaver Jack Grynberg & Associates, et al., Circuit Court for the Second Judicial Circuit of Illinois, Crawford County, Robinson, Illinois. Disputed.	15,000.00 (approximat
William B. Weinberger 32 Gramercy Park New York, NY 10003	Claims asserted individually and allegedly on behalf of a purported class of investors to recover damages, interest, costs, attorney's and other fees based on alleged violations of Section 10(b) of the Securities Exchange Act of 1934 which are asserted in Civil Action No. 76-W-1108 (consolidated with Civil Action No. 76-W-1079), Weinberger v. Oceanic Exploration Company, et al., United States District Court for the District of Colorado. Disputed.	6,825.00 plus unstat other amour on behalf c putative class membe or otherwis
West Texas Electrical Log Service 500 North Baird St. Midland, TX 79701	Well log expenses within 90 days of filing of original petition	36.36
Western Union P.O. Box 6247 Church Street Station New York, NY 10008	Communication expense within 90 days of filing of original petition	126.20
	TOTAL Fwd	27,714,356.49

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SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 11

Name of creditor (in finding list known holder of any negotiable instrument) complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	27,714,356.49
		$ Cts
Western Union International Credit Administration 26 Broadway New York, NY 10004	Communication expense within 90 days of filing of original petition	149.39
Roy Westall P.O. Box 4 Loco Hills, NM 88255	Well operating expenses within 90 days of filing of original petition	622.50
Young Audiences, Inc. 1623 California Denver, CO 80202	Contributions within 90 days of filing of original petition	200.00
	Grand TOTAL	27,715,328.38

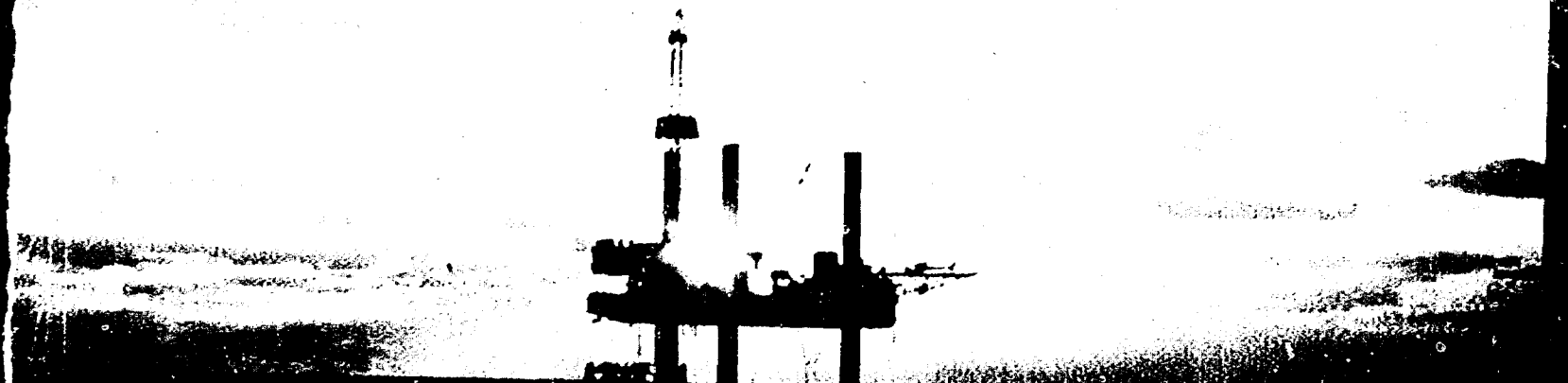
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SCHEDULE A-3. — CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY - Page 11

Name of creditor (including last known holder of any negotiable instrument), complete mailing address including zip code (if unknown, so state)	Specify when claim was incurred and the consideration therefor; when claim is contingent, unliquidated, disputed, subject to setoff, evidenced by a judgment, negotiable instrument, or other writing, or incurred as partner or joint contractor, so indicate; specify name of any partner or joint contractor on any debt	Amount of claim
	Total Forward	27,714,356.49
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	Grand TOTAL	27,715,328.38

MESA
PETROLEUM CO.

37



MESA
PETROLEUM CO.

THE COMPANY

Mesa Petroleum Co. is engaged in the exploration for and the production of oil and natural gas in the United States, including offshore areas of Louisiana and Texas, and Australia.



ABOUT THE COVER: Sunrise over Brazos A-39 (Mesa 50%), offshore Texas in the Gulf of Mexico, where testing of several indicated gas-bearing sands is under way.

Photos by Billy R. Pike
Audio-visual supervisor
Mesa Petroleum Co.

CONTENTS

Highlights 2
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Exploration and development 6
Offshore summary—map and tables 9
Production and reserves 26
Management's discussion 33
Selected financial data 36
Financial statements 37
Notes to financial statements 44
Directors and officers 64

1981 HIGHLIGHTS

- Increased reserves
- All-time high revenues
- Record operating net income
- Assets in excess of $2 billion

ANNUAL MEETING

The annual meeting of shareholders of Mesa Petroleum Co. will be held at One Mesa Square, Amarillo, Texas, at 10:00 a.m. on Wednesday, April 28, 1982.

FORM 10-K

The Company will provide, without charge, a copy of its Form 10-K filed with the Securities and Exchange Commission upon written request from any stockholder to:

The Corporate Secretary
Mesa Petroleum Co.
One Mesa Square
P.O. Box 2009
Amarillo, TX 79189

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Highlights

FINANCIAL

	1981	1980	1979	1978	1977
Revenues	$ 407,744,000	$ 372,363,000	$ 282,851,000	$167,235,000	$140,455,000
Net income available for common	$ 106,379,000	$ 95,236,000	$ 54,203,000[a]	$ 41,766,000	$ 38,905,000
Per share—fully diluted[b]	$1.54	$1.38	$.84[a]	$.66	$.64
Funds provided from operations	$ 276,897,000	$ 219,628,000	$ 164,825,000	$114,528,000	$105,147,000
Stockholders' equity	$ 595,445,000	$ 509,775,000	$ 400,181,000	$315,044,000	$277,881,000
Total assets	$2,069,355,000	$1,426,850,000	$1,268,459,000	$974,963,000	$800,210,000

[a]Excludes $231,419,000 ($3.59 per share) from gain on sale of properties.
[b]Adjusted for two-for-one stock splits in 1980 and 1981.

OPERATING

Net production[a]	1981	1980	1979	1978	1977
Natural gas (Mcf)	102,747,976	106,012,863	131,563,555	109,468,435	101,321,157
Natural gas liquids (Bbls)	710,479	740,154	1,376,658	1,451,660	1,458,186
Oil and condensate (Bbls)	3,095,663	3,036,871	3,518,611	3,275,584	3,252,414
Undeveloped acreage					
United States					
Gross	3,381,992	2,715,131	2,372,088	1,464,694	1,663,573
Net	1,588,629	1,284,646	1,635,217	992,833	1,092,187
International[b]					
Gross	6,832,194	1,240,494	648,494	3,808,664	4,542,657
Net	1,530,123	546,660	191,460	1,416,928	1,608,673

[a]Includes production from Mesa's 50% interest in Tema Oil Company from date of acquisition, April 30, 1979. Includes production prior to November 1979 from interests transferred to the Mesa Royalty Trust and production prior to October 1979 from properties sold in Canada.
[b]Excludes Mesa's 12.5% gross overriding royalty interest in undeveloped acreage in Canada in 1981, 1980 and 1979.

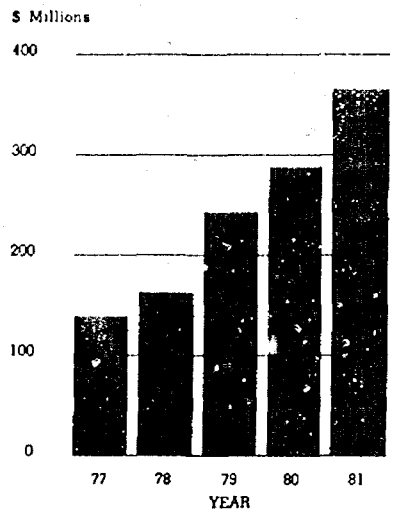
SECURITIES

Mesa Petroleum Co.'s common stock (MSA) is listed for trading on the New York Stock Exchange. The range of high and low quarterly sales prices for the stock and dividends paid for the past two years, as adjusted for the two-for-one stock splits on April 25, 1980, and March 12, 1981, were as follows:

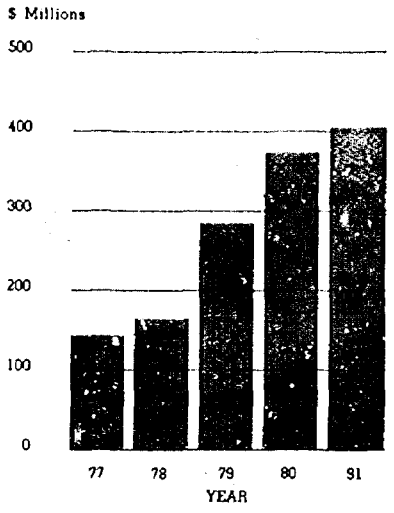
Quarter	High	Low	Dividends
1981			
First	$33¼	$24⅛	$.03
Second	34¼	21⅝	.03
Third	34	17¼	.03
Fourth	24⅝	18¾	.03
1980			
First	$17⅝	$ 9¾	$.0075
Second	20¼	11¼	.015
Third	29⅝	18¾	.015
Fourth	34⅝	24⅛	.015

Number of common shares outstanding at December 31, 1981—66,794,000

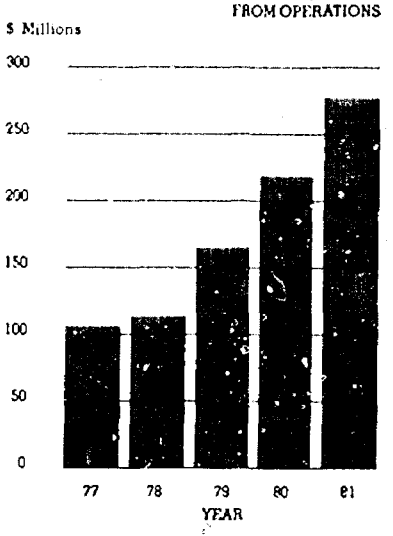
OIL & GAS REVENUES



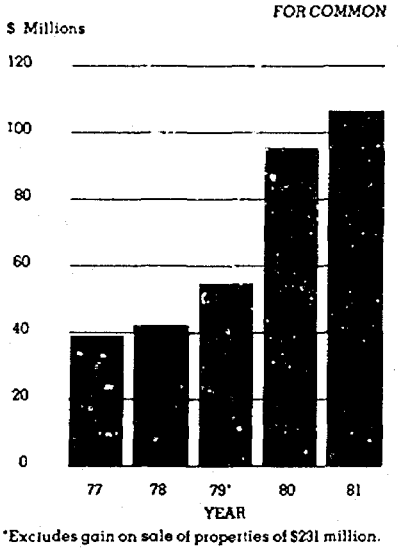
TOTAL REVENUES



FUNDS PROVIDED FROM OPERATIONS

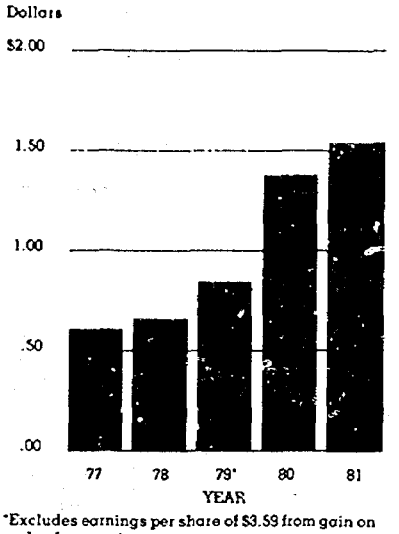


NET INCOME FOR COMMON



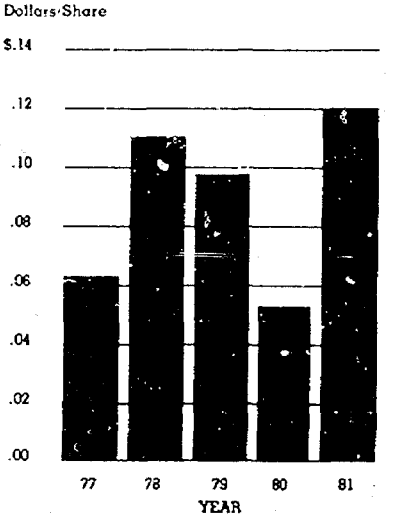
*Excludes gain on sale of properties of $231 million.

EARNINGS PER SHARE

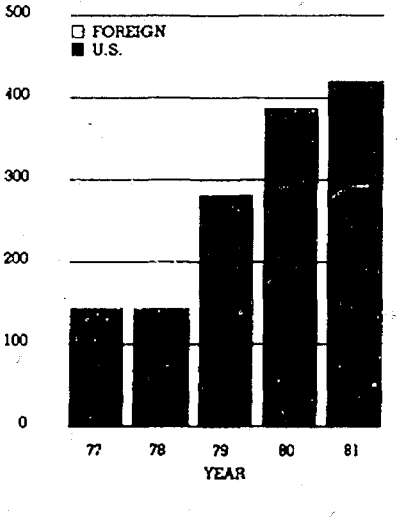


*Excludes earnings per share of $3.59 from gain on sale of properties.

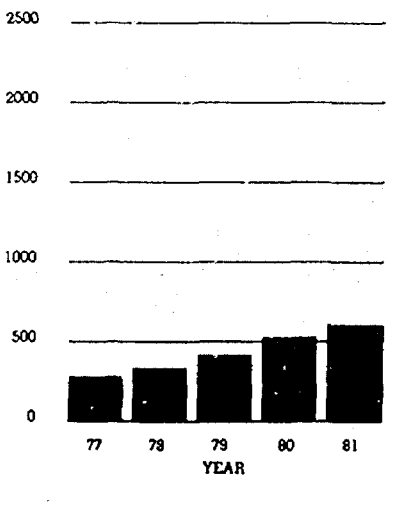
COMMON STOCK DIVIDENDS



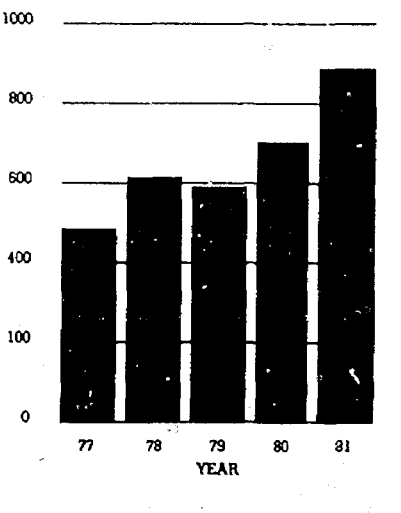
CAPITAL EXPENDITURES



□ ASSETS
■ STOCKHOLDERS EQUITY



TOTAL EMPLOYEES



To Our Shareholders

Mesa replaced its production and increased oil and gas reserves during 1981 while achieving record revenues, cash flow and net income from operations.

Reserves at December 31, 1981, were 27.5 million barrels of oil, condensate and natural gas liquids and 919 billion cubic feet of gas, increases of 10% and 7%, respectively, over those for 1980. These quantities do not include oil and gas encountered on 14 offshore tracts currently under development. Total additions to oil, condensate and natural gas liquids reserves from discoveries, extensions and revisions were 6.2 million barrels representing 163% of the Company's 1981 liquids production of 3.8 million barrels. Reserve additions for natural gas of 163 billion cubic feet amounted to 158% of 1981 production of 103 billion cubic feet.

Net income for common shares was $106 million, a 12% increase over $95 million last year. Fully diluted earnings per share were $1.54, a 12% increase over $1.38 per share in 1980. The combined effects of foreign exchange adjustments and gains on sale of marketable securities increased net income by $2.4 million ($.03 per share) in 1981 and $6.5 million ($.09 per share) in 1980.

Oil and gas revenues increased 27% to $366 million compared to $288 million in 1980. This is the fifteenth consecutive year that the Company's oil and gas revenues have exceeded those for the preceding year. Total revenues for 1981 were $408 million, a 10% increase over $372 million last year.

Net daily production for 1981 was 8,481 barrels of oil and condensate, 282 million cubic feet of natural gas and 1,947 barrels of natural gas liquids compared to 8,297 barrels, 290 million cubic feet and 2,022 barrels, respectively, in 1980. The higher oil production primarily resulted from increased production in the Rocky Mountain division. The reductions in natural gas and natural gas liquids production were due to lower pipeline takes from the Hugoton field of Kansas.

Capital expenditures in 1981 totaled $420 million compared to $397 million in 1980 which included $145 million for interests acquired in 27 federal and state offshore tracts. The major categories of expenditures in 1981 were $37 million for acreage acquisitions, $141 million for exploratory drilling, $146 million for development drilling and $79 million for facilities and offshore platforms. The increase in 1981 expenditures resulted from continued intensive exploration and development in the Gulf of Mexico and major onshore exploratory areas. The Company participated in drilling 387 gross wells (182 net) with an overall net drilling success of 74%.

Mesa funded a portion of its 1981 capital expenditures by issuing $210 million of 7% cumulative preferred stock to Texaco Inc. and Sequoia Ventures Inc. The preferred stock will be redeemed in installments from 1982 through 1986.

At year end, Mesa had a 28.5% average interest in 51 platforms offshore Louisiana and Texas of which 37 were

on production and 14 were in various stages of development. Seven additional platforms are expected to be installed during 1982. Production should commence during the year from 14 of these platforms, giving Mesa a 28.4% average interest in 58 platforms by year-end 1982, of which 51 should be on production.

Under current pricing provisions of the Natural Gas Policy Act of 1978, the industry average wellhead price for gas is approximately $2 per Mcf which represents, on an equivalent heating value (BTU) basis, only 38% of the deregulated price for oil. Without regulation, natural gas should sell at a price in excess of that for oil because of its nonpolluting properties and ease of delivery. As long as current price restrictions exist, the nation's natural gas resources will be exploited, and conservation will not be achieved. The present ample supply of natural gas provides a favorable environment for deregulation. Decontrol of natural gas prices would provide increased revenues for exploration which would reduce the nation's dependence on foreign energy supplies and provide funds for development of alternate sources of energy. Decontrol would also reduce federal government deficits through additional income taxes and royalties of over $25 billion per year.

Mesa's capital expenditures have exceeded its net income each year since inception of the Company in 1964 resulting in consistent increases in its oil and gas revenues and reserves. The Company remains committed to the replacement and enhancement of its reserves, the depletable assets of the shareholders. Accordingly, expenditures must be large enough to sustain acreage purchases and intensive exploration and development. The Company's 1982 capital budget of an estimated $350 million will provide for continued aggressive operations. Oil and gas assets are currently undervalued in the security markets as a result of softening world crude oil prices and the temporary oversupply of domestic natural gas; however, the nation's dependence on imports for approximately 35% of its crude oil requirements underscores the inherent long-term value of domestic oil and gas reserves and the importance of their replacement.

Mesa's emphasis on exploration and development will help ensure continued reserve growth and increased oil and gas revenues for 1982. In addition, the Company will actively evaluate and pursue opportunities to enhance its shareholders' investment through acquisitions and financial innovations.



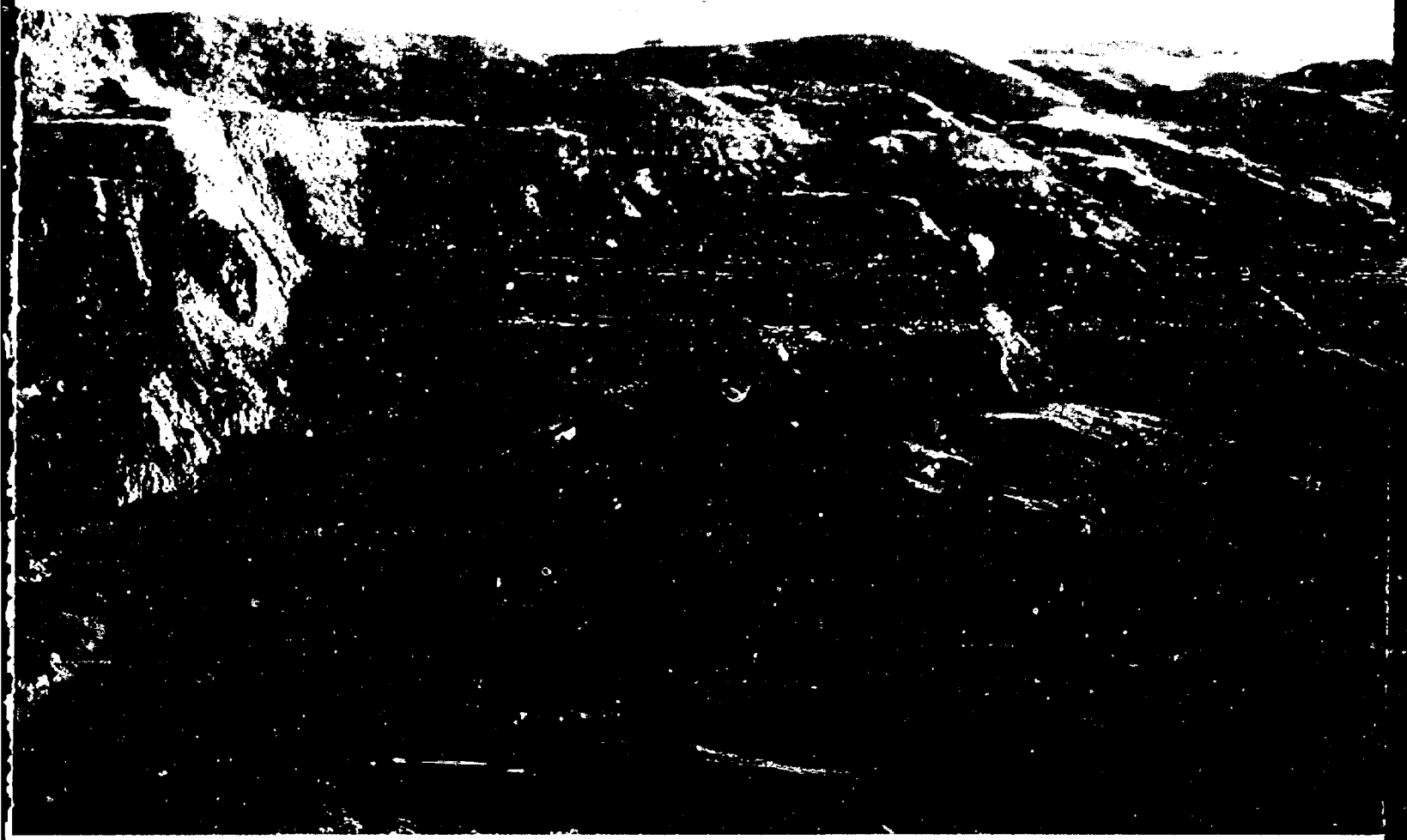
Sincerely,

T. Boone Pickens, Jr.
President and Chairman of the
Board of Directors

March 4, 1982



Drilling on the Knutson-Werre No. 3 (Mesa 65%), a confirmation well to a previously announced discovery in the Williston Basin of Dunn County, North Dakota.



Exploration and Development

Mesa's U.S. undeveloped acreage totaled 1.6 million net acres at December 31, 1981, compared to 1.3 million net acres in 1980, a 23% increase. The purchase of additional acreage in the Pecos Slope area of eastern New Mexico and in the Rocky Mountain region account for most of the increase. The Company's total undeveloped acreage reached 3.1 million net acres at year end, a 72% increase over 1.8 million acres in 1980, due primarily to the acquisition of approximately one million net acres in Australia.

The Company participated in drilling 385 gross wells (181.4 net) in the U.S. during 1981 compared to 215 gross wells (116.0 net) during 1980. This record level of activity resulted in a net drilling success of 74% for 1981, consisting of 48% for exploratory and 81% for development wells. At year-end 1981, Mesa was participating in the drilling of 51 gross (15.7 net) wells in the U.S. and 5 gross (.75 net) wells in Australia.

Statistics

DRILLING ACTIVITY

	United States[a]		Australia		Canada		United Kingdom	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1981								
Exploratory wells								
Productive	42	18.2	1	.3	—	—	—	—
Dry	43	19.7	2	.4	—	—	—	—
Development wells								
Productive	248	116.2	—	—	—	—	—	—
Dry	52	27.3	—	—	—	—	—	—
Total	385	181.4	3	.7	—	—	—	—
1980								
Exploratory wells								
Productive	27	16.6	—	—	—	—	—	—
Dry	24	15.0	2	1.5	—	—	—	—
Development wells								
Productive	147	75.8	—	—	—	—	—	—
Dry	17	8.6	—	—	—	—	—	—
Total	215	116.0	2	1.5	—	—	—	—
1979								
Exploratory wells								
Productive	43	23.9	—	—	20	7.9	—	—
Dry	21	17.5	—	—	13	6.6	—	—
Development wells								
Productive	117	49.8	—	—	34	21.5	3	.8
Dry	36	17.9	—	—	4	1.5	—	—
Total	217	109.1	—	—	71	37.5	3	.8
1978								
Exploratory wells								
Productive	18	10.9	—	—	25	10.2	2	.6
Dry	9	6.4	—	—	6	3.6	2	.4
Development wells								
Productive	161	79.5	—	—	71	42.4	1	.3
Dry	33	12.2	—	—	26	15.3	—	—
Total	221	109.0	—	—	128	71.5	5	1.3

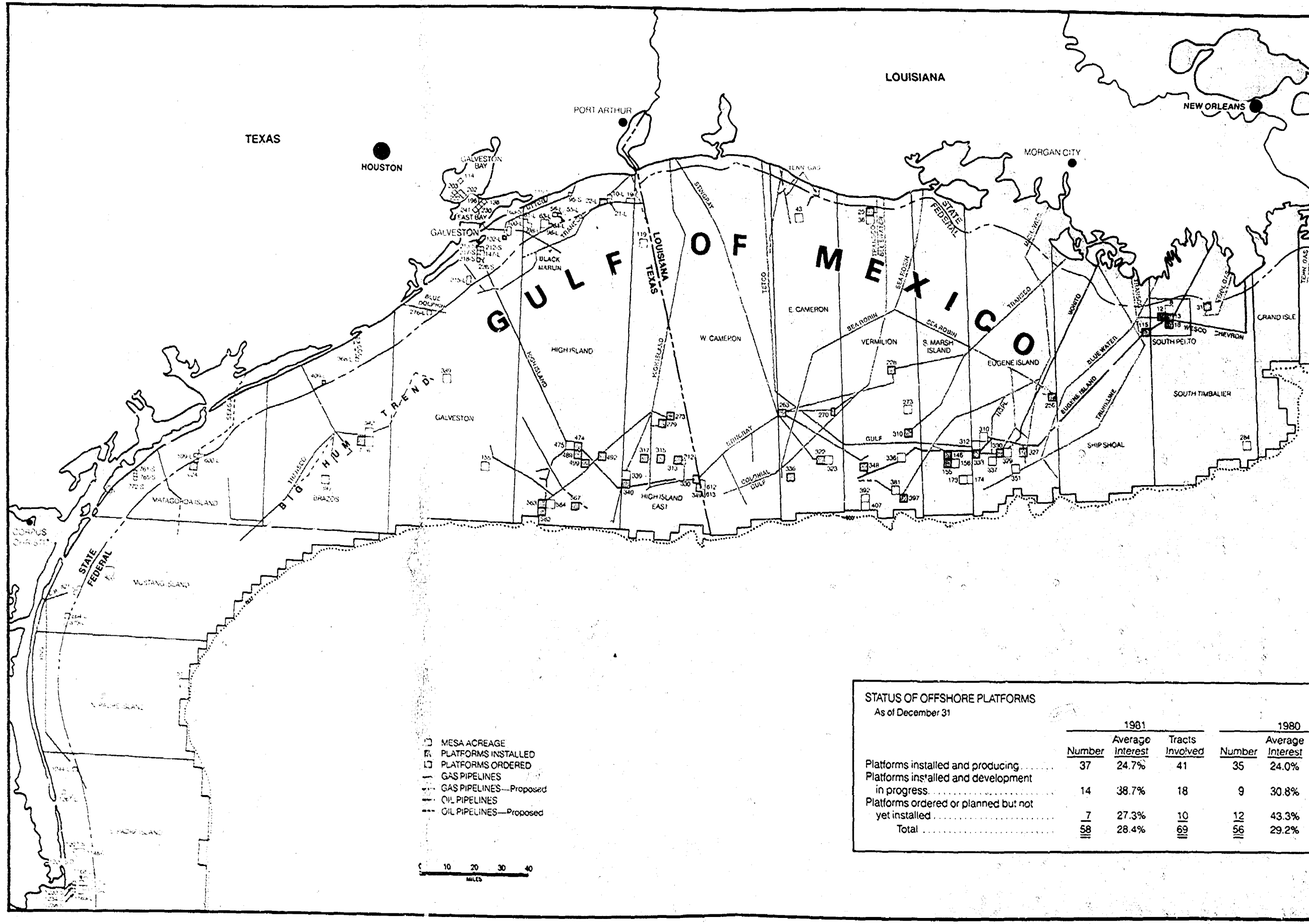
[a] Excludes preplatform expendable wells offshore of 21 gross (8.0 net) in 1981, 33 gross (11.4 net) in 1980, 24 gross (10.0 net) in 1979 and 21 gross (6.3 net) in 1978.

UNDEVELOPED ACREAGE

As of December 31

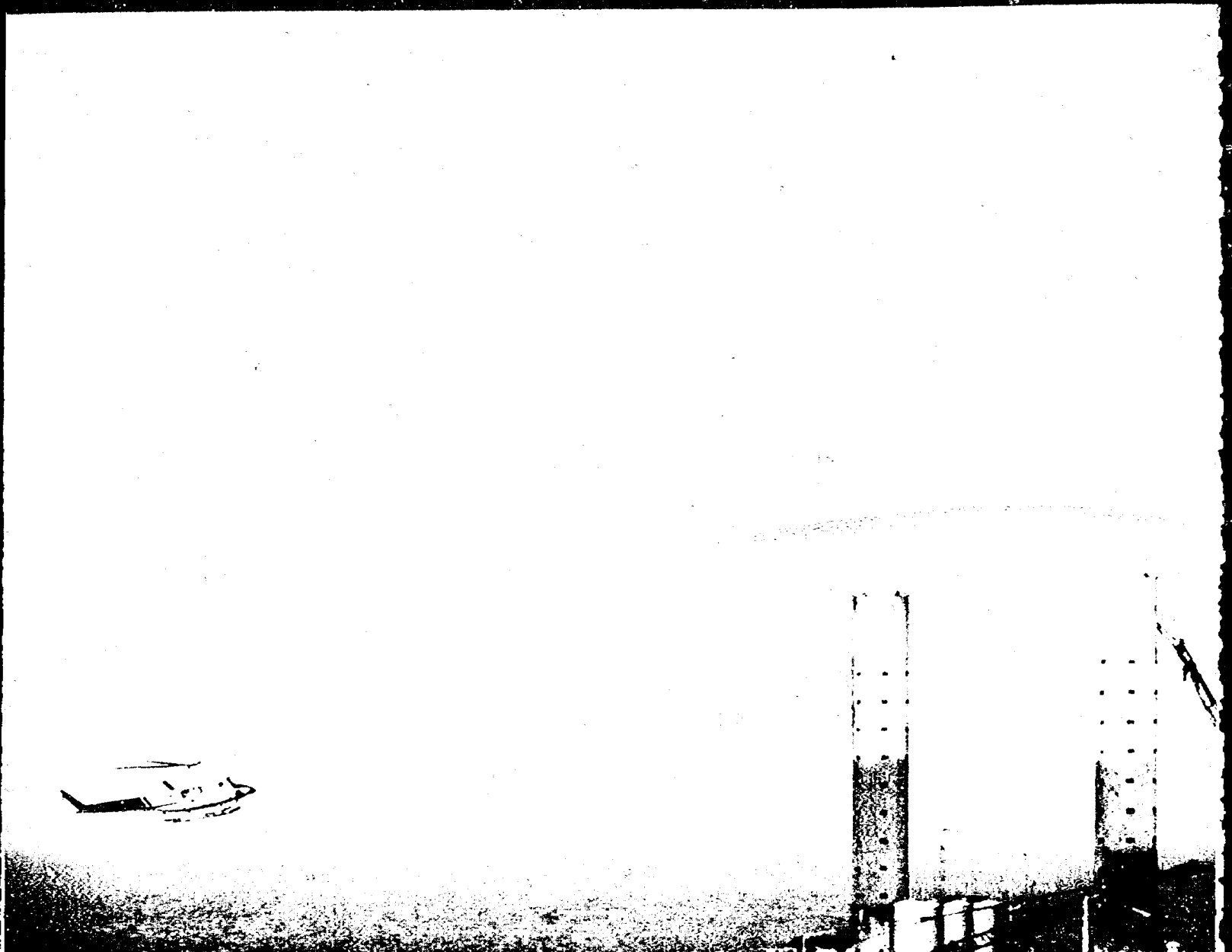
	1981		1980	
	Gross	Net	Gross	Net
Onshore U.S.				
Arizona	124,658	81,028	2,862	1,861
Colorado	82,881	46,240	56,464	33,854
Florida	124,901	65,889	244,440	98,711
Idaho	63,474	41,258	—	—
Kansas	533,058	226,559	556,790	238,059
Louisiana	38,792	15,323	26,132	8,887
Michigan	729	474	729	474
Montana	115,736	60,371	109,138	56,234
Nebraska	293,014	146,060	291,023	144,383
Nevada	102,627	66,641	83,177	54,037
New Mexico	799,506	289,210	390,493	153,191
North Dakota	219,011	94,283	174,658	84,217
Oklahoma	67,203	15,695	37,983	9,733
South Dakota	19,075	11,664	16,478	9,734
Texas	273,561	144,353	214,714	127,273
Utah	110,931	72,158	110,158	71,592
Wyoming	148,614	86,012	143,082	85,260
	3,117,771	1,463,818	2,458,321	1,177,500
Offshore U.S.				
Louisiana	102,781	43,965	110,429	49,981
Texas	161,440	80,846	146,381	57,165
	264,221	124,811	256,810	107,146
Total U.S.	3,381,992	1,588,629	2,715,131	1,284,646
International[a]				
Australia	6,478,100	1,491,825	896,400	502,400
German North Sea	354,094	38,298	354,094	44,260
	6,832,194	1,530,123	1,240,494	546,660
Total	10,214,186	3,118,752	3,955,625	1,831,306

[a] Excludes Mesa's 12.5% gross overriding royalty interest in approximately 1 million net undeveloped acres in Canada.



STATUS OF OFFSHORE PLATFORMS
As of December 31

	1981			1980	
	Number	Average Interest	Tracts Involved	Number	Average Interest
Platforms installed and producing	37	24.7%	41	35	24.0%
Platforms installed and development in progress	14	38.7%	18	9	30.8%
Platforms ordered or planned but not yet installed	7	27.3%	10	12	43.3%
Total	58	28.4%	69	56	29.2%



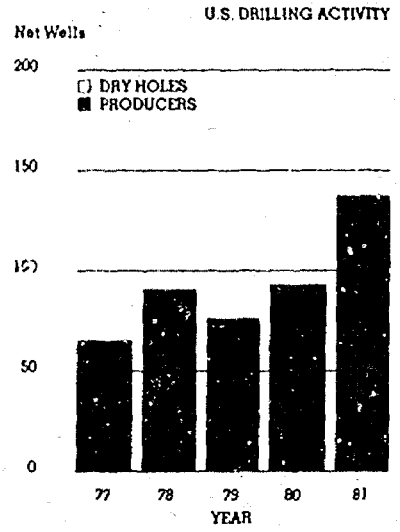
SUMMARY OF FEDERAL OFFSHORE LEASES
AS OF DECEMBER 31, 1981

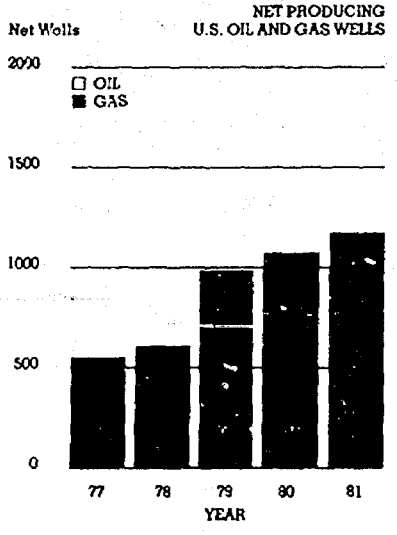
Area and Block	Date of Lease Sale	Mesa's Working Interest(1) %	Gross Wells Drilled or Drilling: Exploratory	Gross Wells Drilled or Drilling: Development	Platforms Installed or Ordered	Expected Date of Production
Brazos						
6	7-75	65.0	2	—	—	—
7	11-80	50.0	1	1	1 Installed	1982
39	11-80	50.0	1	—	1 Ordered	—
542	7-75	65.0	3	—	—	—
East Cameron						
43	9-80	100.0	—	—	—	—
263*	7-75	20.0	2	15	1 Producing	—
270*	12-70	5.0	3	23	2 Producing	—
322*	12-72	52.0	5	11	1 Producing	—
323*	12-72	52.0	7	8	(2)	—
336*	11-76	5.0	5	8	1 Installed	1982
Eugene Island						
256*	12-70	16.8	5	7	1 Producing	—
310	11-76	65.0	5	—	—	—
312*	3-74	13.3	3	6	(2)	—
327*	10-74	11.5	5	12	1 Producing	—
329	10-74	22.5	5	—	(2)	—
330*	12-70	5.0	8	59	3 Producing	—
333*	12-72	13.3	3	21	2 Producing	—
337	2-76	4.9	3	—	1 Ordered	—
351	11-76	16.3	2	—	1 Ordered	—
Galveston						
155	7-79	32.5	2	—	—	—
389	11-79	65.0	—	—	—	—
High Island						
115	7-81	81.7	—	—	—	—
273*	6-73	16.9	3	3	1 Producing	—
279*	6-73	15.0	3	15	1 Producing	—
312 (SW)*	Farm-in	30.7	—	1	(2)	—
313*	6-73	30.7	4	6	1 Producing	—
315	7-74	100.0	6	6	1 Installed	1982
317*	6-73	12.3	5	19	1 Producing	—
330*	6-73	18.4	5	14	1 Producing	—
339*	5-74	25.0	1	13	(2)	—
340*	6-73	25.0	3	12	1 Producing	—
349*	5-74	20.0	2	9	1 Producing	—
474*	6-73	15.0	5	16	1 Producing	—
475*	Farm-in	15.0	1	1	(2)	—
489*	6-73	15.0	4	28	1 Producing	—
492*	7-75	20.0	4	11	1 Producing	—
499	2-75	16.4	1	4	1 Installed	1982
565*	6-73	5.7	3	30	1 Installed	1982
564*	6-73	5.7	1	4	(2)	—
567	5-74	50.0	6	11	1 Installed	1982
582	5-74	6.7	3	5	1 Installed	1983
Main Pass						
74	5-75	24.8	3	—	1 Ordered	—
Matagorda Island						
624*	2-76	32.5	1	1	1 Installed	1982
Mustang Island						
800	11-80	100.0	—	—	—	—
North Padre Island						
51	7-81	40.8	—	—	—	—
Ship Shoal						
115*	3-74	20.0	—	2	1 Producing	—
South Marsh Island						
146*	3-74	16.0	5	9	1 Producing	—
155*	7-79	70.0	2	2	1 Installed	1982
156*	11-79	70.0	1	5	(2)	—
173	10-74	5.4	7	—	1 Ordered	—
174	10-74	5.4	7	—	(2)	—
South Pass						
57*	11-76	33.3	—	2	(2)	—
78*	9-72	25.0	3	12	1 Producing	—
South Pelto						
8*	6-77	25.0	1	5	(2)	—
12*	6-77	37.8	4	—	1 Installed	1982
13*	5-75	25.0	3	7	2 Producing	—
18*	6-77	26.2	4	—	1 Installed	1982
South Timbalier						
31*	3-74	15.0	3	1	1 Producing	—
284	9-80	100.0	—	—	—	—
Vermilion						
25*	11-76	4.7	6	11	1 Producing	—
36*	7-79	4.7	3	1	(2)	—
228*	12-70	43.3	5	6	1 Producing	—
273	11-79	48.8	5	—	—	—
310*	11-76	5.0	3	33	2 Producing	—
336	9-80	100.0	—	—	—	—
348*	Farm-in	75.0	1	8	1 Installed	1982
381	11-79	80.0	2	—	1 Ordered	1982
392	2-76	10.0	2	—	1 Ordered	—
397*	5-75	60.0	5	15	1 Producing	—
407	5-75	40.0	4	—	(2)	—
West Cameron						
612*	3-74	18.4	1	6	(2)	—
613*	7-75	18.4	—	5	(2)	—
West Delta						
34*	11-76	5.0	2	5	1 Producing	—
61*	5-75	100.0	4	5	1 Producing	—
62*	6-77	100.0	3	4	(2)	—
Total Federal Leases		35.2 avg.	220	522	53	

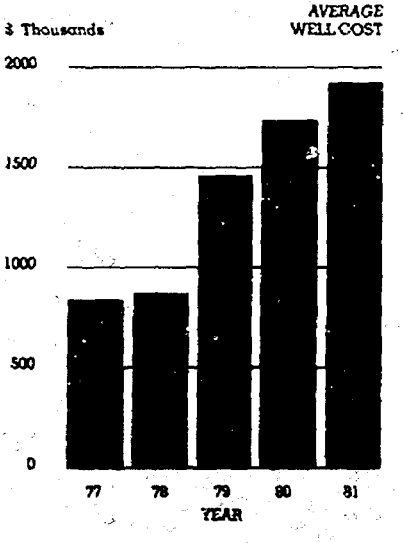
SUMMARY OF STATE OFFSHORE LEASES
AS OF DECEMBER 31, 1981

Area and Block	Date of Lease Sale	Mesa's Working Interest(1) %	Gross Wells Drilled or Drilling: Exploratory	Gross Wells Drilled or Drilling: Development	Platforms Installed or Ordered	Expected Date of Production
Brazos						
368-L (SE)	2-79	65.0	—	—	—	—
409-L (SE)*	Farm-in	36.3	1	1	1 Producing	—
East Bay						
138	4-80	65.0	—	—	—	—
196	4-80	65.0	—	—	—	—
230	4-81	65.0	—	—	—	—
241	4-80	65.0	—	—	—	—
Galveston						
100-L (NW)	10-76	100.0	1	—	—	—
100-L (SW)	10-76	100.0	—	—	—	—
102-L (NE)*	10-76	100.0	3	1	1 Producing	—
147-L (NW)	10-76	65.0	—	—	—	—
147-L (SW)	10-79	65.0	—	—	—	—
213-S	6-77	32.5	—	—	—	—
212-S	10-79	65.0	—	—	—	—
213-S	10-79	65.0	—	—	—	—
215-L (NW)	2-79	65.0	—	—	—	—
215-L (SW)	10-80	65.0	—	—	—	—
217-S	10-76	65.0	—	—	—	—
218-S	10-76	65.0	1	—	—	—
226-S	10-79	65.0	—	—	—	—
276-L (SE)	10-80	65.0	—	—	—	—
Galveston Bay						
114	4-81	65.0	—	—	—	—
202	10-81	65.0	—	—	—	—
203	4-81	65.0	—	—	—	—
222	4-81	65.0	—	—	—	—
High Island						
10-L (SW)	10-76	20.0	3	—	—	—
19-L (NE)	6-77	32.5	—	—	—	—
19-L (NW)	10-77	32.5	—	—	—	—
21-L (NW)	10-73	20.0	—	—	—	—
22-L*	4-70	86.4	4	4	1 Producing	—
55-L (NE)	6-77	32.5	—	1	(2)	—
55-L (NW)*	6-77	32.5	1	—	1 Installed	1982
55-L (SE)	6-77	32.5	—	—	—	—
56-L (NE)	2-79	32.5	—	—	—	—
61-L (NW)	6-77	32.5	—	—	—	—
61-L (SE)	6-77	32.5	—	—	—	—
61-L (SW)	6-77	32.5	—	—	—	—
63-L (NE)	6-78	65.0	—	—	—	—
63-L (NW)	6-78	65.0	—	—	—	—
63-L (SE)	6-78	65.0	—	—	—	—
63-L (SW)	6-78	65.0	—	—	—	—
64-L (SW)	10-80	65.0	—	—	—	—
95-S	6-77	32.5	—	—	—	—
96-L (NE)	6-78	65.0	—	—	—	—
96-L (NW)	6-78	65.0	—	—	—	—
98-L (NW)	10-79	32.5	—	—	—	—
115-S	10-80	65.0	—	—	—	—
Matagorda Island						
599-L (NE)	6-78	16.3	—	—	—	—
600-L (NE)	6-78	16.3	—	—	—	—
600-L (NW)	6-78	16.3	—	—	—	—
600-L (SW)	6-78	16.3	—	—	—	—
761-S	10-81	65.0	—	—	—	—
765-S	2-79	65.0	—	—	—	—
772-S	2-79	65.0	—	—	—	—
Mustang Island						
821-L (NE)	10-80	65.0	—	—	—	—
821-L (SE)	10-80	65.0	—	—	—	—
821-L (SW)	10-80	65.0	—	—	—	—
864-L (SW)	2-79	65.0	—	—	—	—
879-L	2-79	65.0	—	—	—	—
South Padre Island						
1044-L (SE)	4-80	65.0	—	—	—	—
1067-L (NW)	4-81	65.0	—	—	—	—
1148-L	10-81	65.0	—	—	—	—
1167-L (NW)	10-80	65.0	—	—	—	—
1167-L (SW)	10-80	65.0	—	—	—	—
1168-L (SE)	10-80	65.0	—	—	—	—
1169-L (NE)	10-80	65.0	—	—	—	—
1169-L (SE)	10-80	65.0	—	—	—	—
1170-L (NW)	10-80	65.0	—	—	—	—
1207-S	10-81	65.0	—	—	—	—
1220-S	10-80	65.0	—	—	—	—
1233-S	10-80	65.0	—	—	—	—
1234-S	10-80	65.0	—	—	—	—
1238-S	10-80	65.0	—	—	—	—
South Pass						
57/58*	5-74	33.3	3	14	1 Installed	1982
Total State Leases		**56.7 avg.**	17	21	5	

(1) The federal government usually has a 1/6th royalty interest in offshore tracts. The state government usually has a 1/5th royalty interest in offshore tracts.
(2) Development wells are drilled from platforms on adjoining tracts.
*The reserves from this tract are included in the 1981 Net Proved Reserves table on page 28.







Gulf Coast Division

At December 31, 1981, Mesa had a 35.2% average interest in 75 federal offshore tracts and a 56.7% average interest in 73 state offshore tracts. The Company purchased interests averaging 61.3% in two federal tracts and 65% in nine state tracts offshore Texas and Louisiana during 1981 for lease bonuses totaling $8.3 million.

The Gulf Coast division drilled 76 gross wells (32.7 net) during 1981 of which 54 were producers (20.0 net) for a 61% net drilling success. A record 16 rigs were drilling in the division at year end, including 12 offshore.

Seven offshore platforms were installe during 1981, and development drilling has commenced on six. Production began from two platforms during the year, bringing to 37 the total on production. Fourteen additional platforms should commence production during 1982, giving Mesa a 29.9% average interest in 51 platforms on production by year-end 1982 of which 14 will be operated by Mesa.

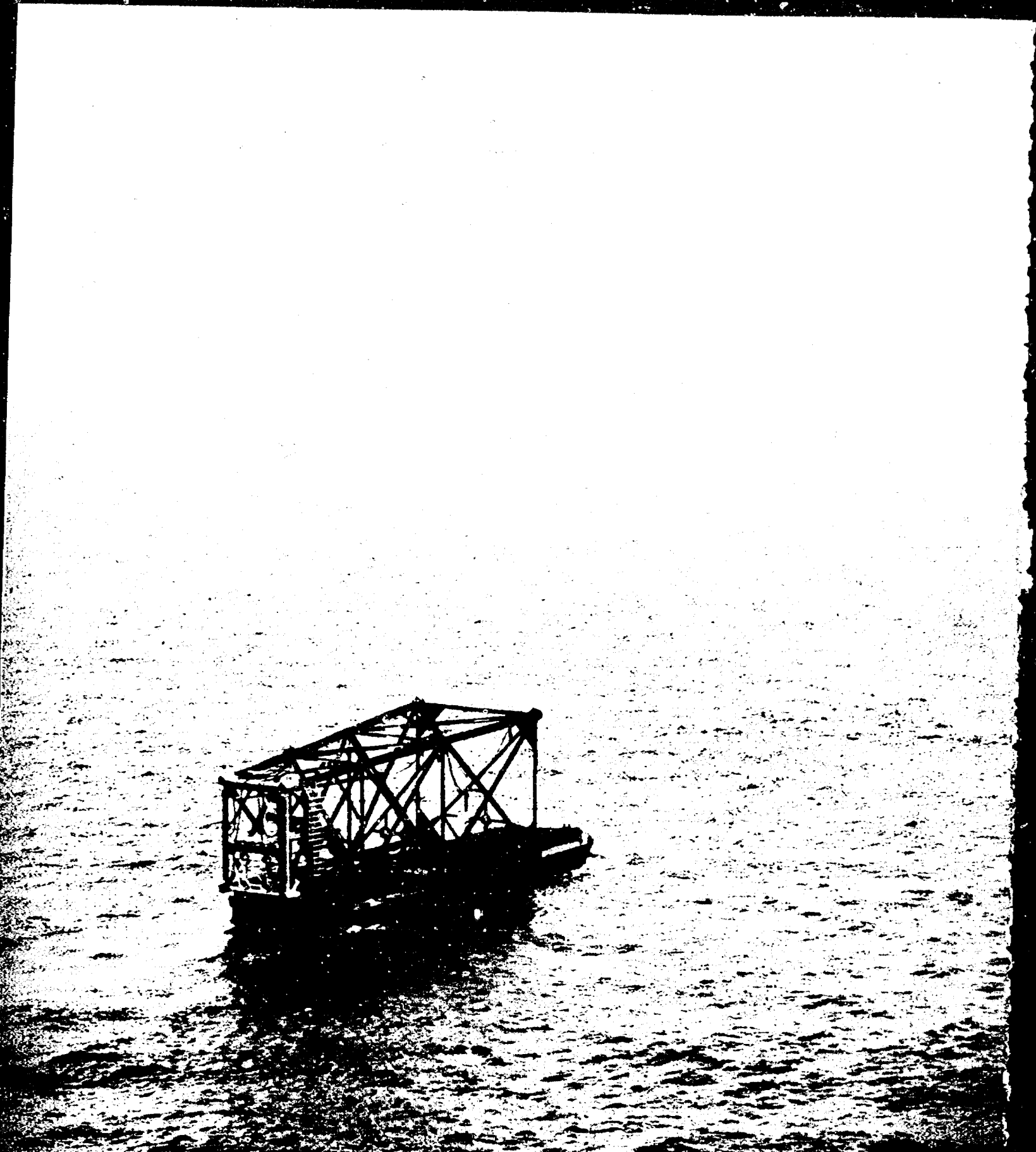
A summary of significant 1981 activities in the Gulf Coast division follows. (See map and tables on pages 9-12.)

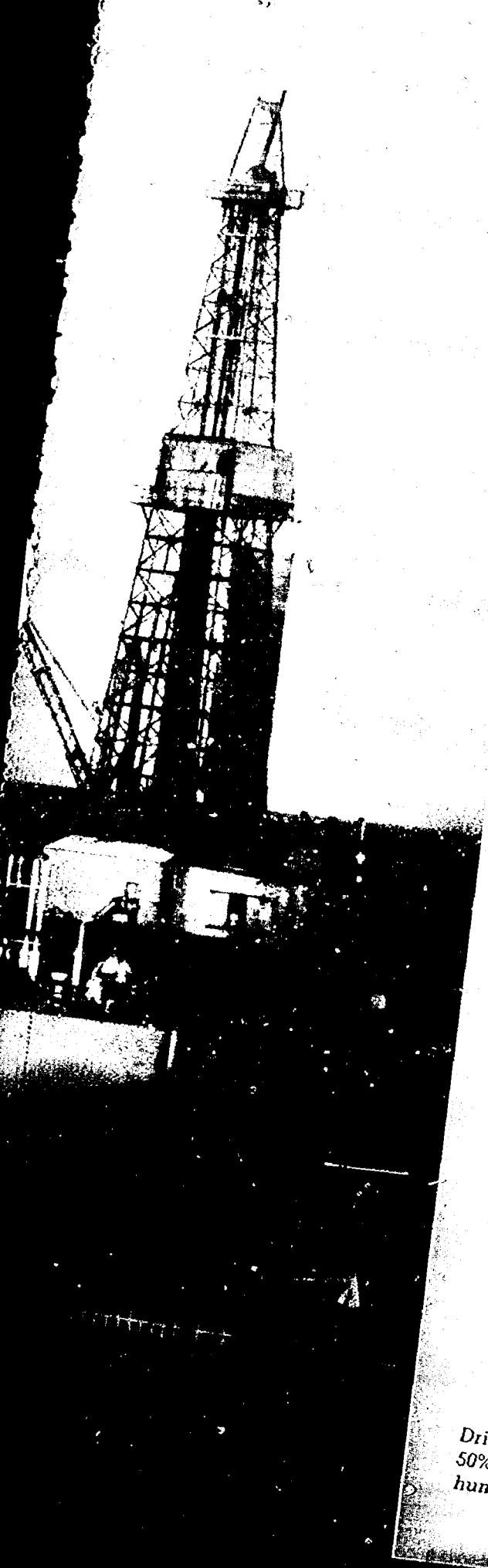
South Pass—On state Tract 57/58 (Mesa 33.3%), 12 development wells, including one well to federal Block 57 (Mesa 33.3%), will commence production in mid-1982 at an expected combined daily rate of 60 million cubic feet of gas. On federal Block 78 (Mesa 25%), 12 development wells have been drilled. Production from four wells began in April at a daily rate of 85 million cubic feet of gas. These wells were shut-in during the fourth quarter of 1981 for installation of permanent production facilities. Production will resume during the first quarter of 1982 from the 12 wells at an estimated daily rate of 150 million cubic feet of gas and 1,500 barrels of oil.

South Pelto—Platforms were installed on Blocks 12 (Mesa 37.8%) and 18 (Mesa 26.2%), and two wells have been drilled and completed from each platform. Production is expected to commence from the four wells at a combined daily rate of 55 million cubic feet of gas and 500 barrels of condensate in the third quarter of 1982 when pipeline construction is completed.

Eugene Island—Block 329 (Mesa 22.5%) will be developed from a platform to be installed on an adjacent tract in mid-1982. In the third quarter of 1982, 12-well platforms will be set on Blocks 337 (Mesa 4.9%) and 351 (Mesa 16.3%). Development and completion operations will continue through 1983, and production should commence from these platforms in 1984.

South Marsh Island—On Blocks 155/156 (Mesa 70%), a 24-well platform was installed in May 1981. Five successful wells have been drilled, and development drill-





ing is continuing. Production is expected to begin in the third quarter of 1982 at a daily rate of 2,000 barrels of oil and 15 million cubic feet of gas. On Blocks 173/174 (Mesa 5.4%), a 24-well platform is scheduled for installation in the second quarter of 1982 with initial production expected in 1984.

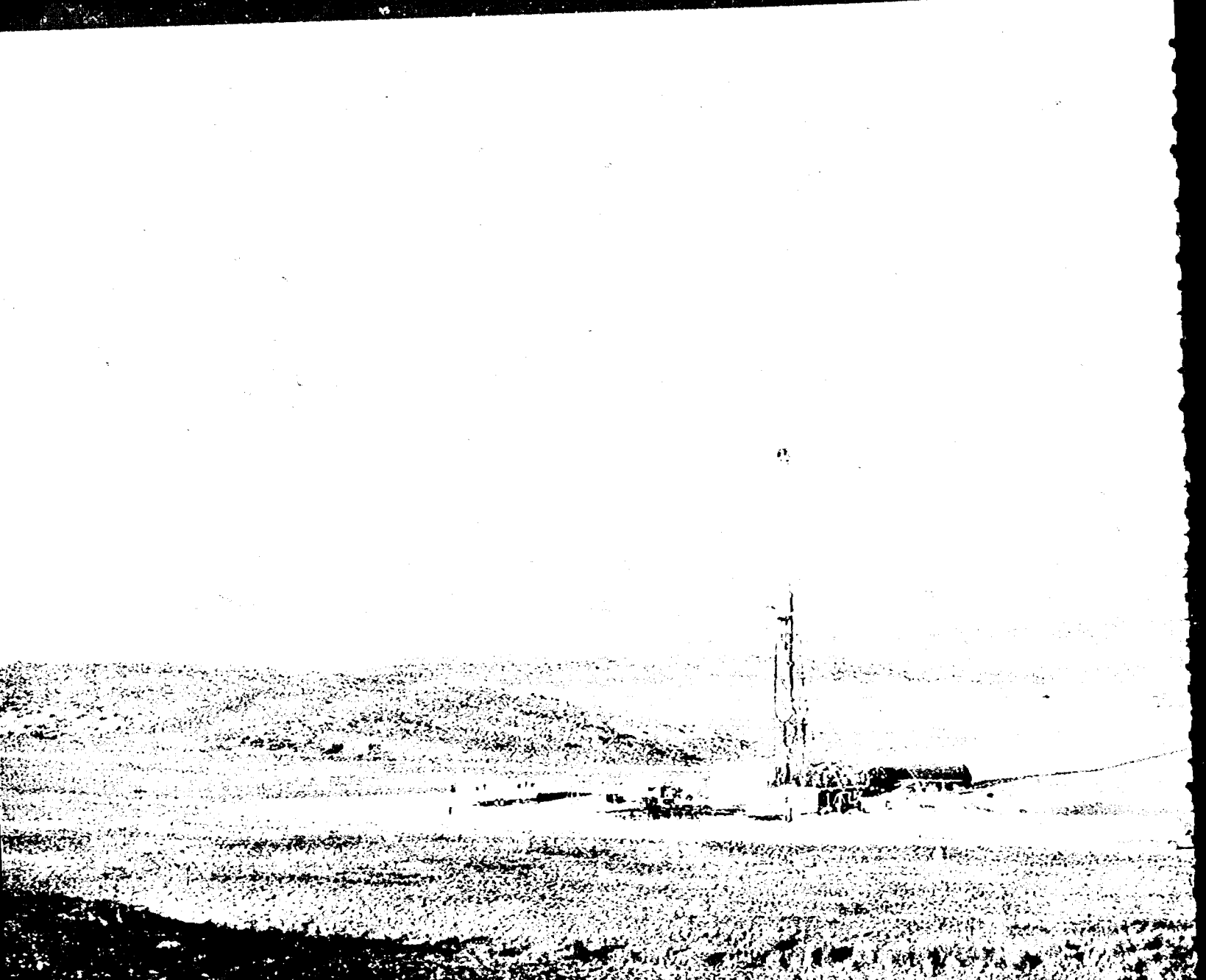
Vermilion—On Block 25 (Mesa 4.7%), 14 wells are currently producing at a combined daily rate of 190 million cubic feet of gas and 3,200 barrels of condensate. Three of these wells were completed below 15,000 feet, qualifying the gas from these wells for deregulated prices. On Block 348 (Mesa 75%), where a blowout occurred in 1980, production commenced from one well in February 1982. The remaining seven wells will commence production throughout 1982. The eight wells are expected to produce at a combined daily rate of 25 million cubic feet of gas and 500 barrels of oil.

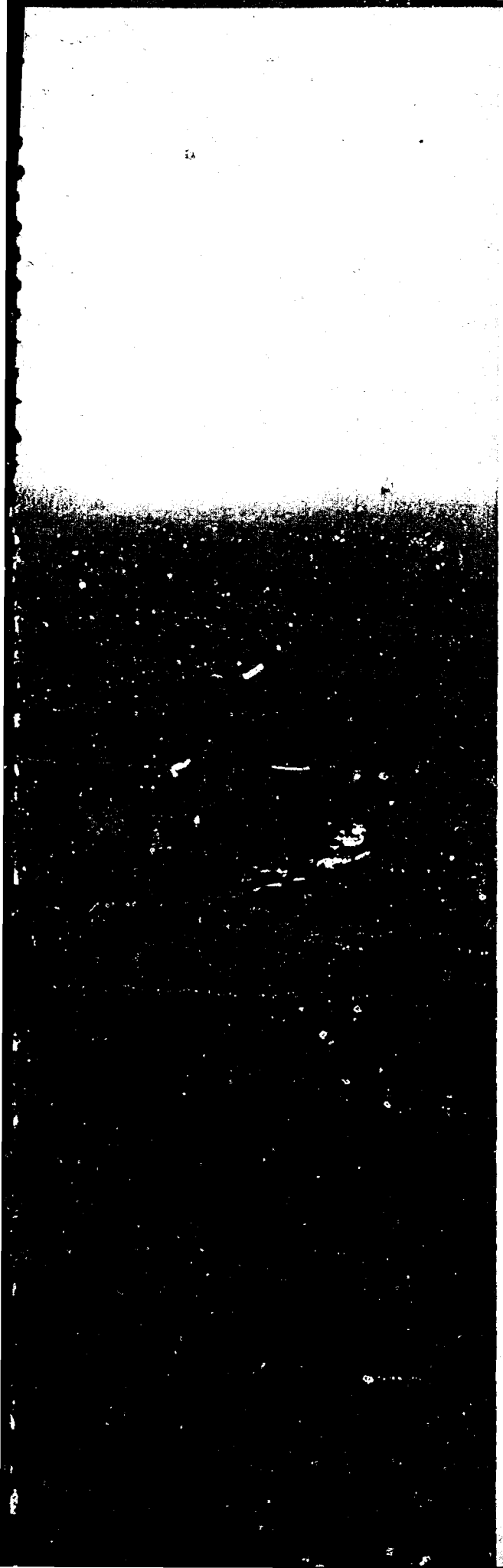
A 24-well platform was installed on Block 381 (Mesa 80%) during the first quarter of 1982. Development drilling is under way, and production should commence during the third quarter of 1982. On Block 397 (Mesa 60%), production began in October 1981 from six wells which are currently producing at a combined daily rate of 21 million cubic feet of gas and 650 barrels of condensate. Five additional development wells have been completed and will commence production when pipeline capacity is increased. The 11 wells have a potential daily rate of 60 million cubic feet of gas and 2,300 barrels of oil and condensate. Drilling continues from this 24-well platform. A 9-well platform will be installed on Block 392 (Mesa 10%) in the third quarter of 1982 with initial production expected in 1984. These three platforms are in water depths exceeding 300 feet.

East Cameron—Six development wells have been drilled on Block 336 (Mesa 5%), and production is expected to begin in the third quarter of 1982 at an estimated daily rate of 20 million cubic feet of gas.

High Island—On state Tract 55-L (Mesa 32.5%), a 4-well platform was installed in September 1981, and development drilling is underway. Production from the discovery well is expected to commence in the second quarter of 1982 at a daily rate of 3 million cubic feet of gas. An 18-well platform was installed on Block 315 (Mesa 100%) in June 1981. Four development wells are expected to commence production at a combined daily rate of 25 million cubic feet of gas in mid-1982, and development drilling continues. On Block 499 (Mesa 16.4%), four development wells have been drilled from a 9-well platform. Production is expected to begin in the second quarter of 1982 from three wells at a daily rate of 25 million cubic

Drilling operations on Brazos A-7 (Mesa 50%) offshore Texas in the Miocene "Big hum" trend.





feet of gas. Additional wells will be placed on production throughout 1982 as development drilling continues.

Twenty-two successful development wells have been drilled from a 24-well platform on Blocks 563/564 (Mesa 5.7%). On adjacent Block 582 (Mesa 6.7%), eight wells have been drilled from an 18-well platform, including three to Block 563. Development drilling continues from both platforms. Production should commence from Blocks 563/564 in mid-1982 at an estimated combined daily rate of 75 million cubic feet of gas and 5,000 barrels of oil and condensate. Production is scheduled to begin from the platform on Block 582 in 1983. On Block 567 (Mesa 50%), seven development wells have been completed, and production should begin in the fourth quarter of 1982 at a daily rate of 30 million cubic feet of gas.

Brazos—Exploratory drilling began during 1981 in the Miocene "Big hum" trend on Blocks A-6 (Mesa 65%), A-7 (Mesa 50%) and A-39 (Mesa 50%). Well No. 2 on Block A-6 was plugged and abandoned after encountering mechanical problems below 15,000 feet. Additional drilling on Block A-6 depends on drilling results on adjacent tract A-7. A 4-well platform has been installed over well No. 1 on Block A-7, a previously announced gas discovery. Well logs indicate a total of 78 net feet of gas pay in three sands between 12,300 and 13,300 feet. Well No. 2 is presently drilling below 12,000 feet. Initial production is expected to begin in 1982. Development of this and other tracts in the trend will utilize multiple 4-well platforms to expedite development and production. On Block A-39, well No. 1 has been drilled to 17,380 feet, and preparations are being made to test several indicated gas-bearing sands. On Block 542 (Mesa 65%), well No. 3 was plugged and abandoned at a total depth of 17,145 feet.

Matagorda Island—On Block 624 (Mesa 32.5%), a gas discovery was announced in September 1981, and development drilling is under way from a 9-well platform installed in December 1981. Production is expected to commence from three wells at a daily rate of 30 million cubic feet of gas in mid-1982.

Onshore—In Livingston Parish, Louisiana, the Crown Zellerbach No. 1 (Mesa 100%) was abandoned due to mechanical problems while testing the Austin chalk formation at 16,000 feet. In Pointe Coupee Parish, Louisiana, the Barton No. 1 (Mesa 16.3%), a 21,500-foot Tuscaloosa test, is drilling below 13,700 feet. Mesa owns a 16.3% interest in approximately 5,300 acres in this area.

A platform jacket under tow to Brazos A-39 (Mesa 50%) offshore Texas.





Permian Basin Division

The Permian Basin division drilled 132 gross (54.6 net) during 1981 of which 107 (45.4 net) were producers for an 83% net drilling success.

Four rigs continue drilling in the Pecos Slope eastern New Mexico where the Company owns a 33 50% interest in approximately 788,000 acres. Mesa d 115 Permian Abo formation wells in this area during and 14 to date in 1982, bringing to 142 the number dril since 1979. One hundred and twelve of these wells ha been successfully completed, nine are in various stag completion and 21 were dry. Sixty-eight wells are on p duction at an average daily rate of 270 Mcf of gas, and are awaiting pipeline connection. In June 1981, the Fede Energy Regulatory Commission approved a tight-sand gas designation for the Abo formation covering a signifi- cant portion of the Pecos Slope area, increasing the cur- rent ceiling price for gas to $5.18 from $3.03 per Mcf. Mesa plans to drill 100 additional Abo wells during 1982.

In Ward County, Texas, the University No. 43-20 (Mesa 40.6%), a development well, tested gas from the Fusselman and the Ellenburger formations below 15,000 feet at daily rates of 7.8 million and 12.2 million cubic feet, respectively. The gas produced from these forma- tions will be sold at a deregulated price of $8.75 per Mcf, including BTU adjustment. This well offsets the Univer- sity No. 42-20 (Mesa 50%), a 1980 dual Fusselman and Ellenburger discovery. Another development well, the University No. 26-19 (Mesa 40.6%), will commence drilling during the first quarter of 1982. Mesa owns a 40.6% in- terest in approximately 5,100 acres in this area.

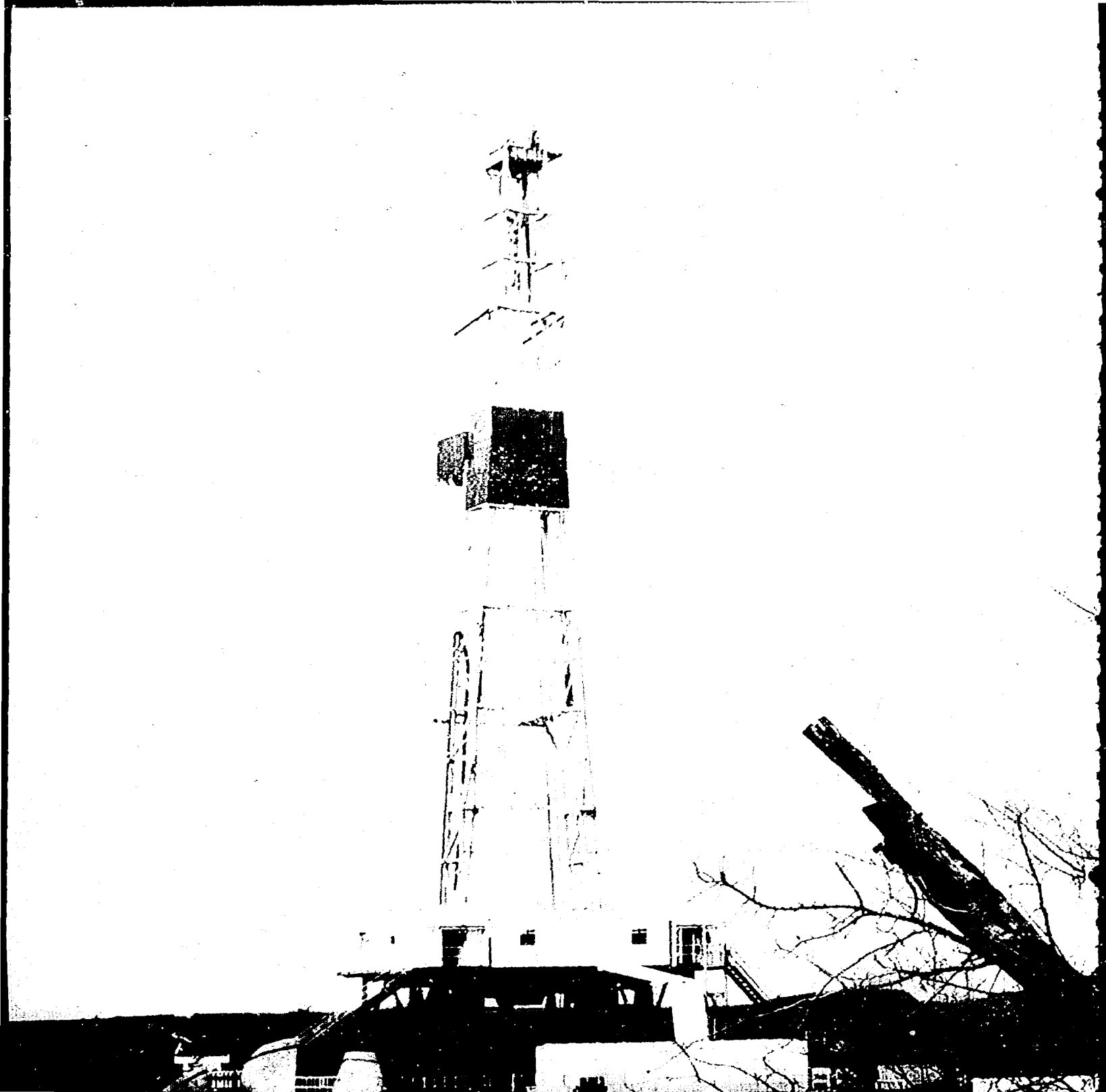
In Pecos County, Texas, the Cerf Ranch No. 1-9 (Mesa 16.3%), is drilling below 26,700 feet toward a 29,500- foot Ellenburger objective after being sidetracked at 25,000 feet.

Rocky Mountain Division

The Rocky Mountain division drilled 101 gross wells (62.4 net) during 1981 of which 76 (47.6 net) were producers for a 76% net drilling success.

An oil discovery in the Red River formation of the Williston Basin in Dunn County, North Dakota, was announced in September 1981. The Pelton No. 1-10 (Mesa 65%) flowed at a daily rate of 405 barrels of oil and 1.1 million cubic feet of gas. The Knutson-Werre No. 3 (Mesa 65%), a confirmation well located one mile north of the discovery, has tested 300 barrels of oil and 1.2 million

Drilling on the Roundtop State No. 2 (Mesa 32.5%), one of 115 Permian Abo formation wells drilled in the Pecos Slope area of eastern New Mexico during 1981.





cubic feet of gas in the lower Red River formation and is currently testing the upper Red River formation. The Federal 10 No. 1 (Mesa 65%), one mile east of the discovery, has logged 41 net feet of oil pay in the Red River formation, and production casing has been set. The Federal 4 No. 1 (Mesa 65%), two miles north of the discovery, is drilling below 12,200 feet toward a 14,500-foot Red River objective. Mesa owns a 65% interest in 12,565 acres in this area.

In another area of Dunn County, the Hausauer No. 1-22 (Mesa 33.5%) is currently testing the Duperow formation at 10,800 feet. Mesa owns a 55% interest in approximately 8,500 acres in this area of the Williston Basin.

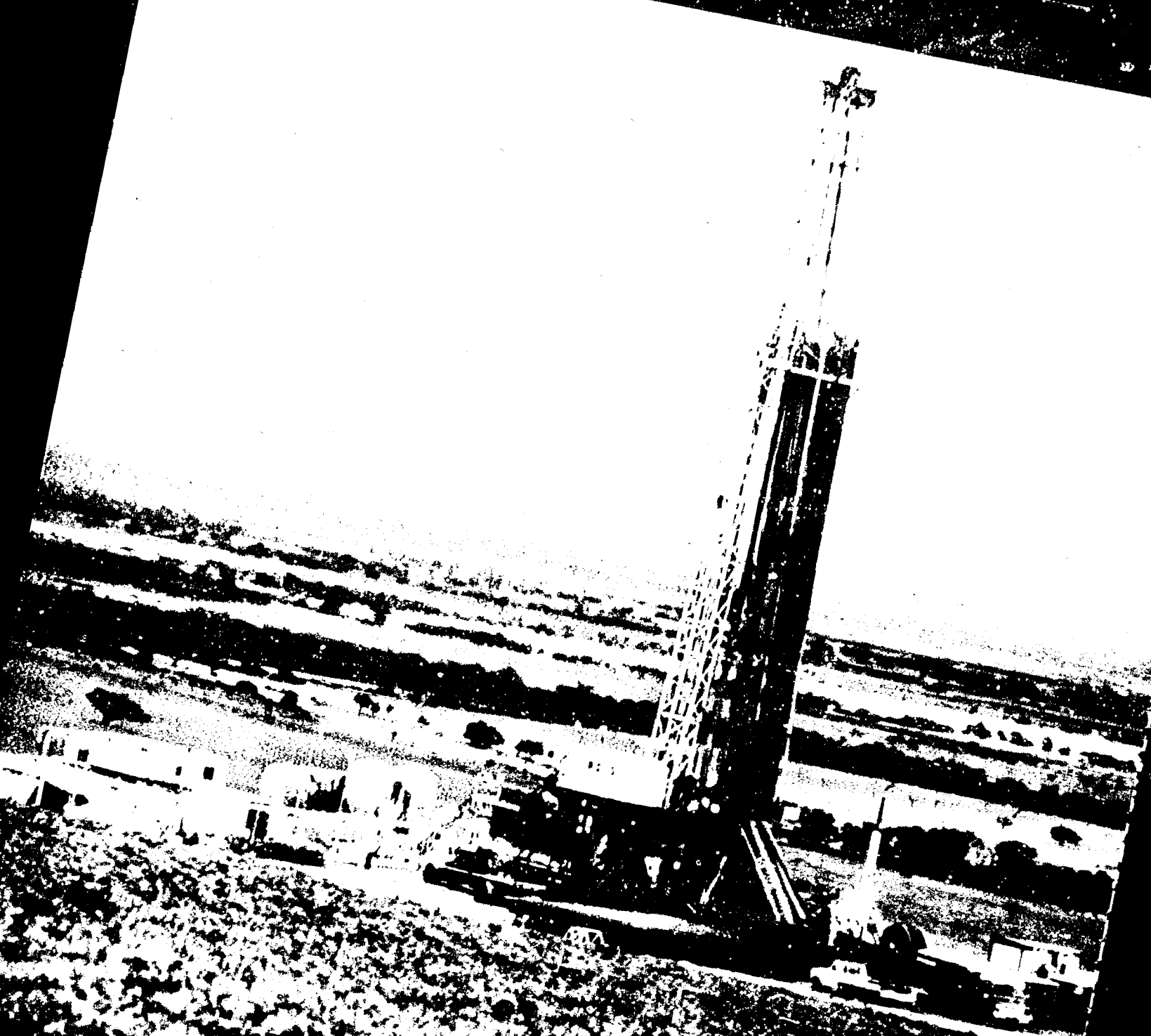
In the Overthrust Belt, the Urroz No. 1-5 (Mesa 32.5%) in Uinta County, Wyoming, is testing the Nugget formation at an interval from 13,050 to 13,950 feet. In another area of Uinta County, the Champlin 404 Amoco "C" No. 1 (Mesa 27%), a 15,500-foot Nugget test, is drilling below 7,200 feet. This is a development well in the Anschutz Ranch-East field which has reserve potential estimated at 1.5 billion barrels of liquids and 3 trillion cubic feet of gas. Mesa owns a similar interest in an adjacent drilling unit to the south and a 65% interest in 640 acres one and one-half miles northeast of the well.

In Sublette County, Wyoming, the Riley Ridge Federal No. 10-14 (Mesa 40%) has been completed in the Madison formation and is shut-in awaiting further development. This well confirms a dual gas discovery, the Riley Ridge Federal No. 8-24 (Mesa 40%), two miles to the west which tested gas containing 19% methane and 70% carbon dioxide from the Madison formation and 1% methane and 92% carbon dioxide from the Bighorn formation. The Riley Ridge Federal No. 17-34 (Mesa 12.7%), one mile south of the discovery, is drilling below 14,900 feet toward 17,000 feet, and the Riley Ridge Federal No. 12-43 (Mesa 40%), located one and one-half miles west, is drilling below 14,000 feet toward 16,000 feet.

In the South Blanco Creek area of northwestern New Mexico, Mesa has completed 32 wells (Mesa 56% average interest) in the 5,600-foot Gallup formation which are currently producing at a combined daily rate of 660 barrels of oil and 1.8 million cubic feet of gas. Twenty- five additional development wells are scheduled to be drilled during 1982.

In the Eckley field of eastern Colorado, 40 Niobrara formation wells have been completed; thirty-six are on production at a combined daily rate of 7 million cubic feet of gas, and four are awaiting pipeline connection. In March 1981, the Federal Energy Regulatory Commission approved the 2,200-foot Niobrara formation in the Eckley field for tight-sand designation, increasing the price of gas to $5.18 per Mcf from $3.03 per Mcf.

Winter drilling on the Urroz No. 1-5 (Mesa 32.5%) in the Overthrust Belt in Uinta County, Wyoming.





Mid-Continent Division

During 1981, the Mid-Continent division drille
gross wells (31.7 net) of which 53 (21.4 net) were pro
for a 68% net drilling success.

Intensive drilling activity continues with seven
operating in the Anadarko Basin of western Oklahor
In Beckham County, Oklahoma, five wells are being
drilled to objectives below 15,000 feet. Two 26,000-foo
Hunton wells, the Cox No. 2-34 (Mesa 57.2%) and the
Tipton No. 2-29 (Mesa 51.2%) are drilling below 17,000
and 20,300 feet, respectively. Both are replacements for
previous wells which were abandoned due to mechani-
cal problems after encountering substantial flows of gas
at depths below 16,000 feet. The Cox No. 2-34 is three
miles east of the Crook No. 1-32 (Mesa 63.5%), a 1980 gas
discovery, and the Tipton No. 2-29 is one mile north of the
discovery well. The Mandrell No. 1-30 (Mesa 12.1%), one
mile northwest of the discovery, is drilling below 14,000
feet toward a 20,000-foot Morrow-Springer objective.
Drilling recently commenced on the Keathley No. 1-31
(Mesa 13.1%), a 20,000-foot Morrow-Springer develop-
ment well one mile west of the Crook No. 1-32. In another
portion of the county, a 20,000-foot Springer test, the
Benton No. 1-21 (Mesa 18.7%), has also commenced
drilling.

In Custer County, Oklahoma, the Gholston No. 1-15
(Mesa 38.8%) is drilling below 16,500 feet toward 19,500
feet to test the Morrow-Springer formation. The Baker
No. 1-10 (Mesa 5.1%) is drilling below 9,900 feet toward a
13,900-foot Atoka objective.

In Clark County, Kansas, seven oil and three gas
wells were drilled and completed during 1981. Mesa oper-
ates 31 wells in the area (Mesa 74.6% average interest)
which are producing at a combined daily rate of 1,350
barrels of oil and 3 million cubic feet of gas. The Com-
pany has received state approval to begin waterflood
operations in the Morrow formation of the Lexington
field during 1982.

In Meade County, Kansas, which includes the Adams
Ranch area, five additional wells commenced production
in 1981 including two dual oil-gas wells. Mesa has a total
of 42 wells (Mesa 94.6% average interest) producing in the
county at a combined daily rate of 7.3 million cubic feet of
gas and 200 barrels of oil.

International Division

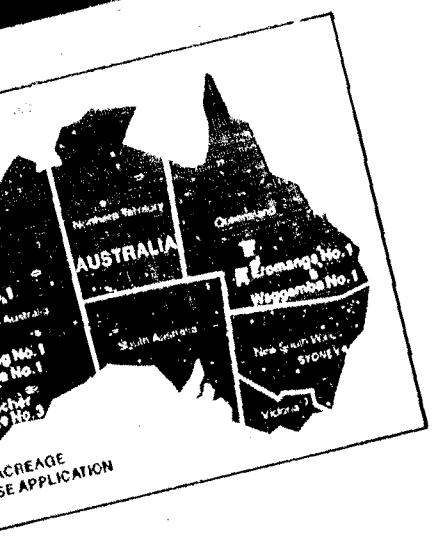
Mesa Australia Limited, a wholly-owned subsidiary,
acquired interests in 5.6 million acres in Australia during
1981 which brings the Company's average interest to 23%

The Benton No. 1-21 (Mesa 18.7%), a 20,000-foot Springer test in Beckham County, Oklahoma.

in 6.5 million acres at year end. The Co
rently earning an 18.5% average interest in seve
covering 19.8 million additional acres and has applica-
tions pending for another 7 million acres (Mesa 33.3%
average interest).

A gas discovery was made in November in the Waggamba No. 1 (Mesa 10%) on Permit ATP-145-P, a 70,000-acre license in the Surat Basin of Queensland in eastern Australia. The well tested at an estimated daily rate of 5 million cubic feet of gas from a 26-foot interval between 8,573 and 8,599 feet in the Permian Kianga formation. Mesa is earning an additional 15% interest in this license by conducting seismic operations and drilling a second well and has the option to earn an additional 10% by drilling a third well.

In Western Australia, the Bootine No. 1 (Mesa 5%) has reached total depth at 14,200 feet and testing is underway. The well is approximately 50 miles north of Perth on Permit EP-24, a 1.5 million-acre license in the Perth Basin. The Whicher Range No. 3 (Mesa 25%), located on Permit EP-130 in the Perth Basin, is drilling below 13,200 feet toward a 14,760-foot objective. The Warradong No. 1 (Mesa 25%), an 11,800-foot test on the 71,700-acre Permit EP-105 in the Perth Basin, was plugged and abandoned after encountering noncommercial quantities of gas. Directional drilling has commenced from an onshore location on the Yardie East (Mesa 5%), a 13,800-foot test immediately offshore on Permit WA-24-P.



Canada

Mesa is pursuing the sale of its Canadian oil and gas royalty interests consisting of a term royalty on certain producing properties in the principal amount of $425 million (Canadian), bearing interest at 6% per annum, and a 12.5% gross overriding royalty on 1.2 million net producing and nonproducing acres. These royalties were retained when the Company sold its working interests in the Canadian properties in October 1979. The royalty interests had a book value of $274 million (U.S.) as of December 31, 1981. Collections on the royalties totaled $41 million (U.S.) during 1981. On the 1.2 million net acres covered by the overriding royalty interest, 57 out of 84 wells drilled during 1981 were successful for a 68% drilling success. Many of these wells have been drilled in remote areas which will require additional development before production can commence. Reserves for such wells are not included in Mesa's reserves.

The Bootine No. 1 (Mesa 5%), 50 miles
north of Perth in Western Australia, is



The Gulf Coast shipping lanes are visible from the decks of the production platform on Galveston 102-L (Mesa 100%), offshore Texas.



Production and Reserves

The Company's net daily U.S. oil and condensate production for 1981 averaged 8,417 barrels compared to 8,296 barrels in 1980. This increase was due primarily to new production in the South Blanco Creek area of northwestern New Mexico and higher allowables in the Hartzog Draw field in Wyoming as a result of field-wide unitization for waterflood operations.

Net daily U.S. gas production averaged 281 million cubic feet during 1981 compared to 290 million cubic feet in 1980. Net U.S. natural gas liquids production averaged 1,947 barrels per day in 1981 compared to 2,022 barrels per day in 1980. These reductions primarily resulted from lower pipeline takes from the Hugoton field of Kansas, including the properties of Tema Oil Company.

Statistics

NET PROVED RESERVES
As of December 31

	Natural Gas			Oil, Condensate and Natural Gas Liquids		
	1981	1980	1979	1981	1980	1979
	(Million cubic feet)			(Thousand barrels)		
United States	909,710	856,772	909,400	27,496	25,095	23,400
Canada	8,908	1,916	—	50	20	—
Total	918,618	858,688	909,400	27,546	25,115	23,400

NET PRODUCTION BY DIVISION

Division	Natural Gas		Natural Gas Liquids		Oil and Condensate	
	1981	1980	1981	1980	1981	1980
	(MMcf/day)		(Bbls/day)		(Bbls/day)	
Gulf Coast	153	156	384	325	3,002	3,364
Hugoton	18	19	705	758	—	—
Mid-Continent[a]	62	75	669	767	2,178	2,193
Permian Basin	22	19	160	104	849	909
Rocky Mountain	26	21	29	68	2,388	1,830
Total U.S.	281	290	1,947	2,022	8,417	8,296
Canada	1	—	—	—	64	1

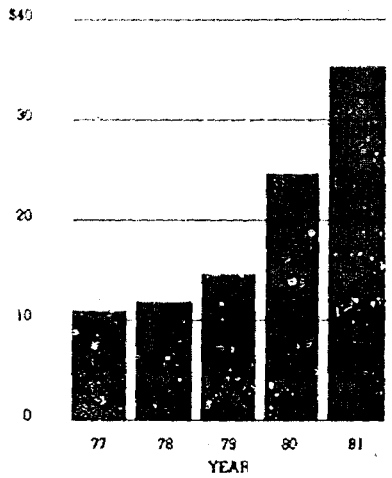
[a]Includes production from Mesa's interest in Tema Oil Company.

PRODUCTION SUMMARY[a]

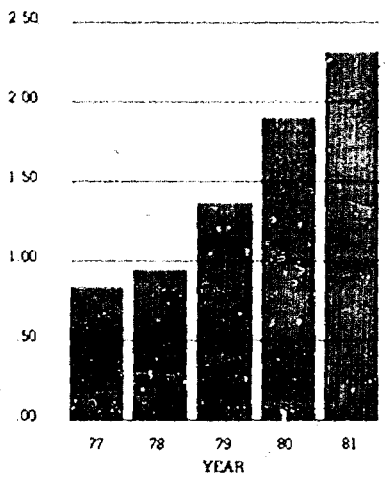
	Year Ended December 31				
	1981	1980	1979	1978	1977
Net Natural Gas Produced (Mcf)					
United States	102,606,330	106,012,863	112,106,598	81,202,411	77,516,623
Canada	141,646	—	19,456,957	28,266,024	23,804,534
Total	102,747,976	106,012,863	131,563,555	109,468,435	101,321,157
Net Natural Gas Liquids Produced (Bbls)					
United States	710,479	740,154	1,161,052	1,160,235	1,158,425
Canada	—	—	215,606	291,425	299,761
Total	710,479	740,154	1,376,658	1,451,660	1,458,186
Net Oil and Condensate Produced (Bbls)					
United States	3,072,457	3,036,549	3,124,155	2,838,890	2,788,688
Canada	23,206	322	394,456	436,694	463,726
Total	3,095,663	3,036,871	3,518,611	3,275,584	3,252,414
Weighted Average Price for Production					
Natural Gas (per Mcf)					
United States	$ 2.31	$ 1.89	$ 1.37	$ .94	$ .83
Canada[b]	1.82	—	1.30	1.27	1.18
Natural Gas Liquids (per Bbl)					
United States	$19.29	$18.97	$10.22	$ 8.22	$ 7.53
Canada[b]	—	—	8.14	8.30	7.14
Oil and Condensate (per Bbl)					
United States	$35.59[c]	$24.15	$14.36	$11.73	$10.85
Canada[b]	13.18	12.47	11.31	11.00	9.67
Average Production Cost per Equivalent Mcf[d]					
United States	$ .41	$ .31	$ .19	$ .15	$ .11
Canada[b]	.19	—	.31	.19	.16

[a]As used throughout this report, net production represents the Company's interest in production after deducting royalties.
[b]Canadian dollar amounts have been converted to U.S. dollars using the weighted average exchange rate during each year.
[c]Excludes $2.01 per barrel of "tertiary incentive" revenues collected in 1981.
[d]Production has been converted to an equivalent Mcf based on approximate relative heating value.

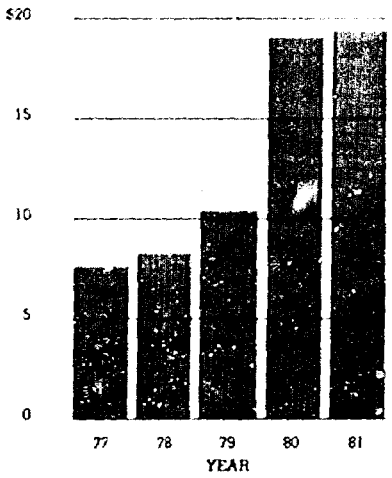
AVERAGE U.S. OIL & CONDENSATE PRICES



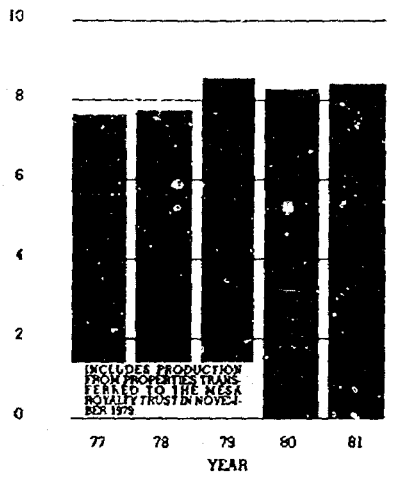
AVERAGE NET U.S. GAS PRICES



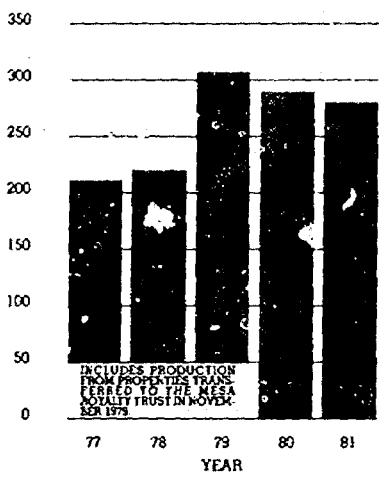
AVERAGE NET U.S. NGL PRICES



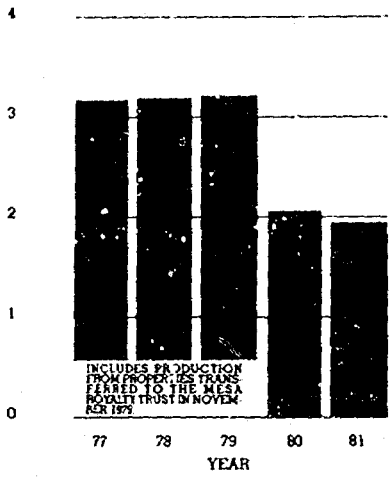
AVERAGE NET U.S. OIL & CONDENSATE PRODUCTION



AVERAGE NET U.S. GAS PRODUCTION



AVERAGE NET U.S. NGL PRODUCTION



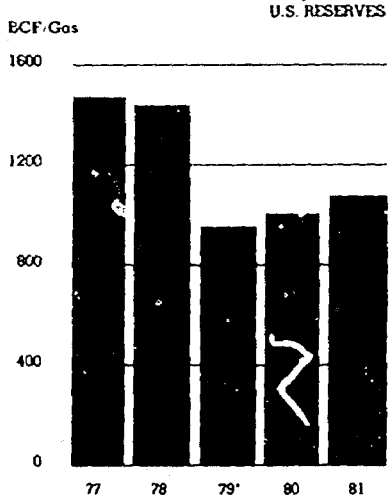
PRODUCING ACREAGE AND WELLS

At December 31, 1981

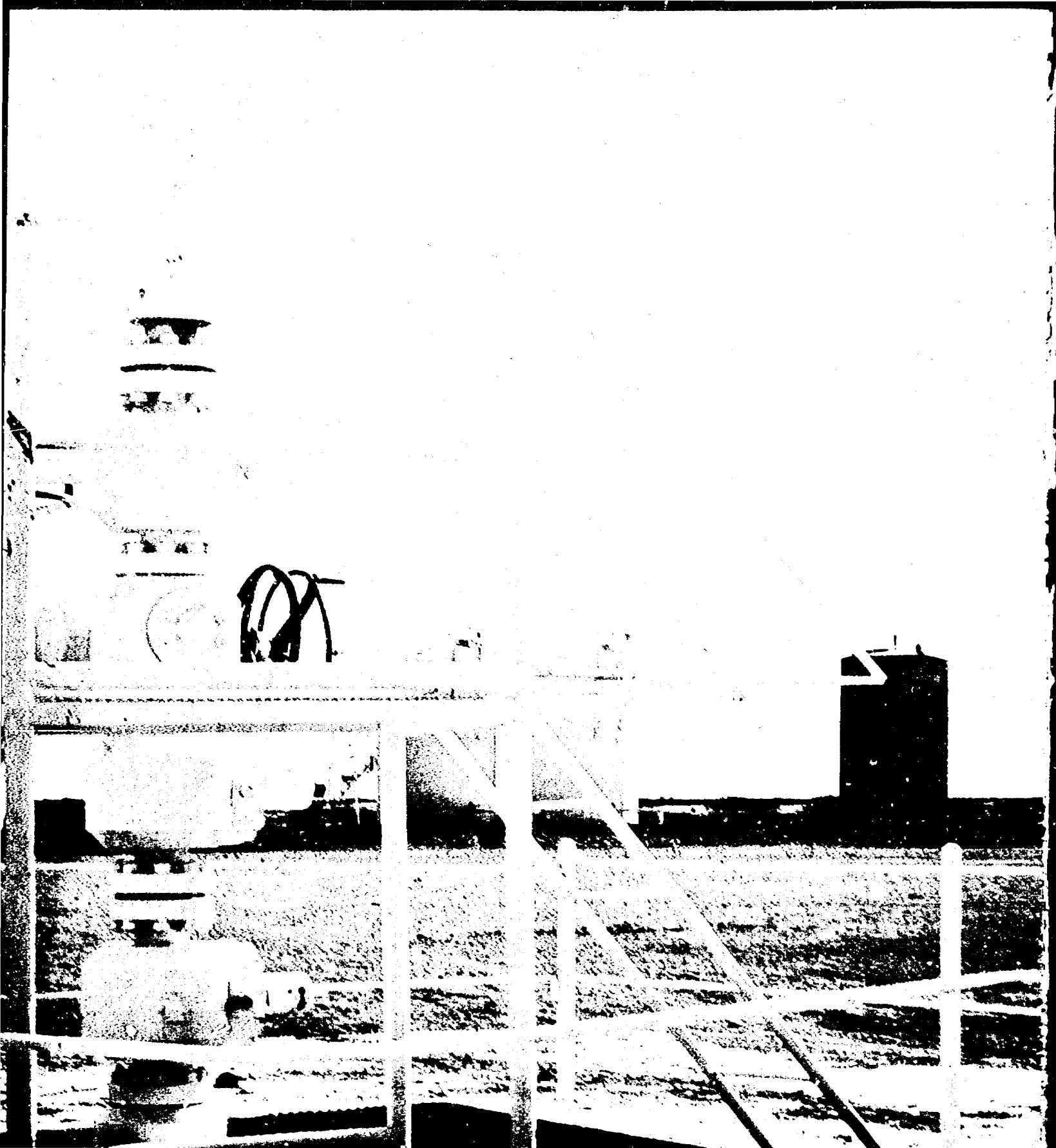
	Producing Acreage		Producing Wells[a]			
	Gross	Net	Gross		Net	
			Oil	Gas	Oil	Gas
Onshore U.S.						
Colorado	17,338	15,242	4	69	4.0	55.9
Kansas	288,708	201,488	113	708	70.5	603.6
Louisiana	4,793	953	2	4	1.2	.7
Montana	14,755	5,877	16	1	2.3	.6
Nebraska	9,052	7,319	112	—	46.8	—
New Mexico	109,971	74,246	93	1040	43.7	237.5
North Dakota	8,232	3,738	8	3	2.3	1.8
Oklahoma	112,235	61,207	615	333	221.7	81.1
Texas	73,408	48,398	86	170	26.0	114.6
Utah	2,228	2,108	4	2	.3	1.3
Wyoming	26,916	19,687	266	13	48.6	7.4
Total	667,636	440,263	1,319	2,343	467.4	1,104.5
Offshore U.S.						
Louisiana	112,690	31,860	85	177	16.8	40.5
Texas	70,081	18,674	21	111	3.3	30.4
Total	182,771	50,534	106	288	20.1	70.9
Grand Total	850,407	490,797	1,425	2,631	487.5	1,175.4

[a] One or more completions in the same bore hole are counted as one well. Of the listed wells, 8.4 net oil wells and 27.6 net gas wells have multiple completions.

NET PROVED EQUIVALENT U.S. RESERVES



*Reflects distribution of 839 BCF of equivalent gas to the Mesa Royalty Trust in 1979.





Reserves

Mesa's U.S. net proved reserves on December 31, 1981, as estimated by DeGolyer and MacNaughton, independent petroleum engineering consultants, were 27.5 million barrels of oil, condensate and natural gas liquids and 910 billion cubic feet of gas. This compares to 25.1 million barrels and 857 billion cubic feet on December 31, 1980, and represents increases of 10% and 6%, respectively. Net proved reserves associated with the Company's 12.5% overriding royalty interest in Canada were 50,000 barrels of oil and condensate and 9 billion cubic feet of gas at December 31, 1981.

The Company replaced 163% and 158% of its 1981 production of liquids and natural gas, respectively. Total oil, condensate and natural gas liquids reserve additions were 6.2 million barrels in 1981 compared to production of 3.8 million barrels. Reserve additions of natural gas amounted to 163 billion cubic feet compared to 1981 production of 103 billion cubic feet.

Development of offshore tracts must be substantially completed before hydrocarbons encountered can be considered proved reserves. Accordingly, the Company's net proved reserves do not include reserves from six tracts in the Gulf of Mexico currently under development from six platforms in which Mesa owns a 42.6% average interest. Included in the Net Proved Reserves Table on page 28 are reserves from the 53 federal and state offshore tracts designated with an asterisk (*) in the listing of offshore blocks on pages 11 and 12.

Additional information on changes in the quantities and present value of reserves is included in Note 17 of the Notes to Consolidated Financial Statements on pages 58-62.

As used throughout this report, all reserves are proved reserves; net reserves represent the Company's interest in reserves after deducting royalties. In accordance with Securities and Exchange Commission guidelines, these reserve estimates are based on existing operating and economic conditions.

Prices

Mesa's average price for gas produced in the U.S. during 1981 was $2.31 per Mcf compared to $1.89 in 1980, a 22% increase. The average U.S. natural gas liquids price was $19.29 per barrel in 1981, a 2% increase over the $18.97 in 1980. The Company's average price for domestic oil and condensate was $35.59, a 47% increase over the $24.15 in 1980.

The increase in the Company's average U.S. natural gas prices in 1981 was due to a larger percentage of Mesa's total gas production qualifying for higher gas price categories under the Natural Gas Policy Act of 1978. The NGPA prescribed higher ceiling prices for new natural gas under Section 102, for new onshore gas production under Section 103, for high cost gas under Section 107 and

Mesa's compressor station in the South Blanco Creek area of northwestern New Mexico.

for stripper well gas under Section 108. The Act further provides for the escalation of Section 102, 107 and 108 gas ceiling prices at approximately 4% per year plus the rate of inflation. Section 103 and Section 104 (old flowing gas under various vintaged categories) gas ceiling prices escalate with inflation.

The increase in average U.S. prices for oil and condensate resulted from the decontrol of crude oil prices.

Management's Discussion and Analysis of Results of Operations and Financial Condition

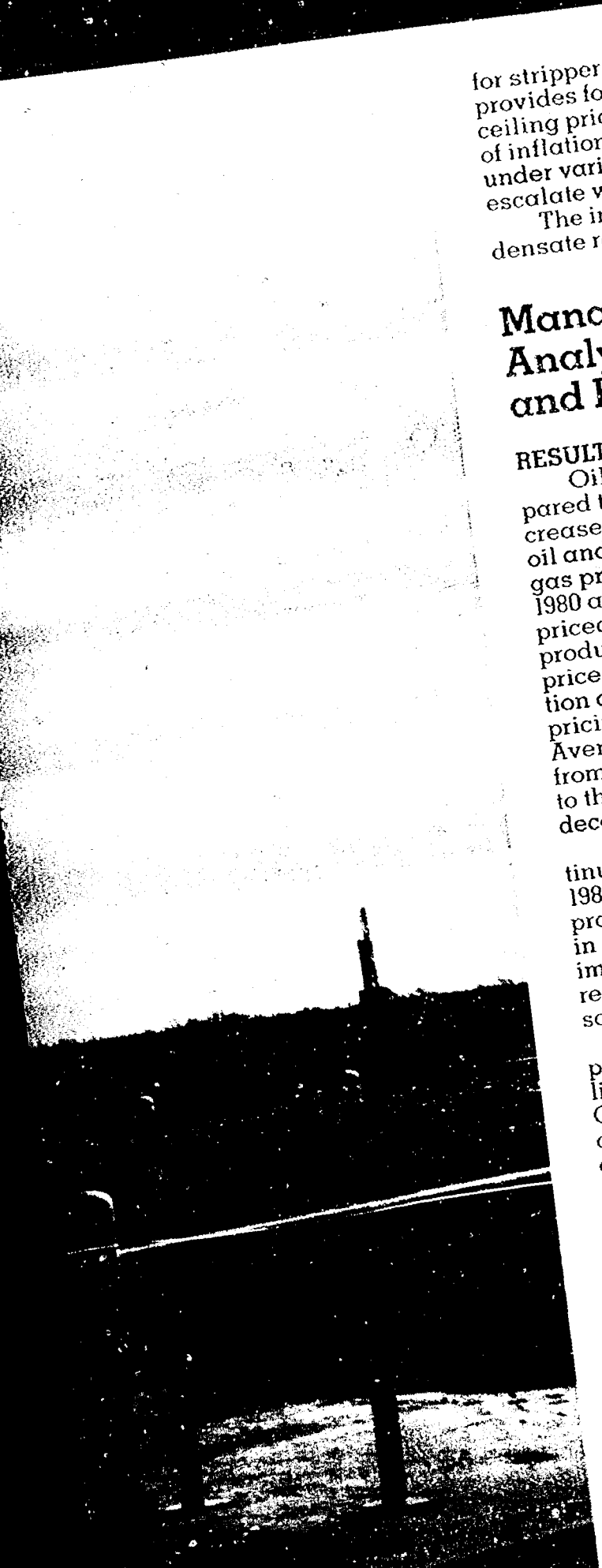
RESULTS OF OPERATIONS

Oil and gas revenues for 1981 were $366 million compared to $288 million in 1980 and $242 million in 1979. Increased revenues resulted primarily from higher average oil and gas prices. Average prices for domestic natural gas production increased from $1.37 in 1979 to $1.89 in 1980 and $2.31 in 1981. This increase is due to higher priced gas production from new properties (including production from properties qualifying for "tight-sand" prices and for unregulated "deep" gas prices), and inflation adjustments on certain categories of gas sold under pricing provisions of the Natural Gas Policy Act of 1978. Average oil prices for domestic production increased from $14.36 in 1979 to $24.15 in 1980 and $35.59 in 1981 due to the phased decontrol of oil prices in 1980 and complete decontrol in January 1981.

Other revenues declined in 1981 due to the discontinuance of refined product sales in the third quarter of 1980 as phased decontrol of crude oil prices narrowed profit margins. Interest income declined from $41 million in 1980 to $33 million in 1981 due to a reduction of the imputed interest rate on the term royalty receivable retained by the Company on the Canadian properties sold in October 1979.

Costs and expenses, excluding the cost of refined product sales in 1979 and 1980, increased from $173 million in 1979 to $182 million in 1980 and $225 million in 1981. Operating and general and administrative expenses increased due to inflation and the growth of the Company's operations. The federal excise tax on oil and condensate sales became effective on March 1, 1980, and added $11 million and $24 million to 1980 and 1981 costs and expenses, respectively.

Interest charges totaled $99 million in 1981 compared to $69 million in 1980 and $56 million in 1979. Interest-bearing debt increased $236 million during 1981, while interest rates were at sharply higher levels throughout 1980



The production unit for the University No. 42-20 (Mesa 50%), a 1980 dual Fusselman and Ellenburger discovery in Ward County, Texas.

and 1981. Interest capitalized also increased substantially during this period. Effective January 1, 1980, Financial Accounting Standards Board Statement No. 34 required the Company to capitalize additional interest costs incurred to finance the acquisition, exploration and development of offshore properties. This change, combined with higher interest rates and offshore expenditures, resulted in interest capitalized of $36 million in 1980 and $70 million in 1981.

Depreciation, depletion and amortization increased significantly during the three years ended December 31, 1981. This increase resulted from the addition of higher-cost properties, primarily offshore, to the reserve and property base combined with an acceleration of the Company's rate of depletion of its oil and gas reserves following the transfer of long-life reserves to the Mesa Royalty Trust in November 1979.

The foreign exchange gain and loss reflect changes in the valuation of the Company's term royalty receivable due to fluctuations in the Canadian/U.S. dollar exchange rate. Pre-tax gains on sales of marketable securities totaled $1.7 million in 1981 and $15.9 million in 1980.

In 1979, the Company recognized pre-tax gains totaling $345 million from the sale of oil and gas properties in Canada and the United Kingdom; income taxes related to such gains totaled $114 million. Excluding the taxes relating to the sales of properties, the provision for income taxes increased from $36 million in 1979 to $65 million in 1980 and $71 million in 1981 due to higher pre-tax income; the overall effective tax rate remained at approximately 40%.

Net income available for common shares (after deducting preferred stock dividends) increased to $106 million in 1981 compared to $95 million in 1980 and $54 million in 1979 before consideration of the gains on sales of properties. This represents increases of 12% in 1981 and 76% in 1980.

CAPITAL RESOURCES AND LIQUIDITY

The Company's expenditures for the acquisition, exploration and development of oil and gas properties historically have exceeded funds provided from operations; accordingly, the Company has utilized borrowings, equity offerings and sales of assets to maintain its level of capital expenditures. Total long and short-term debt (including current maturities) was $886 million at December 31, 1981, compared to $663 million and $647 million at December 31, 1980 and 1979.

Capital expenditures during 1980 totaled $433 million, including interest capitalized of $36 million, compared to funds provided from operations of $220 million. The excess of expenditures over operating cash flow was funded primarily with $160 million withdrawn from the MTS partnership formed in October 1980.

During 1981, capital expenditures totaled $497 million, including interest capitalized of $70 million. In addition, investments in marketable securities increased $154 million. The excess of these expenditures over the

MESA PETROLEUM CO. AND SUBSIDIARIES

Five Year Summary of Selected Financial Data

(not covered by auditors' report)

	Year Ended December 31				
	1981	1980	1979	1978	1977
	(in thousands, except per share data)				
Total revenues	$ 407,744	$ 372,363	$ 282,851	$167,235	$140,455
Income before other income (expense) and income taxes	$ 182,493	$ 151,415	$ 88,854	$ 68,754	$ 71,797
Foreign exchange gain (loss)	1,566	(6,921)	319	(718)	(398)
Gain on sale of marketable securities	1,730	15,931	684	—	—
Gain on sale of properties	—	—	345,328	—	—
Provision for income taxes	(70,740)	(65,189)	(149,563)	(26,270)	(30,100)
Net income	115,049	95,236	285,622	41,766	41,299
Preferred stock dividends	(8,670)	—	—	—	(2,394)
Net income available for common	$ 106,379	$ 95,236	$ 285,622*	$ 41,766	$ 38,905
Income per common share:					
Primary	$ 1.54	$ 1.39	$ 4.43*	$ .66	$ .67
Fully diluted	$ 1.54	$ 1.38	$ 4.43*	$ .66	$ .64
Cash dividends per common share	$ .12	$ .0525	$ .0975	$ .11	$ .0625
Total assets at year end	$2,069,355	$1,426,850	$1,268,459	$974,963	$800,210
Long-term debt at year end (including production payments and subordinated debentures)	$ 847,067	$ 613,107	$ 579,163	$395,776	$326,113

*Includes $231,419,000 ($3.59 per share) from gain on sale of properties.

$277 million of funds provided from operations was funded by long-term borrowings and the issuance of $210 million of redeemable preferred stock.

The Company utilized short-term borrowing arrangements during 1981 when interest rates on such borrowings were more favorable than those available under brokers' margin accounts or revolving credit arrangements. Short-term notes totaled $120 million at December 31, 1981. The unused borrowing capacity under the Company's margin accounts at December 31, 1981, as well as the February 1982 increase from $100 to $200 million in the revolving line of credit, are available to refinance the short-term obligations.

Capital expenditures for 1982 are budgeted at approximately $350 million which is expected to exceed cash flow from operations. Required debt service and redemption of preferred stock for 1982 is approximately $80 million. The following alternatives are available to the Company to fund the expected deficit:

(1) project financing for the development of specific properties on which commercial reserves have been established;
(2) sales of assets, including marketable securities with a market value of $303 million at December 31, 1981, and the Canadian term and overriding royalty interests with a book value of $274 million; and
(3) a reduction in working capital, including the $27 million collection of notes receivable in January 1982.

INFLATION AND CHANGES IN PRICES

Inflation, higher levels of activity and competition in the oil and gas industry have caused significant increases in the costs incurred by the Company for the acquisition, exploration and development of oil and gas properties. These increased costs are reflected in the Company's results of operations through higher depreciation, depletion and amortization charges. Inflation also accounts for a portion of the increases in operating and general and administrative expenses.

Oil and gas revenues received by the Company generally increase as a result of inflation. Under the Natural Gas Policy Act of 1978, allowable prices for certain categories of natural gas are adjusted monthly for an inflation factor. Prices for crude oil and condensate are not adjusted directly for inflation; however, inflation does have an indirect impact on free market prices which the Company receives for its production.

Other financial information adjusted for inflation is included in Note 18 to the Consolidated Financial Statements.

Financials

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Consolidated Balance Sheets 40
Consolidated Statements of Changes in Financial Position 42
Consolidated Statements of Capital Surplus and Reinvested Earnings 43
Notes to Consolidated Financial Statements 44

Auditors' Report

To the Stockholders and Board of Directors,

MESA PETROLEUM CO.:

We have examined the consolidated balance sheets of Mesa Petroleum Co. (a Delaware corporation) and subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of income, capital surplus, reinvested earnings and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Mesa Petroleum Co. and subsidiaries as of December 31, 1981 and 1980, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change (with which we concur) in the method of interest capitalization described in Note 1 to the consolidated financial statements.

ARTHUR ANDERSEN & CO.

Houston, Texas
February 17, 1982 (except with respect
to the matter discussed in Note 14, as
to which the date is March 2, 1982)

MESA PETROLEUM CO. AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31		
	1981	1980	1979
REVENUES:			
Natural gas	$236,923,000	$200,351,000	$179,415,000
Oil and condensate	115,834,000	73,341,000	49,308,000
Natural gas liquids	13,707,000	14,041,000	13,371,000
Total oil and gas revenues	366,464,000	287,733,000	242,094,000
Refined products	—	40,564,000	24,745,000
Interest income	33,075,000	40,608,000	14,519,000
Other income	8,205,000	3,458,000	1,493,000
	407,744,000	372,363,000	282,851,000
COSTS AND EXPENSES:			
Operating	51,376,000	39,556,000	32,975,000
Federal excise tax on oil and condensate	24,167,000	10,657,000	—
Refined products	—	38,962,000	21,278,000
General and administrative	19,649,000	14,416,000	11,125,000
Interest	99,407,000	68,978,000	55,796,000
Interest capitalized	(70,075,000)	(36,323,000)	(6,195,000)
Taxes, other than on income	3,714,000	4,354,000	3,366,000
Depreciation, depletion and amortization	57,013,000	80,348,000	75,652,000
	225,251,000	220,948,000	193,997,000
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	182,493,000	151,415,000	88,854,000
Foreign exchange gain (loss)	1,566,000	(6,921,000)	319,000
Gain on sale of marketable securities	1,730,000	15,931,000	684,000
Gain on sale of properties	—	—	345,328,000
Provision for income taxes	(70,740,000)	(65,189,000)	(149,563,000)
NET INCOME	115,049,000	95,236,000	285,622,000
PREFERRED STOCK DIVIDENDS	(8,670,000)	—	—
NET INCOME AVAILABLE FOR COMMON	$106,379,000	$ 95,236,000	$285,622,000
INCOME PER COMMON SHARE:			
Primary	$1.54	$1.39	$4.43
Fully diluted	$1.54	$1.38	$4.43

(See accompanying notes to consolidated financial statements)

MESA PETROLEUM CO. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1981 and 1980

ASSETS

	1981	1980
CURRENT ASSETS:		
Cash and cash items	$ 15,097,000	$ 8,855,000
Accounts receivable	169,735,000	100,459,000
Notes receivable	28,076,000	3,348,000
Inventories	65,406,000	22,115,000
Prepaid expenses	1,222,000	694,000
Total current assets	279,536,000	135,471,000
MARKETABLE SECURITIES	238,339,000	86,195,000
LONG-TERM NOTES RECEIVABLE	1,377,000	41,316,000
TERM ROYALTY RECEIVABLE	274,059,000	282,322,000
PROPERTY, PLANT AND EQUIPMENT, using full cost accounting:		
Oil and gas properties, wells and equipment	1,073,492,000	624,412,000
Offshore oil and gas properties not yet evaluated	433,897,000	402,652,000
Transportation, office and other properties	38,707,000	21,962,000
	1,546,096,000	1,049,026,000
Less—Accumulated depreciation, depletion and amortization	282,765,000	178,943,000
	1,263,331,000	870,083,000
DEFERRED CHARGES AND OTHER ASSETS	12,713,000	11,463,000
	$2,069,355,000	$1,426,850,000

(See accompanying notes to consolidated financial statements)

LIABILITIES

	1981	1980
CURRENT LIABILITIES:		
Current maturities on long-term debt	$ 37,713,000	$ 48,859,000
Short-term notes payable	1,300,000	1,300,000
Accounts payable	132,424,000	107,805,000
Income taxes payable	1,173,000	5,099,000
Accrued liabilities	22,985,000	16,144,000
Total current liabilities	195,595,000	179,207,000
LONG-TERM DEBT, net of current maturities	594,423,000	393,482,000
PRODUCTION PAYMENTS	176,054,000	143,030,000
8½% SUBORDINATED DEBENTURES	76,590,000	76,595,000
DEFERRED REVENUE	21,588,000	1,875,000
DEFERRED INCOME TAXES	199,660,000	122,886,000
COMMITMENTS AND CONTINGENCIES		
7% REDEEMABLE PREFERRED STOCK	210,000,000	—
STOCKHOLDERS' EQUITY:		
Common stock, $1 par value; authorized 100,000,000 shares; outstanding 66,794,000 and 33,601,000 shares, respectively	66,794,000	33,601,000
Capital surplus	161,428,000	193,530,000
Reinvested earnings	367,223,000	282,644,000
	595,445,000	509,775,000
	$2,069,355,000	$1,426,850,000

(See accompanying notes to consolidated financial statements)

MESA PETROLEUM CO. AND SUBSIDIARIES

Consolidated Statements of Changes in Financial Position

	Year Ended December 31		
	1981	1980	1979
SOURCE OF FUNDS:			
Net income	$115,049,000	$ 95,236,000	$285,622,000
Depreciation, depletion and amortization	97,013,000	80,348,000	75,652,000
Deferred income taxes	66,565,000	59,975,000	103,994,000
Gain on sale of marketable securities	(1,730,000)	(15,931,000)	(684,000)
Gain on sale of properties, net of related current income taxes of $45,569,000	—	—	(299,759,000)
Funds provided from operations	276,897,000	219,628,000	164,825,000
Long-term borrowings, including production payments and subordinated debentures	405,583,000	302,618,000	266,923,000
Proceeds from issuance of preferred stock	210,000,000	—	—
Decrease in long-term notes receivable	39,939,000	5,208,000	—
Increase in deferred revenue	19,713,000	1,875,000	—
Proceeds from sale of tax benefits	15,937,000	—	—
Decrease in term royalty receivable	8,263,000	2,319,000	—
Proceeds from sale of marketable securities	3,205,000	26,035,000	1,342,000
Cash withdrawn from MTS Limited Partnership	—	159,892,000	—
Proceeds from sale of properties	—	4,500,000	466,930,000
Other	875,000	9,158,000	12,614,000
	$980,412,000	$737,233,000	$912,634,000
USE OF FUNDS:			
Capital expenditures—			
Oil and gas properties, wells and equipment	$478,901,000	$425,235,000	$313,134,000
Other properties	17,603,000	2,087,000	6,036,000
Retirement of long-term debt, including production payments and subordinated debentures	171,623,000	274,674,000	81,006,000
Purchase of marketable securities	153,619,000	35,953,000	12,610,000
Cash dividends	16,710,000	3,524,000	6,267,000
Acquisition of producing properties	—	—	160,399,000
Increase in term royalty receivable	—	—	284,641,000
Increase in long-term notes receivable	—	—	46,524,000
Distribution to Mesa Royalty Trust—			
Oil and gas properties, wells and equipment	—	—	(477,464,000)
Accumulated depreciation, depletion and amortization	—	—	105,864,000
Deferred income tax liability	—	—	170,766,000
Reinvested earnings	—	—	200,834,000
Other	14,279,000	6,977,000	16,128,000
	852,735,000	748,450,000	926,745,000
Increase (decrease) in working capital:			
Cash and cash items	6,242,000	1,414,000	(31,369,000)
Accounts and notes receivable	94,004,000	(54,356,000)	109,753,000
Inventories	43,291,000	3,899,000	5,322,000
Prepaid expenses	528,000	(53,000)	(447,000)
Current maturities on long-term debt	11,146,000	(1,471,000)	8,069,000
Short-term notes payable	—	19,300,000	(20,600,000)
Income taxes payable	3,926,000	44,302,000	(48,471,000)
Accounts payable and accrued liabilities	(31,460,000)	(24,252,000)	(36,368,000)
	127,677,000	(11,217,000)	(14,111,000)
	$980,412,000	$737,233,000	$912,634,000

(See accompanying notes to consolidated financial statements)

MESA PETROLEUM CO. AND SUBSIDIARIES

Consolidated Statements of Capital Surplus and Reinvested Earnings

	Year Ended December 31		
	1981	1980	1979
CAPITAL SURPLUS:			
Balance, beginning of year	$193,530,000	$192,945,000	$180,257,000
Stock options exercised	1,542,000	17,370,000	12,688,000
Transfer to Common Stock in connection with two-for-one stock split	(33,644,000)	(16,785,000)	—
Balance, end of year	$161,428,000	$193,530,000	$192,945,000
REINVESTED EARNINGS:			
Balance, beginning of year	$282,644,000	$190,932,000	$118,204,000
Net income	115,049,000	95,236,000	285,622,000
Cash dividends—			
Common stock	(8,040,000)	(3,524,000)	(6,267,000)
Preferred stock	(8,670,000)	—	—
Retirement of common stock acquired	(13,760,000)	—	(3,774,000)
Distribution to Mesa Royalty Trust	—	—	(200,834,000)
Purchase of warrants	—	—	(2,019,000)
Balance, end of year	$367,223,000	$282,644,000	$190,932,000

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

December 31, 1981, 1980 and 1979

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—

The consolidated financial statements include the accounts of the parent, Mesa Petroleum Co., its wholly-owned subsidiaries and its proportionate interest in partnerships after elimination of intercompany transactions. Certain reclassifications have been made in the prior years' financial statements to conform to current classifications.

Foreign currency translation—

Translation of foreign currency is made in accordance with Statement No. 8 of the Financial Accounting Standards Board. The term royalty receivable is denominated in Canadian dollars and is adjusted at each balance sheet date to reflect the change in value resulting from fluctuations in the Canadian/U.S. dollar exchange rate. The Financial Accounting Standards Board recently issued Statement No. 52 revising certain accounting policies for foreign currency translations. Application of Statement No. 52 will not have a significant effect on the Company.

Inventories—

Inventories are stated at cost, which is lower than market, and consist of materials and supplies, primarily tubular goods.

Sale of tax benefits—

In November 1981, the Company sold tax benefits related to approximately $52 million of property under the "safe harbor leasing" provisions of the Economic Recovery Tax Act of 1981. Cash proceeds from the sale, approximately $15.9 million, were applied as a reduction of the deferred income tax provision to the extent of the investment tax credit benefits sold ($5.2 million), with the balance credited to the deferred tax liability account ($4.4 million) and the property, plant and equipment accounts ($6.3 million).

Earnings per share—

The computations of primary earnings per share were based on the weighted average number of common shares outstanding during each period and, in 1980 and 1981, the assumed exercise of dilutive options. The assumed exercise of options did not have a significant dilutive effect on the per share amounts for 1979. In 1981, the average common and common equivalent shares outstanding were 68,913,000 for both the primary and fully diluted earnings per share computations. The average common and common equivalent shares outstanding during 1980 were 68,532,000 shares for the primary earnings per share computation and 69,208,000 shares assuming full dilution. In 1979, the average common shares outstanding were 64,544,000. The number of shares outstanding have been adjusted for two-for-one stock splits in 1980 and 1981.

Oil and gas properties—

The Company follows the full cost accounting policy of capitalizing all direct costs incurred in the acquisition, exploration and development of oil and gas properties. Interest costs incurred in financing expenditures relating to offshore properties are capitalized until such time as the properties are evaluated by drilling. Effective January 1, 1980, the Company changed its method of capitalizing interest as required by Financial Accounting Standards Board Statement No. 34 whereby interest costs are capitalized on property acquisition, exploration and development expenditures relating to unevaluated offshore properties. Prior to 1980, interest costs were capitalized only on property acquisition expenditures.

In the Company's United States cost center, all capitalized costs and estimated future development and abandonment costs, exclusive of offshore oil and gas properties not yet evaluated ($433,897,000 as of

December 31, 1981), are being amortized on a composite unit-of-production method over the aggregate productive life of all the proved reserves related to such cost center. The costs related to oil and gas properties in offshore areas are excluded from the property pool for depletion and amortization purposes until such time as they are evaluated by drilling. As each offshore lease is evaluated, accumulated costs are transferred to the property pool for depletion and amortization purposes.

An analysis of expenditures for oil and gas properties in the U.S. offshore areas, including capitalized interest and associated drilling and exploration costs, is set forth below:

	Not Evaluated	*Evaluated*	*Total*
	(in thousands)		
Balance, December 31, 1978	$209,368	$345,462	$ 554,830
Additions	157,358	48,455	205,813
Transfers	(126,881)	126,881	—
Distribution (See Note 5)	—	(303,385)	(303,385)
Balance, December 31, 1979	239,845	217,413	457,258
Additions	304,101	36,488	340,589
Transfers	(116,269)	116,269	—
Allocated proceeds from partnership (See Note 7)	(25,025)	—	(25,025)
Balance, December 31, 1980	402,652	370,170	772,822
Additions	224,009	73,613	297,622
Transfers	(192,764)	192,764	—
Balance, December 31, 1981	$433,897	$636,547	$1,070,444

The Company sold all of its property interests in the United Kingdom in June 1979 and all of its producing and nonproducing properties in Canada in October 1979. The properties in the United Kingdom cost center were under development and were not subject to amortization. Capitalized costs in the Canadian cost center were amortized on a composite unit-of-production method through the date of sale. Capitalized costs associated with the Company's other foreign cost centers are not significant and have been partially impaired.

The Company's average sales price and rate of depreciation, depletion and amortization of oil and gas properties per equivalent Mcf for the three years ended December 31, 1981 were as follows:

	Average Per Equivalent Mcf	
	Sales Price	*Depreciation, Depletion and Amortization*
1979	$1.50	$ .46
1980	$2.24	$ .61
1981	$2.92	$ .75

(2) OIL AND GAS PROPERTIES, WELLS AND EQUIPMENT—

Capitalized costs at December 31, 1979, 1980 and 1981 relating to oil and gas producing activities and the costs incurred during the years then ended are set forth below:

	United States	Foreign	Total
		(in thousands)	
CAPITALIZED COSTS			
1979			
Unproved properties	$ 279,834	$ 4,892	$ 284,726
Proved properties	473,819	—	473,819
Total	753,653	4,892	758,545
Accumulated depreciation, depletion and amortization	88,424	3,782	92,206
Net	$ 665,229	$ 1,110	$ 666,339
1980			
Unproved properties	$ 457,652	$11,215	$ 468,867
Proved properties	558,197	—	558,197
Total	1,015,849	11,215	1,027,064
Accumulated depreciation, depletion and amortization	163,411	10,730	174,141
Net	$ 852,438	$ 485	$ 852,923
1981			
Unproved properties	$ 515,761	$19,585	$ 535,346
Proved properties	972,043	—	972,043
Total	1,487,804	19,585	1,507,389
Accumulated depreciation, depletion and amortization	259,113	17,086	276,199
Net	$1,228,691	$ 2,499	$1,231,190

COSTS INCURRED	United States	Canada	United Kingdom	Other Foreign	Total
			(in thousands)		
1979					
Lease acquisition	$101,214	$ 7,214	$ 1,065	$ 69	$109,562
Acquisition of producing properties	160,399	—	—	—	160,399
Exploration	88,579	7,148	200	957	96,884
Development	90,834	10,024	9,197	—	110,055
Production (operating)	25,720	7,255	—	—	32,975
Total	$466,746	$31,641	$10,462	$1,026	$509,875
Depreciation, depletion and amortization	$ 61,338	$ 9,398	$ —	$3,381	$ 74,117
1980					
Lease acquisition	$180,277	$ —	$ —	$ —	$180,277
Exploration	109,967	—	—	6,465	116,432
Development	138,893	—	—	—	138,893
Production (operating)	39,556	—	—	—	39,556
Total	$468,693	$ —	$ —	$6,465	$475,158
Depreciation, depletion and amortization	$ 71,811	$ —	$ —	$6,948	$ 78,759
1981					
Lease acquisition	$ 77,456	$ —	$ —	$ —	$ 77,456
Exploration	156,379	—	—	8,385	164,764
Development	247,871	—	—	—	247,871
Production (operating)	51,376	—	—	—	51,376
Total	$533,082	$ —	$ —	$8,385	$541,467
Depreciation, depletion and amortization	$ 88,553	$ —	$ —	$6,257	$ 94,810

A summary of offshore properties excluded from capitalized costs being amortized at December 31, 1981 follows:

Status	No. of Tracts		Lease Bonus	Exploration and Development Expenditures	Total
	Federal	State		(in thousands)	
Platforms installed, development in progress	5	–	$ 55,912	$100,884	$156,796
Platforms ordered, development planned	7	–	148,094	52,970	201,064
Tracts drilled, exploration continuing	3	1	15,144	17,624	32,768
Tracts undrilled	7	53	42,117	1,152	43,269
Total	22	54	$261,267	$172,630	$433,897

At December 31, 1981, the Company had accumulated costs of $156,796,000 associated with five unevaluated offshore tracts on which five platforms have been installed (Brazos A-7, High Island 315, 499, 567 and 582). Drilling on these tracts has indicated commercially recoverable hydrocarbons and development drilling is continuing from the platforms. Initial production is expected from four of these platforms in 1982 and one in 1983.

Accumulated costs of $201,064,000 have been incurred through December 31, 1981 on seven tracts for which six platforms have been ordered (Brazos A-39, Eugene Island 337 and 351, Main Pass 74, and Vermilion 381, 392 and 407).

The Company has incurred acquisition costs of $15,144,000 and exploration costs of $17,624,000 on four federal and state offshore tracts on which exploration is continuing. Exploratory drilling to date on these tracts has not discovered sufficient hydrocarbons to justify development.

Costs of $43,269,000 have been incurred on an additional 60 federal and state offshore tracts which have not been tested by drilling as of December 31, 1981.

Until a determination is made as to the quantities of proved reserves and related future development costs attributable to the preceding tracts, the Company cannot accurately assess the future impact on the amortization rate. However, in prior years the evaluation of offshore tracts generally increased the Company's overall amortization rate.

(3) INCOME TAXES—

Set forth below is a reconciliation of the reported income tax expense and the amount of tax computed by multiplying the income before federal income tax by the United States income tax rate.

	1981		1980		1979	
	(dollar amounts in thousands)					
Tax computed by applying statutory rate	$85,463	46.0%	$73,795	46.0%	$200,185	46.0%
Investment tax credit	(6,187)	(3.3)	(6,076)	(3.8)	(4,675)	(1.1)
Sale of tax benefits	(5,240)	(2.8)	—	—	—	—
Dividend exclusion	(2,260)	(1.2)	(817)	(.5)	(446)	(.1)
Application of capital gains tax rate on sale of properties and marketable securities	(593)	(.3)	(1,629)	(1.0)	(44,941)	(10.3)
Other	(443)	(.3)	(84)	(.1)	(560)	(.1)
Income taxes as reported	$70,740	38.1%	$65,189	40.6%	$149,563	34.4%

Deferred taxes are provided by the Company to the extent taxes are currently reduced due to timing differences between taxable and financial income. The following table summarizes the current and deferred portions of income tax expense and provides the primary differences between taxable and financial income considered in the deferred income tax provision.

	1981	1980	1979
		(in thousands)	
Current income taxes—			
Canada	$ 4,175	$ 5,214	$ 36,000
United Kingdom	—	—	9,569
Total	4,175	5,214	45,569
Deferred U.S. income taxes—			
Excess of intangible drilling and exploration costs deducted for tax purposes over amortization for financial purposes	95,802	67,741	53,546
Leasehold costs deducted for tax purposes, including interest capitalized on offshore leases	39,298	21,466	13,996
Tax loss carryforwards utilized (generated)	(52,255)	32,242	12,363
Gain on installment sale of properties	(7,434)	(50,221)	25,832
Difference between book and tax depreciation of plant and equipment	(5,675)	(10,758)	(9,052)
Other	(3,171)	(495)	7,309
Total	66,565	59,975	103,994
Income taxes as reported	$70,740	$65,189	$149,563

At December 31, 1981, the Company had investment tax credit carryforwards of $24 million, foreign tax credit carryforwards of $57 million and a tax net operating loss carryforward of $85 million. The tax benefits from such carryforwards will be credited to the deferred income tax liability account when utilized. The foreign tax credit carryforwards are available to offset, with certain limitations, future foreign source taxable income.

The Company's federal income tax returns for 1976 through 1979 are presently being examined by the Internal Revenue Service. The Company believes that the adjustments, if any, which may result from the examinations would not be material to its financial position or results of operations.

(4) MARKETABLE SECURITIES—

The Company's investment in marketable securities consisted of the following at December 31, 1981:

Common Stocks	Number of Shares	Percent of Class	Cost	Market Value
			(in thousands)	
Sunlite Oil Company Limited	540,680	16.1%	$ 3,670	$ 3,109
General American Oil Company of Texas (GAO)	1,840,936	7.4	31,722	68,115
Equity Oil Company	632,000	5.4	3,137	6,320
Cities Service Company	4,100,000	5.3	181,543	188,600
Supron Energy Corporation (Supron)	920,300	4.5	3,707	30,025
Louisiana Land and Exploration Company	215,600	0.5	9,454	6,333
Other	—	—	106	106
			$238,339	$302,608

The GAO common stock is held in escrow pending redemption or exchange of the Company's subordinated debentures (see Note 10). The Company's other investments are pledged on margin account with brokerage firms. The aggregate cost and market value of the Company's marketable securities at December 31, 1980 were $86,195,000 and $175,928,000, respectively. The costs for marketable securities sold are determined on a first-in, first-out basis.

In February 1982, another company offered to purchase the outstanding common stock of Supron at $35 per share. Mesa has tendered its Supron holdings to the acquiring company. On February 17, 1982, the aggregate market value of the marketable securities owned by the Company at December 31, 1981 was $232,556,000.

(5) DISTRIBUTION TO MESA ROYALTY TRUST—

In November 1979, the Company created the Mesa Royalty Trust, an independently administered trust, to which it transferred an overriding royalty interest from its existing interests in certain producing oil and gas properties. The royalty consists of 90% of the excess of gross revenues from production over operating, development and other related charges. The net book value of oil and gas properties, wells and equipment in the Company's U.S. cost center (excluding costs related to unevaluated offshore properties) was apportioned between the royalty interests transferred to the Trust and the property interests retained by the Company based on their relative estimated fair values. The difference between the financial accounting basis assigned to the Trust properties ($371,600,000) and the related reversal of deferred income taxes ($170,766,000) was charged to reinvested earnings.

(6) SALES AND ACQUISITIONS OF PROPERTIES—

On April 30, 1979, Tema Oil Company, a partnership owned 50% by the Company and 50% by Tenneco Oil Company, acquired the mid-continent region oil and gas producing properties of Ashland Exploration, Inc. for $321 million. The purchase price was financed by equity contributions of $35.8 million by each partner and proceeds from a nonrecourse production payment of $250 million. The Company consolidates its proportionate interest in the Tema partnership.

In June 1979, the Company sold all its assets in the United Kingdom for cash of $26.4 million and promissory notes bearing interest at 8% of $1,941,000, $10,000,000 and $27,000,000 due on January 1, 1980, 1981 and 1982, respectively. The sale resulted in a gain of $31,195,000, before related income taxes.

In October 1979, the Company sold all of its producing and nonproducing oil and gas properties in

Canada for total consideration as follows (in Canadian dollars): cash and interest-bearing obligations aggregating $210.1 million; term royalty on the producing properties in the principal amount of $446.5 million, bearing interest at 6%, payable from 75% of production proceeds after royalties; and the reservation by the Company of a 12.5% gross overriding royalty on the nonproducing properties. The term royalty was discounted at an imputed interest rate of 12% at the date of sale. The sale resulted in a gain of $314,133,000 (U.S. dollars), before related income taxes.

Subsequent to the sale of the Canadian properties in 1979, the Canadian government and certain provincial governments enacted legislation affecting prices to be received for oil and gas production in Canada and imposing royalty taxes on production receipts. At December 31, 1980, the Company estimated that the combined effect of the change in prices and the royalty tax would result in an ultimate yield on the term royalty of approximately 10.5%. Further pricing and royalty tax changes during 1981 have reduced the estimated ultimate yield to 8%; accordingly, in future periods the imputed interest rate will be adjusted to reflect the current estimated ultimate yield of the term royalty. In October 1981, the Company announced its intention to sell the Canadian term royalty and overriding royalty interests. In management's opinion, the fair value of the term royalty and the gross overriding royalty exceeds the carrying cost of these assets.

(7) FORMATION OF MTS LIMITED PARTNERSHIP—

On October 1, 1980, Mesa, Texaco Inc. (Texaco), and Sequoia Petroleum Inc. (Sequoia) formed MTS Limited Partnership (MTS), a partnership to explore for oil and gas on substantially all of the Company's undeveloped oil and gas leases in the United States. Mesa, as general partner, contributed 1.9 million net acres of leaseholds to the partnership for its 65% interest. Texaco and Sequoia, as limited partners, contributed cash of approximately $178 million and $71 million for interests of 25% and 10%, respectively. Ongoing exploration costs are shared in these proportions.

The Company consolidates its proportionate interest in MTS. Mesa withdrew its share ($160 million) of cash contributed to the partnership and applied the receipt as a reduction of oil and gas property costs.

(8) LONG-TERM DEBT—

Long-term debt at December 31, 1981 and 1980, and current maturities are as follows:

	1981	1980
	(in thousands)	
Interest-bearing notes—		
8¼% to 10⅝% secured notes, Series A through F, due in installments through 1985	$180,228	$190,798
13.21% unsecured revolving credit note, due 1987	100,000	—
13¾% to 14¼% secured margin accounts with brokers	121,122	5,446
13.79% to 13.875% short-term notes to be refinanced	120,000	30,000
9.72% to 16¾% notes payable from production, if any, or due in 1985 and 1989	26,089	23,303
17½% unsecured notes due in 1983 and 1984	22,196	33,316
16⅛% term loan	—	75,000
Various other	21,942	17,732
	591,577	375,595
Noninterest-bearing notes—		
Secured notes payable from production, if any, or in installments through 1985	22,855	47,973
Unsecured notes payable from production, if any, or in installments through 1985	17,704	18,773
	40,559	66,746
Total long-term debt	632,136	442,341
Less—current maturities	37,713	48,859
Long-term debt, net of current maturities	$594,423	$393,482

Under the terms of the above secured notes, a substantial portion of the Company's oil and gas properties, as well as its marketable securities and the term royalty receivable, are pledged.

The Series "A" through "F" notes were issued to institutional lenders and are currently repayable, in the aggregate, in semi-annual installments of $6,185,000. The weighted average interest rate for these notes at December 31, 1981 was 9.9%.

At December 31, 1981, the Company had a $100 million unsecured revolving credit agreement with several banks due in 1987. Subsequent to year end, the credit agreement was increased to $200 million. Borrowings under the agreement bear interest at the bank's prime rate or, at the Company's option, at the London Interbank Offering Rate plus three-eighths of one percent. The agreement stipulates, among other things, that the Company will not, without the bank's written consent, (a) permit the ratio of its consolidated liabilities to net worth, as defined, to be at any time greater than 2 to 1; (b) permit the amount of its consolidated net worth, as defined, to be less than $400 million; and (c) purchase or redeem any shares of its common stock, declare or pay any dividends (other than stock dividends) thereon, make any distribution to stockholders, or set aside any funds for any such purpose, if the aggregate amount of such transactions after June 1980 exceeds 20% of the Company's aggregate net income, as defined, for the same period.

Borrowings under margin account arrangements with brokers are secured by certain of the Company's marketable securities and are subject to customary margin requirements. Such borrowings bear interest at the brokers' call rate plus one-quarter of one percent.

During 1981, the Company utilized short-term borrowings to obtain more favorable interest rates than were available under its margin account or revolving credit arrangements. Such borrowings did not, however, exceed the Company's unused borrowing capacity under long-term arrangements considering, during the fourth quarter, the increased borrowing limit of $200 million under the revolving credit facility. Accordingly, the short-term borrowings have been classified as long-term debt in the Company's consolidated balance sheet at December 31, 1981.

The 17½% unsecured notes are payable to a gas transmission company and bear interest at prime plus 1¾%. One of the notes in the principal amount of $13.3 million is repayable in quarterly installments of $2,656,000. The remaining $8.9 million is repayable in annual installments of $495,000, with the balance due January 1, 1984.

The noninterest-bearing notes are payable to gas transmission companies over a five-year period beginning one year after initial production from certain dedicated properties or after a specified date if no production is established.

The amounts payable on all long-term debt as of December 31, 1981 for the next five calendar years are as follows: 1982, $37,713,000; 1983, $38,892,000; 1984, $46,053,000; 1985, $25,642,000; and 1986, $16,431,000.

(9) PRODUCTION PAYMENTS—

Production payments represent notes that are repayable from the Company's share of production from certain dedicated properties. Of the balance outstanding at December 31, 1981, $112.5 million represents the Company's 50% share of the production payment used by Tema to finance the acquisition of producing properties in 1979. The note is repayable from 95% of net lease income, as defined, and bears interest at 107% of prime rate. In January 1982, the Company purchased its 50% share of the production payment from the lending institutions. Funds for the purchase transaction were borrowed from a bank and are repayable in 1983. The borrowing bears interest at the bank's prime rate and is secured by the Company's term royalty receivable.

Of the remaining $63.6 million of production payments, $13.1 million was non-interest bearing and $50.5 million had a weighted average interest rate of 15.5% at December 31, 1981.

(10) SUBORDINATED DEBENTURES—

In May 1980, the Company issued $76.6 million of 8½% subordinated debentures exchangeable for the shares of General American Oil Company of Texas (GAO) common stock owned by the Company. The debentures may be exchanged for shares of GAO at the ratio of 24.01 shares per $1,000 principal amount of debentures. Unless previously redeemed or exchanged, the debentures will be retired through annual sinking fund payments of $6.1 million from 1991 to 1999, with the balance to be retired in the year 2000.

(11) REDEEMABLE PREFERRED STOCK—

In connection with the formation of the MTS partnership, Texaco and Sequoia Ventures Inc. (the parent company of Sequoia), agreed to purchase at the Company's option $210 million of 7% cumulative preferred stock. The Company issued $150 million of the preferred stock to Texaco in May 1981 and the remaining $60 million to Sequoia in August 1981.

The preferred stock is non-voting and is entitled to preferential payments over common stock in the event of liquidation or dissolution of the Company. Dividends are paid annually on October 1; additionally, the preferred stock is subject to annual mandatory redemption requirements of $42 million beginning October 1, 1982.

(12) COMMON STOCK—

Changes in the number of shares of the Company's common stock during the three years ended December 31, 1981 are as follows:

	1981	1980	1979
		(in thousands)	
Shares outstanding, beginning of year	33,601	16,304	15,901
Stock options exercised	68	512	403
Two-for-one stock split	33,644	16,785	—
Retirement of common stock acquired	(519)	—	—
Shares outstanding, end of year	66,794	33,601	16,304

At the Company's annual meeting in April 1980, shareholders approved an increase in authorized shares from 20 million to 100 million shares. In May 1980, the Company effected a two-for-one stock split by issuing additional shares of common stock to shareholders of record on April 25, 1980. In April 1981, the Company effected another two-for-one stock split by issuing additional shares of common stock to shareholders of record on March 12, 1981. In connection with each stock split, the Company transferred from the Capital Surplus account to the Common Stock account an amount equal to the aggregate par value of the additional shares issued.

In May 1981, the Company acquired 519,240 shares of its common stock from various officers for $14,279,000 (market value on the date of purchase) as repayment of loans previously granted for the exercise of stock options. Such shares were subsequently retired.

(13) STOCK OPTIONS—

At December 31, 1981, the Company had 9,453,000 shares of common stock reserved for issuance to executives and key employees under its stock option plans, as adjusted for stock splits. The stock option plans authorize the granting of options at prices equivalent to market value at date of grant. The options become exercisable in four annual installments commencing one year after the date granted and, if not exercised, expire five years after the date of grant if granted from a qualified stock option plan and 10 years after the date of grant if granted from a non-qualified stock option plan. Upon the exercise of options, the Company credits the Common Stock account with the par value of the shares issued and credits the balance of the cash received to Capital Surplus.

As of December 31, 1981, 97 of the Company's employees held options covering 6,439,000 shares of common stock, including a 6,000,000 share option granted to the Company's Chief Executive Officer in 1979. This option, at an exercise price of $11.50 per share, is exercisable as to 2,400,000 shares in 1984, with an additional 720,000 shares becoming exercisable each succeeding year. The remaining 439,000 shares covered by options are outstanding under three option plans and have exercise prices ranging from $4.68 to $34.03 (weighted average exercise price of $18.73). Of the 439,000 option shares outstanding, 161,000 were exercisable at December 31, 1981, with the remaining shares becoming exercisable as follows: 1982, 100,000; 1983, 101,000; 1984, 53,000; and 1985, 24,000.

As of December 31, 1981, the Company had notes receivable aggregating $2,379,000 from certain of its officers and employees relating to the exercise of stock options.

(14) COMMITMENTS AND CONTINGENCIES—

The Company has a profit sharing plan and a stock purchase plan for the benefit of its U.S. employees. Employees are eligible to participate in the profit sharing plan immediately upon employment and may participate in the stock purchase plan on the first calendar quarter following employment. Company contributions to all plans totaled $1,808,000, $2,611,000 and $4,491,000 for the years ended December 31, 1979, 1980 and 1981, respectively.

The minimum rental commitments under long-term noncancelable leases for office space, data processing and other equipment are $2,154,000, $2,109,000, $2,742,000, $2,255,000 and $1,947,000, respectively, for the five years ended December 31, 1986, and $5,587,000 for the five-year period ending December 31, 1991.

Event subsequent to date of Auditors' Report—

On March 2, 1982, the Company received notice from the Internal Revenue Service (IRS) concerning certain tax aspects relating to the creation of the Mesa Royalty Trust to which Mesa transferred 90% net overriding royalty interests in certain of its oil and gas producing properties in November 1979 (see Note 5). The IRS has taken the position that three of the four overriding royalty conveyances to the Trust did not transfer an "economic interest" in the oil and gas in place; therefore, the royalty income attributable to the three conveyances (approximately $70 million through December 31, 1981) would be included in Mesa's taxable income. Any taxes resulting therefrom through December 31, 1981 would be offset against the Company's $85 million tax net operating loss carryforward.

Mesa and its legal counsel maintain the opinion that the amounts payable to the Trust pursuant to the royalty interests conveyed will not be includable in the income of the Company for federal income tax purposes. Should these issues not be settled administratively with the IRS, the Company will seek resolution through litigation. The Company's legal counsel has expressed its opinion that the Company would prevail in any such litigation.

(15) SEGMENT INFORMATION—

	United States	Canada	Other Foreign	Consolidated
		(in thousands)		
Year Ended December 31, 1979				
Net revenues from production of oil and gas reserves	$ 184,930	$ 24,189	$ —	$ 209,119
Total revenues	$ 238,455	$ 44,396	$ —	$ 282,851
Operating income	$ 124,088	$ 27,161	$(3,016)	$ 148,233
General corporate expenses				(9,778)
Interest expense, net of interest capitalized				(49,601)
Foreign exchange gain				319
Gain on sale of marketable securities				684
Gain on sale of properties				345,328
Income before income tax				$ 435,185
Identifiable assets at December 31, 1979	$ 982,643	$284,641	$ 1,175	$1,268,459
Year Ended December 31, 1980				
Net revenues from production of oil and gas reserves	$ 237,516	$ 4	$ —	$ 237,520
Total revenues	$ 337,533	$ 34,830	$ —	$ 372,363
Operating income	$ 169,610	$ 34,830	$(5,757)	$ 198,683
General corporate expenses				(14,613)
Interest expense, net of interest capitalized				(32,655)
Foreign exchange loss				(6,921)
Gain on sale of marketable securities				15,931
Income before income tax				$ 160,425
Identifiable assets at December 31, 1980	$1,143,972	$282,322	$ 556	$1,426,850
Year Ended December 31, 1981				
Net revenues from production of oil and gas reserves	$ 290,409	$ 512	$ —	$ 290,921
Total revenues	$ 378,432	$ 29,312	$ —	$ 407,744
Operating income	$ 210,613	$ 29,259	$(3,612)	$ 236,260
General corporate expenses				(24,435)
Interest expense, net of interest capitalized				(29,332)
Foreign exchange gain				1,566
Gain on sale of marketable securities				1,730
Income before income tax				$ 185,789
Identifiable assets at December 31, 1981	$1,792,679	$274,059	$ 2,617	$2,069,355

Net revenue from production represents revenue after royalties, production costs and, in 1980 and 1981, the federal excise tax on oil and condensate. Operating income is defined as income before other income (expense) and income taxes and excludes corporate general and administrative expenses and interest. Identifiable assets in the United States include general corporate assets of $104,787,000, $122,050,000 and $280,436,000 at December 31, 1979, 1980 and 1981, respectively, consisting of cash, certain receivables and marketable securities.

Sales to customers which individually comprise 10% or more of total revenues during the three years ended December 31, 1981 are as follows:

	1981		1980		1979	
	Revenues	%	Revenues	%	Revenues	%
	(dollar amounts in thousands)					
Koch Industries, Inc.	$52,500	13%	$73,701	20%	$46,556	16%
United Gas Pipeline Company	*	*	50,539	14%	*	*

*Sales to this customer were less than 10% of total revenues for the year shown.

Concurrent with the formation of MTS, Mesa granted Texaco a preferential right to purchase all of its available crude oil, condensate and natural gas liquids which are produced, owned or controlled by Mesa in the United States, until such time as Texaco has purchased 40 million barrels. The prices to be paid by Texaco will be determined based on the prices then being paid by other purchasers of such petroleum liquids in bona fide, arm's-length transactions in the area.

(16) QUARTERLY RESULTS (Unaudited)—

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
1980				
Revenues	$106,930	$ 94,949	$ 83,737	$ 86,747
Income before other income (expense) and income taxes	$ 40,289	$ 29,951	$ 35,632	$ 45,543
Foreign exchange gain (loss)	(5,481)	8,907	(5,055)	(5,292)
Gain on sale of marketable securities	516	815	—	14,600
Provision for income taxes	(15,411)	(15,021)	(13,885)	(20,872)
Net income	$ 19,913	$ 24,652	$ 16,692	$ 33,979
Income per common share	$.29	$.36	$.24	$.49
1981				
Revenues	$103,624	$100,911	$103,810	$ 99,399
Income before other income (expense) and income taxes	$ 48,826	$ 47,494	$ 46,242	$ 39,931
Foreign exchange gain (loss)	1,437	(3,380)	(1,454)	4,963
Gain on sale of marketable securities	3	—	—	1,727
Provision for income taxes	(20,425)	(18,040)	(17,479)	(14,796)
Net income	29,841	26,074	27,309	31,825
Preferred stock dividends	—	(1,611)	(3,354)	(3,705)
Net income available for common	$ 29,841	$ 24,463	$ 23,955	$ 28,120
Income per common share	$.43	$.35	$.35	$.41

All per share data have been adjusted to reflect the two-for-one stock splits in 1980 and 1981.

(17) SUPPLEMENTAL RESERVE INFORMATION

(Unaudited)—

Mesa's net proved oil and gas reserves as of December 31, 1981, 1980, 1979 and 1978 have been estimated by DeGolyer and MacNaughton, independent petroleum engineering consultants, except that reserves in Canada at December 31, 1981 were estimated by the Company. In accordance with guidelines established by the Securities and Exchange Commission (SEC), the reserve estimates were based on economic and operating conditions existing at the end of the respective years.

For sales of natural gas, prices currently received were used except in those instances where the sale of gas is covered by contract, in which case the applicable contract prices including fixed and determinable escalations were used for the duration of the contract, and thereafter the last contract price was used. Where applicable, prices and periodic adjustments as provided by the Natural Gas Policy Act of 1978 were used, except for the annual inflation adjustment factor. For sales of oil and condensate, prices then being received were used in 1978, 1979 and 1981. In 1980, the prices used reflect the phased decontrol of domestic crude oil prices in effect at that time. Prices used in 1980 and 1981 also reflect the related federal excise tax on oil and condensate. Prices currently being received were used for sales of natural gas liquids. Operating costs, production and ad valorem taxes and future development costs were based on current costs with no escalation as of each report date.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production and timing of development expenditures. The following reserve data represent estimates only and should not be construed as being exact. Moreover, the present values should not be construed as the current market value of the Company's oil and gas reserves or the costs that would be incurred to obtain equivalent reserves. A market value determination would include many additional factors including (i) anticipated future increases in oil and gas prices and production and development costs; (ii) federal income taxes on the future net revenues; (iii) an allowance for return on investment; (iv) the value of additional reserves, not considered proved at present, which may be recovered as a result of further exploration and development activities; and (v) other business risks.

The following schedules set forth (i) the estimated quantities of the Company's net proved and proved developed oil (including condensate and natural gas liquids) and natural gas reserves; (ii) the estimated future net revenues from production of the reserves; (iii) the present value, discounted at 10% per year, of the future net revenues, all as provided by DeGolyer & MacNaughton (except for reserves located in Canada as of December 31, 1981); and, as prepared by the Company, (iv) the nature of the changes during 1979, 1980 and 1981 in the present value of the future net revenues; and (v) the summary of oil and gas producing activities on the basis of reserve recognition accounting. Data for all periods include the Company's proportionate interests in the Tema and MTS partnerships, and all dollar amounts are in U.S. dollars.

Estimated Quantities of Reserves

	United States		Canada		United Kingdom	Total	
	Oil (Mbbl)	Gas (MMcf)	Oil (Mbbl)	Gas (MMcf)	Oil (Mbbl)	Oil (Mbbl)	Gas (MMcf)
Proved Reserves:							
January 1, 1979	29,047	1,265,083	5,866	354,554	37,124	72,037	1,619,637
Purchase of reserves-in-place[a]	1,348	357,647	—	—	—	1,348	357,647
Revisions of previous estimates	1,361	(36,681)	(315)	(8,522)	—	1,046	(45,403)
Extensions, discoveries and other additions	3,917	126,989	1,107	12,979	—	5,024	139,968
Production	(4,285)	(112,107)	(610)	(19,457)	—	(4,895)	(131,564)
Sale of reserves-in-place[a]	—	—	(6,048)	(339,554)	(37,124)	(43,172)	(339,554)
Distribution to Mesa Royalty Trust[a]	(7,988)	(791,331)	—	—	—	(7,988)	(791,331)
December 31, 1979	23,400	809,400	—	—	—	23,400	809,400
Revisions of previous estimates	1,597	28,965	—	—		1,597	28,965
Improved recovery	967	287	—	—		967	287
Extensions, discoveries and other additions	2,908	124,132	20	1,916		2,928	126,049
Production	(3,777)	(106,013)	—	—		(3,777)	(106,013)
December 31, 1980	25,095	856,772	20	1,916		25,115	858,688
Revisions of previous estimates	1,238	46,003	—	—		1,238	46,003
Extensions, discoveries and other additions	4,946	109,541	53	7,134		4,999	116,675
Production	(3,783)	(102,606)	(23)	(142)		(3,806)	(102,748)
December 31, 1981	27,496[b]	909,710	50	8,908		27,546	918,618
Proved Developed Reserves:							
January 1, 1979	28,880	1,244,862	5,414	328,909	—	34,294	1,573,771
Net Change	(5,552)	(456,906)	(5,414)	(328,909)	—	(10,966)	(785,815)
December 31, 1979	23,328	787,956	—	—	—	23,328	787,956
Net Change	1,206	43,061	20	1,916		1,226	44,977
December 31, 1980	24,534	831,017	20	1,916		24,554	832,933
Net Change	2,794	48,249	30	6,992		2,824	55,241
December 31, 1981	27,328[b]	879,266	50	8,908		27,378	888,174

[a] See Notes 5 and 6 to the Consolidated Financial Statements.
[b] Includes natural gas liquids reserves of 6,695 Mbbl. attributable to processing plant interests, primarily in the Hugoton field.

Future Net Revenues from Production of Reserves

	United States		Canada
	Proved	Proved Developed	Proved
	(in thousands)		
Future Net Revenues:			
1982	$ 324,984	$ 328,124	$ 314
1983	302,047	282,286	691
1984	231,129	213,377	735
Remainder	1,376,204	1,321,642	15,537
Total	$2,234,364	$2,145,429	$17,277

Present Value, Discounted at 10%, of the Future Net Revenues

	United States		Canada		United Kingdom
	Proved	Proved Developed	Proved	Proved Developed	Proved
			(in thousands)		
January 1, 1979	$ 853,452	$ 839,539	$217,881	$203,616	$52,636
Net Change	(99,530)	(99,255)	(217,881)	(203,616)	(52,636)
December 31, 1979	753,922	740,284	—	—	$ —
Net Change	279,527	265,099	2,251	2,251	
December 31, 1980	1,033,449	1,005,383	2,251	2,251	
Net Change	250,140	222,278	4,477	4,477	
December 31, 1981	$1,283,589	$1,227,661	$ 6,728	$ 6,728	

Changes in the Present Value, Discounted at 10%, of Future Net Revenues of Proved Oil and Gas Reserves

	Year Ended December 31		
	1981	1980	1979
		(in thousands)	
Present value at beginning of year	$1,035,700	$ 753,322	$1,123,969
Acquisition of producing properties	—	—	145,487
Additions and revisions, net of related estimated future development and production costs[a]	524,063	508,620	604,354
Projected development costs incurred	21,475	10,678	34,188
Sales of oil and gas, net of related production costs and federal excise tax on oil and condensate	(290,921)	(237,520)	(209,118)
Proceeds from sale of reserves-in-place—			
Canada	—	—	(395,756)
United Kingdom	—	—	(63,655)
Distribution to Mesa Royalty Trust	—	—	(485,547)
Present value at end of year	$1,290,317	$1,035,700	$ 753,922

[a] See following schedule for details of additions and revisions.

Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting

	Year Ended December 31		
	1981	1980	1979
	(in thousands)		
Additions and revisions to present value of estimated future net revenues:			
Discoveries, extensions and other additions, net of related future development and production costs	$323,659	$258,576	$258,846
Revisions of reserves proved in prior years—			
Increase in price	104,871	209,938	152,712
Gain on sale of Canadian reserves-in-place	—	—	161,439
Gain on sale of U.K. reserves-in-place	—	—	1,841
Other	(8,037)	(35,286)	(74,563)
Accretion of discount	103,570	75,392	104,079
Total additions and revisions	524,063	508,620	604,354
Evaluated acquisition, exploration and development costs incurred, including impairments	(407,019)	(223,749)	(264,044)
Excess purchase cost on acquisition of producing properties	—	—	(14,912)
Additions and revisions over evaluated costs	117,044	284,871	325,398
Gain on sale of Canadian undeveloped acreage	—	—	21,461
Cash withdrawn from partnership in excess of cost of undeveloped acreage contributed	—	79,787	—
RRA results before tax	117,044	364,658	346,859
Provision for income taxes	(41,843)	(159,067)	(121,280)
Results of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting	$ 75,201	$205,591	$225,579

The following accounting policies have been followed in preparing the Reserve Recognition Accounting (RRA) Summary.

Discoveries, extensions and other additions represent the present value at year end of reserve additions from exploration and development activities, net of future development and production costs. The amount has been computed in accordance with the SEC pricing, costing and discounting guidelines previously described. The 1979 amount includes additions of $14,251,000 associated with the Company's Canadian properties prior to the sale in October 1979. The 1980 and 1981 amounts include additions of $2,251,000 and $4,764,000, respectively, attributable to the 12½% gross overriding royalty interest retained by the Company on Canadian undeveloped acreage sold in 1979.

Revisions of proved reserves include (i) the approximate effect of the increase of oil and gas prices, net of the related federal excise tax on oil and condensate, used to value the Company's proved reserves; (ii) the excess of the actual proceeds from the sale of the Company's Canadian and U.K. properties over the related discounted present value at the date of sale; and (iii) other revisions comprised primarily of changes in estimated quantities of proved reserves, timing of production and future costs.

Accretion of discount was computed applying the 10% discount factor to the present value at the beginning of the respective years.

Property acquisition costs are charged to expense at the time the property is determined to have proved reserves, or when evidence of impairment is ascertained. Exploration costs are charged to expense during the period incurred, except for uncompleted exploratory wells and exploration costs associated with offshore blocks prior to ascertaining the quantities of proved reserves attributable to the properties. Summarized below are the costs charged to expense during the three years ended December 31, 1981, and the costs deferred as of each year end:

	1981	1980	1979
		(in thousands)	
Acquisition costs—			
Charged to expense	$ 45,136	$ 23,218	$111,378
Deferred at year end	284,400	252,661	168,164
Exploration and development costs—			
Charged to expense	361,883	200,531	152,666
Deferred at year end	205,629	160,118	112,867

In addition to the gain on sale of reserves-in-place in 1979, the Company realized a gain of $21,461,000 on the sale of its undeveloped acreage in Canada. In 1980, the Company contributed substantially all of its undeveloped leases to the MTS partnership. The Company's 65% share of the cash contributed by the other partners exceeded the cost of the leases contributed by $79,787,000 (see Note 7).

The 1981 and 1980 RRA results before tax of $117,044,000 and $364,658,000, respectively, compare to pre-tax profit contributions from oil and gas producing activities of $193,908,000 and $157,172,000, respectively, in the primary financial statements.

The 1979 RRA results before tax of $346,859,000 consists of $162,118,000 from oil and gas producing activities and $184,741,000 from the sale of assets. These amounts compare to a pre-tax profit contribution in the primary financial statements of $478,795,000, consisting of $133,467,000 from oil and gas producing activities and $345,328,000 from the sale of assets.

The provision for income taxes is computed using the liability method and includes income taxes currently payable and a deferred provision. Set forth below is a reconciliation of the RRA provision for income taxes and the amount of tax computed by applying the statutory income tax rate to the RRA results before tax.

	1981		1980		1979	
	(dollar amounts in thousands)					
Tax computed by applying statutory rate	$53,840	46.0%	$167,743	46.0%	$159,555	46.0%
Investment tax credit, including amounts attributable to future development costs	(11,554)	(9.9)	(7,775)	(2.1)	(4,337)	(1.2)
Decrease in taxes resulting from statutory depletion in excess of cost depletion	(443)	(.4)	(901)	(.3)	(1,006)	(.3)
Decrease in taxes resulting from application of capital gains tax rate on sale of properties	—	—	—	—	(16,253)	(4.7)
Decrease in taxes resulting from change in statutory tax rate from 48% to 46%	—	—	—	—	(16,679)	(4.8)
RRA provision for income taxes	$41,843	35.7%	$159,067	43.6%	$121,280	35.0%

(18) INFLATION ACCOUNTING (Unaudited)—

The following information presents the effect of changing prices on the Company's assets, liabilities and net income for 1981, 1980 and 1979. "Constant dollar" information represents a restatement of historical cost amounts for increases in general inflation as measured by the Consumer Price Index. "Current cost" information represents a restatement of historical cost amounts for inflationary increases in the oil and gas industry as measured by the Oil Field Machinery and Tools Index. All amounts except the 1980 current cost amounts are stated in average 1981 dollars. The 1980 current cost amounts are stated in average 1980 dollars.

	Current Cost		Constant Dollar		
	1981	1980	1981	1980	1979
	(in thousands, except per share data)				
Net income available for common	$ 65,892	$ 49,819	$ 77,234	$ 54,517	$169,916
Income per share, fully diluted	$ .96	$ .72	$ 1.12	$ .79	$ 2.63
Net assets at year end	$1,194,409	$ 909,104	$999,639	$856,912	$681,814
Gain from decline in purchasing power of net amounts owed			$ 57,061	$ 53,182	$ 76,054
Amount of property, plant and equipment at year end	$1,805,199	$1,238,255			
Increase in specific prices of property, plant and equipment over increase in general price level	$ 125,444	$ 132,814			

Current cost net income, as compared to historical cost net income, reflects additional depreciation, depletion and amortization of $40.5 million in 1981 and $45.4 million in 1980. No adjustment was made to the provision for income taxes as reported in the primary financial statements.

Constant dollar net income reflects additional depreciation, depletion and amortization expense of $29.1 million, $40.7 million and $44 million in 1981, 1980 and 1979, respectively, and in 1979, an increase of $71.7 million in the net book value of properties sold. No adjustment was made to the provision for income taxes as reported in the primary financial statements. Net assets were adjusted to constant dollars using the average level of the Consumer Price Index for 1981 of 272.4.

Certain additional financial data adjusted for general inflation (constant dollars) for the five years ended December 31, 1981 stated in average 1981 dollars is as follows:

	1981	1980	1979	1978	1977
Total revenues (in thousands)	$407,744	$410,987	$354,409	$233,136	$210,799
Cash dividends per common share	$ .12	$ .058	$ .122	$ .153	$ .094
Market price per common share at year end	$ 20.38	$ 35.04	$ 18.52	$ 11.42	$ 14.54
Average consumer price index	272.4	246.8	217.4	195.4	181.5

The constant dollar and current cost disclosures represent a substantial departure from historical accounting principles and are of limited usefulness in evaluating the Company's results of operations or financial position.



T. Boone Pickens, Jr.
President and
Chairman of the Board
of Directors of the
Company since 1964.



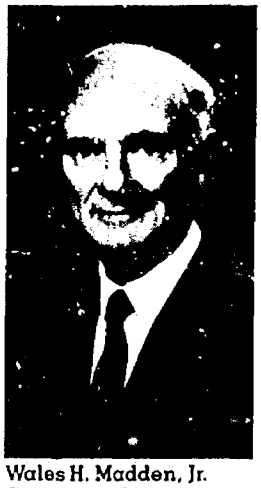
Robert L. Stillwell
Partner in Baker & Botts
(attorneys), Houston,
Texas. Served as a
director since 1969.



Michael A. Nicolais
President of The Clark
Estates, Inc. (estate
management), New
York, New York. Served
as a director since 1969.



Jack K. Larsen
Executive Vice President
of the Company.
Served as a director
since 1974.



Wales H. Madden, Jr.
Attorney and
businessman,
Amarillo, Texas.
Served as a director
since 1964.

Directors and Officers

DIRECTORS

T. Boone Pickens, Jr.
President and Chairman of the Board of Directors of the Company

Jack K. Larsen
Executive Vice President of the Company

Wales H. Madden, Jr.
Attorney and businessman
Amarillo, Texas

Michael A. Nicolais
President of The Clark Estates, Inc. (estate management)
New York, New York

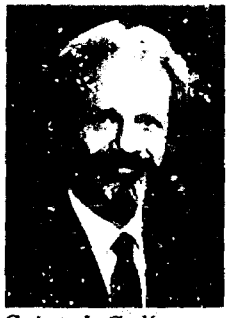
Robert L. Stillwell
Partner of Baker & Botts (attorneys)
Houston, Texas



John F. Boros
Vice President,
Treasurer and
Secretary since 1974.
Joined Mesa in 1964.



T. Boone Pickens, Jr.
President and
Chairman of the Board
of Directors since
founding the Company
in 1964.



Gaines L. Godfrey
Vice President-Finance
since 1974. Joined Mesa
in 1973.



Jesse P. Johnson
Vice President-
Operations since
joining Mesa in
March 1982.



Jack K. Larsen
Executive Vice
President since 1980.
Joined Mesa in 1969.



James O. Upchurch
Vice President-
Engineering since 1971.
Joined Mesa in 1969.



James G. Blankenship
Vice President-Gulf
Coast since 1980.
Joined Mesa in 1974.



Bill R. Alexander
Vice President-
Personnel and
Administration since
1980. Joined Mesa
in 1971.



Marion E. Causey
Vice President-Permian
Basin since 1980. Joined
Mesa in 1973.



David H. Batchelder
Controller since 1980.
Joined Mesa in 1978.



Robert W. King
Vice President-Rocky
Mountain since 1980.
Joined Mesa in 1973.

OFFICERS

T. Boone Pickens, Jr.
President and Chairman of the Board of Directors
Jack K. Larsen
Executive Vice President
Bill R. Alexander
Vice President-Personnel and Administration
James G. Blankenship
Vice President-Gulf Coast
John F. Boros
Vice President, Treasurer and Secretary
Marion E. Causey
Vice President-Permian Basin
Gaines L. Godfrey
Vice President-Finance
Jesse P. Johnson
Vice President-Operations
Robert W. King
Vice President-Rocky Mountain
James O. Upchurch
Vice President-Engineering
David H. Batchelder
Controller

General Information

Auditors

Arthur Andersen & Co.
Houston, Texas

Special Counsel

Baker & Botts
Houston, Texas

Transfer Agents

The Chase Manhattan Bank (N.A.)
The First National Bank of Amarillo

Registrars

The Chase Manhattan Bank (N.A.)
First City National Bank of Houston

Principal Offices

EXECUTIVE OFFICES
One Mesa Square
P.O. Box 2009
Amarillo, Texas 79189

GULF COAST DIVISION
James G. Blackenship, vice president
1700 Dresser Tower
601 Jefferson Street
Houston, Texas 77002

MID-CONTINENT DIVISION
Jed W. Lemmons, division manager
6 Broadway Executive Park
6600 North Harvey
Oklahoma City, Oklahoma 73116

PERMIAN BASIN DIVISION
Marion E. Causey, vice president
1000 Vaughn Building
400 West Texas Avenue
Midland, Texas 79701

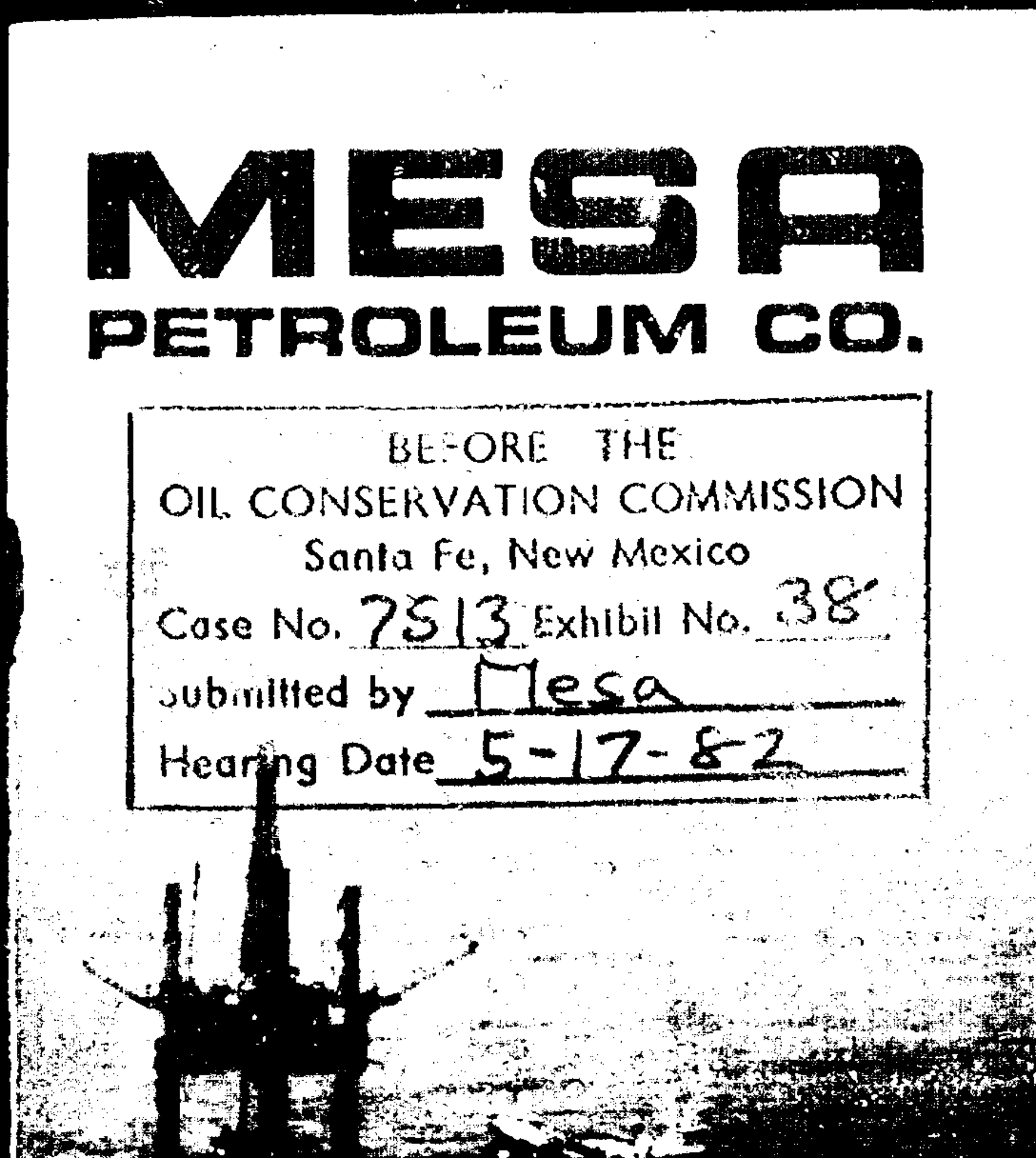
ROCKY MOUNTAIN DIVISION
Robert W. King, vice president
2800 Lincoln Center Building
1660 Lincoln Street
Denver, Colorado 80264

INTERNATIONAL DIVISION
George M. Edmond, executive vice president
Mesa Australia Limited
Australia Mutual Provident Building
140 St. Georges Terrace
Perth, Western Australia 6000



MESA
PETROLEUM CO.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 38
Submitted by Mesa
Hearing Date 5-17-82



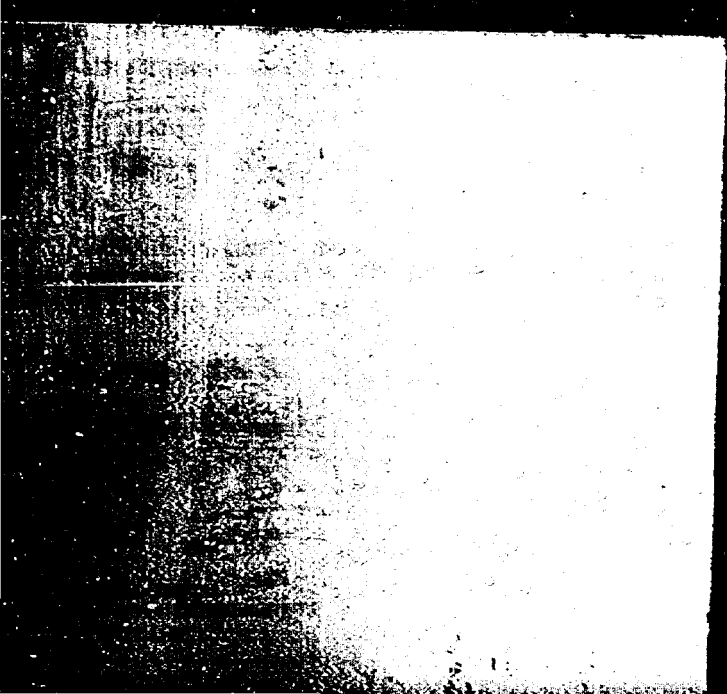
To Our Shareholders

Mesa's net income for common shares for the three months ended March 31, 1982, was $29.6 million, or $.44 per share, compared to $29.8 million, or $.43 per share, for the same period last year. First quarter earnings for 1982 were increased by an after-tax gain on sale of marketable securities of $16 million and reduced $7 million by foreign exchange adjustments due to fluctuations in the Canadian - U.S. dollar exchange rate.

Total revenues for the first quarter of 1982 were $104.1 million compared to $103.6 million for the same period last year. Oil and gas revenues for the first quarter were $95.4 million, a 1% increase from $94.2 million last year. This is the thirty-seventh consecutive quarter that the Company's oil and gas revenues have exceeded those for the same period of the preceding year.

SUMMARIZED FIRST QUARTER RESULTS

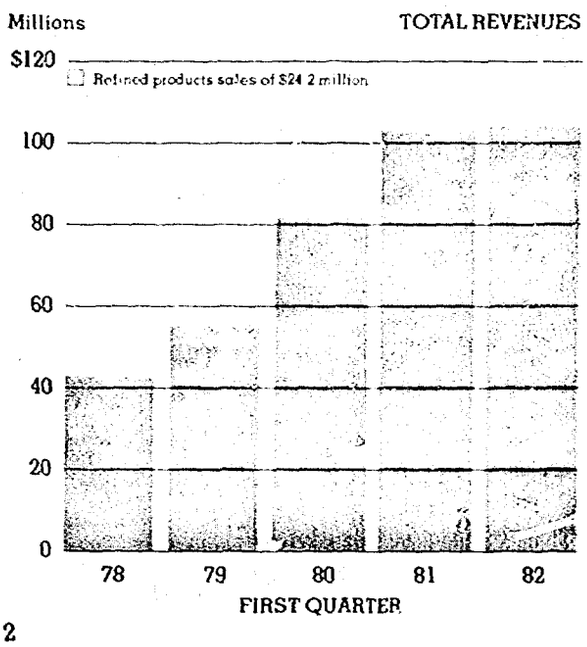
	Three Months Ended March 31	
	1982	1981
	(Unaudited)	
Oil and gas revenues	$ 95,353	$ 94,173
Interest and other income	8,786	9,451
Total revenues	$104,139	$103,624
Net income	$ 33,229	$ 29,841
Net income available for common	$ 29,604	$ 29,841
Per share—		
Excluding foreign exchange gain (loss) and gain on sale of marketable securities	$.30	$.42
Foreign exchange gain (loss)	(.10)	.01
Gain on sale of marketable securities	.24	--
Net income available for common	$.44	$.43



Exploration and Development

During the first quarter, Mesa participated in the drilling of 121 exploratory and development wells, of which 38 were in progress at March 31. Of these, 79 were operated by Mesa.

In the Gulf Coast division, a gas discovery was announced on Brazos A-39 (Mesa 50%) in the Miocene "Big hum" trend offshore Texas. The well was tested from perforations between 16,826 and 16,880 feet and flowed at a daily rate of 12.7 million cubic feet of gas and 28 barrels of condensate through a 16/64-inch opening with a flowing tubing pressure of 10,290 psi. The price for gas at this depth is deregulated. The discovery well was drilled through a 4-slot platform jacket, and a second well will soon commence drilling. On Brazos A-7 (Mesa 50%), also in the "Big hum" trend, well No. 2 has been drilled to total depth of 14,300 feet, and preparations are under way to log and test. This well is being drilled from a 4-slot platform installed in 1981 over well No. 1, the previously announced discovery. Production is expected to begin in early 1983. On



THE COVER: Testing well No. 1 on Brazos A-39 (Mesa 50%), a gas discovery in the Miocene "Big hum" trend offshore Texas.

MESA PETROLEUM CO.

Principal Offices

EXECUTIVE OFFICES
One Mesa Square
P.O. Box 2009
Amarillo, Texas 79189

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1700 Dresser Tower
601 Jefferson Street
Houston, Texas 77002

MID-CONTINENT DIVISION
6 Broadway, Executive Park
6600 North Harvey
P.O. Box 18950
Oklahoma City, Oklahoma 73154

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1000 Vaughn Building
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Midland, Texas 79701

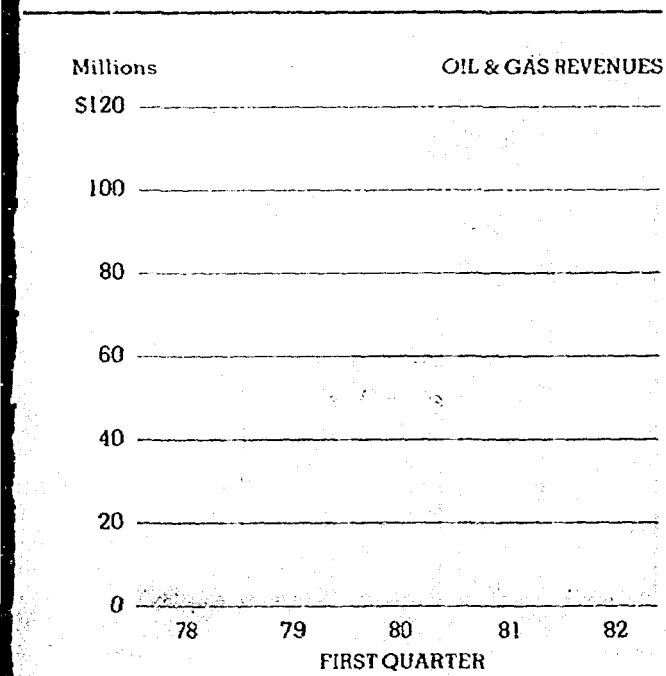
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2800 Lincoln Center Building
1660 Lincoln Street
Denver, Colorado 80264

INTERNATIONAL DIVISION
Australia Mutual Provident Building
140 St. Georges Terrace
G.P.O. Box A.8
Perth, Western Australia 6001

Matagorda Island 624 (Mesa 32.5%), where a 9-well platform was installed in December 1981, the second well has been completed and tested 5 million cubic feet of gas per day through a 12/64-inch choke with 6,600 psi flowing tubing pressure. A third well is currently drilling, and production is expected to begin in mid-1983.

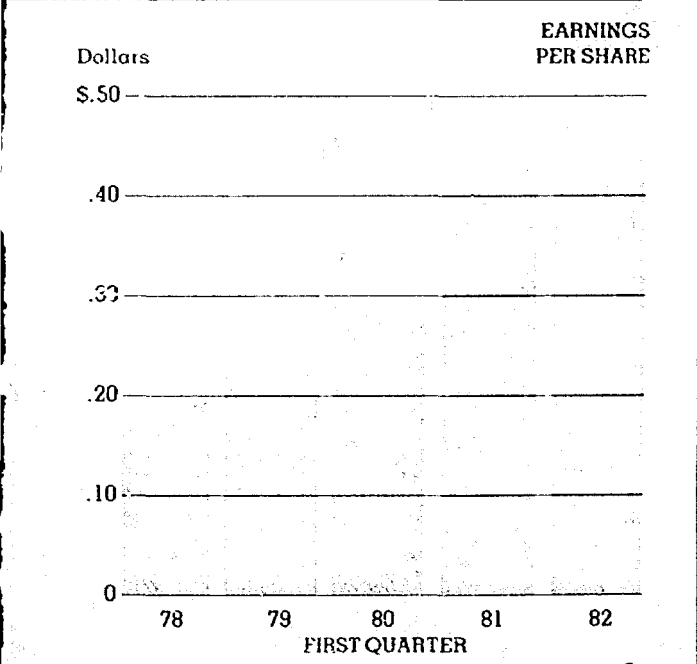
Production commenced in February from five wells on South Pass 78 (Mesa 25%) which are currently producing at a combined daily rate of 93 million cubic feet of gas. Production from 12 wells is expected by year-end 1982 at an estimated daily rate of 150 million cubic feet of gas and 1,500 barrels of oil. On Vermilion 348 (Mesa 75%), production began in February from two wells which are currently producing at a daily rate of 10 million cubic feet of gas. The remaining six wells will commence production throughout 1982. The eight wells are expected to produce at a combined daily rate of 25 million cubic feet of gas and 500 barrels of oil.

Onshore in the Gulf Coast division, the Barton No. 1 (Mesa 16.3%), a 21,500-foot Tuscaloosa



development well offsetting the University No. 42-20 (Mesa 50%), a 1980 dual Fusselman and Ellenburger discovery. The University No. 43-20 (Mesa 40.6%), the first development well, has commenced production from the Fusselman and Ellenburger formations at a combined daily rate of 10.1 million cubic feet of gas. Mesa owns a 40.6% interest in approximately 5,100 acres in this area and is presently receiving $8.75 per Mcf for gas from these wells.

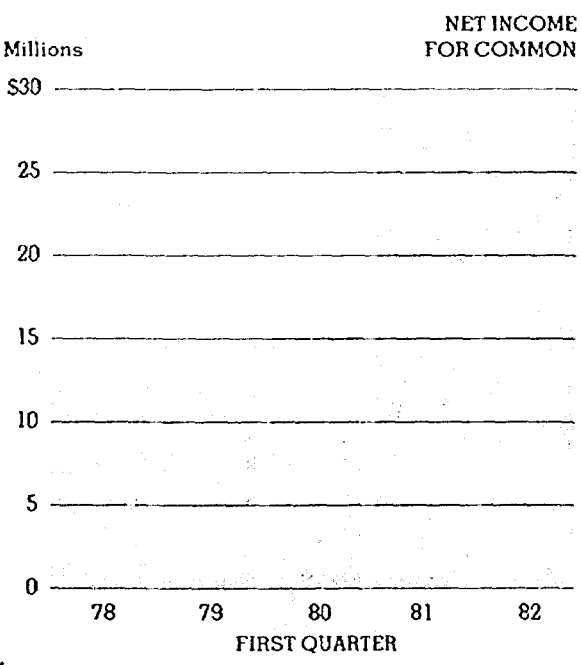
In the Rocky Mountain division, the Pelton No. 1-10 (Mesa 65%), a previously announced oil discovery in the Red River formation of the Williston Basin in Dunn County, North Dakota, has commenced production at a daily rate of 171 barrels of oil and 476 Mcf of gas. Approximately one mile north of the discovery, the Knutson-Werre 3 No. 1 (Mesa 65%) is awaiting pipeline connection after having tested 300 barrels of oil and 1.2 million cubic feet of gas per day from several zones in the Red River formation. The Federal 10 No. 1 (Mesa 65%), one mile east of the discovery, tested 630 barrels of oil per day and 1.75 million cubic feet of



test in Pointe Coupee Parish, Louisiana, is drilling below 18,000 feet after having set casing to a depth of 16,478 feet.

In the Permian Basin division, four rigs continue drilling in the Pecos Slope area of eastern New Mexico where the Company owns a 33% to 50% interest in approximately 788,000 acres. During 1982, Mesa drilled 40 Permian Abo formation gas wells in the area, bringing to 168 the number drilled since 1979. One hundred twenty-eight of these wells have been completed, 15 are in various stages of completion and 25 were plugged and abandoned. Eighty-three wells are on production at a combined daily rate of 23.7 million cubic feet of gas, and 45 are awaiting pipeline connection. Mesa expects to drill 94 additional Abo wells during 1982.

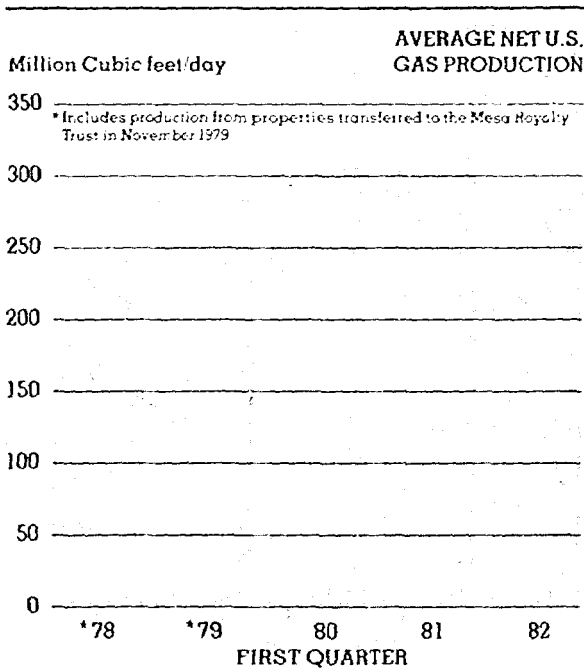
In Pecos County, Texas, the Cerf Ranch No. 1-9 (Mesa 16.3%) is drilling below 28,500 feet toward a 29,500-foot Ellenburger objective. In Ward County, Texas, the University No. 26-19 (Mesa 40.6%), a development well, is drilling below 9,000 feet toward a 22,500-foot Fusselman/Ellenburger objective. This is the second



gas through a 13/64-inch choke with 2,350 psi flowing tubing pressure. Approximately two miles north of the discovery, the Federal 4 No. 1 (Mesa 65%), was plugged and abandoned. Three miles north of the Pelton No. 1-10 discovery, the Knutson-Werre 34 No. 1 (Mesa 65%) was drilled to 14,000 feet and logged 71 feet of indicated pay in the Red River formation. Mesa owns a 65% interest in 12,565 acres in this area.

Three additional oil discoveries were made during the first quarter in the Williston Basin. In Dunn County, North Dakota, the Hausauer No. 1-22 (Mesa 33.5%) is producing 250 barrels of oil per day from the Duperow formation. Mesa owns a 55% interest in 7,000 acres in this area. In McKenzie County, North Dakota, the Roen 14 No. 1 (Mesa 65%) flowed oil at a daily rate of 150 barrels and 400 Mcf of gas from the Red River formation and is awaiting pipeline connection. In Roosevelt County, Montana, the Ronning No. 1-21 (Mesa 56.9%) flowed 100 barrels of oil and 250 Mcf of gas per day from the Ratcliffe formation and is also awaiting pipeline connection.

In Sublette County, Wyoming, the Riley



15.8%), a 20,000-foot Springer test, is drilling below 11,200 feet.

In Custer County, Oklahoma, the Gholston No. 1-15 (Mesa 38.8%), a 19,500-foot Morrow-Springer test, is drilling below 18,500 feet.

In Western Australia, the Yardie East (Mesa 5%), an 18,500-foot test, is being directionally drilled from onshore to an offshore target two miles from the coast and is drilling below 16,500 feet

Production

Net daily U.S. production is summarized as follows:

	Three Months Ended March 31	
	1982	1981
Natural gas (Mcf/day)	278,767	311,953
Natural gas liquids (Bbls/day)	2,171	2,296
Oil and condensate (Bbls/day)	7,732	8,746

The decrease in natural gas production resulted from lower pipeline takes from properties in the Gulf of Mexico and the Hugoton field of Kansas. The decrease in gas production resulted in a corresponding decrease in condensate production.

Prices

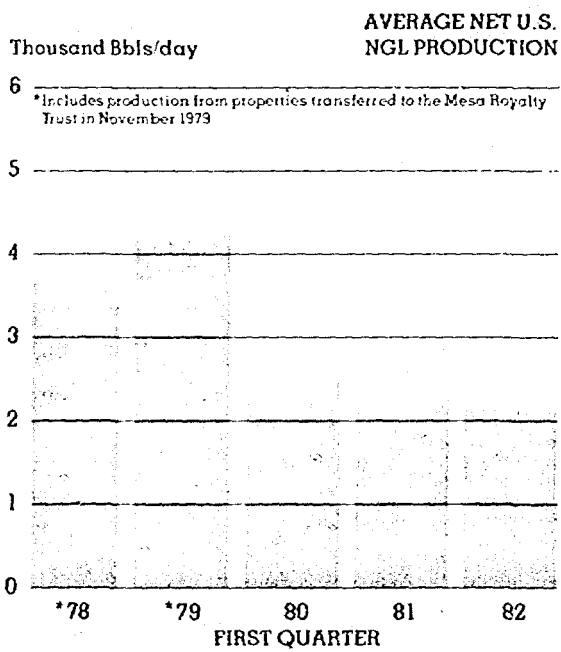
Mesa's average U.S. prices received during the first quarter are shown below:

	Three Months Ended March 31	
	1982	1981
Natural gas (per Mcf)	$ 2.52	$ 2.04
Natural gas liquids (per Bbl)	$16.77	$20.98
Oil and condensate (per Bbl)	$33.80	$33.52

The increase in average natural gas prices was due to a larger percentage of Mesa's total gas production qualifying for higher gas price categories under the Natural Gas Policy Act of 1978. Natural gas liquids and oil and condensate prices fluctuate with supply and demand in a free market.

Ridge Federal No. 17-34 (Mesa 12.7%), a third development well one mile south of the previously announced gas discovery, logged approximately 200 feet of gas pay in the Mississippian formation, and completion operations are under way. The Riley Ridge Federal No. 12-43 (Mesa 40%), the fourth development well, is being completed after logging 175 feet of gas pay in the Mississippian formation. In addition, the Federal No. 12-43 logged 24 feet of gas pay in the Frontier formation. This gas will not require plant processing before marketing. The Riley Ridge Federal No. 33-24 (Mesa 34.4%), a fifth development well approximately two miles northeast of the discovery, is drilling below 8,600 feet toward a total depth of 17,000 feet. Gas from the Mississippian formation in this area has a high CO_2 content. A feasibility study for an extraction plant is under way to determine marketing potential for this gas.

In the Overthrust Belt, the Champlin 404 Amoco "C" No. 1 (Mesa 27%), a 15,500-foot Nugget test in Uinta County, Wyoming, is drilling below 10,500 feet. This development well is in



President's Comments

While having been affected by the general economic decline in recent months, the petroleum industry remains one of the strongest and most vital in America. The industry responded to higher petroleum prices by directing additional funds toward the discovery and development of oil and gas reserves which, with the help of a conservation-minded public, has reduced significantly the nation's dependence on imported crude oil. The nation's long-range economic vitality, however, remains heavily dependent on secure domestic sources of energy, and efforts should be continued to reduce regulations and price controls. Market forces, reacting to increased domestic energy supplies and reduced OPEC crude oil output, are serving to stabilize petroleum prices. In response to a changing business climate, the industry is becoming more innovative and selective in order to take advantage of investment opportunities. Mesa expects to be an active participant and catalyst in these activities.

Sincerely,

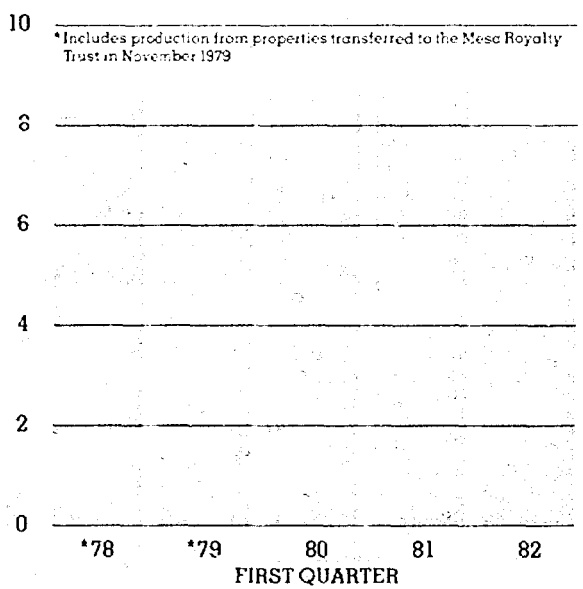
T. Boone Pickens, Jr.
President and Chairman
of the Board of Directors

May 4, 1982

the large Anschutz Ranch East field. Mesa owns a similar interest in an adjacent drilling unit to the south and a 65% interest in 640 acres one and one-half miles northeast of the well. In another area of Uinta County, the Urroz No. 1-5 (Mesa 65%) has been plugged and abandoned after encountering noncommercial quantities of oil.

In the Mid-Continent division, Mesa is drilling five wells in Beckham County, Oklahoma, to objectives below 15,000 feet. The Cox No. 2-34 (Mesa 57.2%) and the Tipton No. 2-29 (Mesa 51.2%), both 26,000-foot Hunton formation tests, are drilling below 17,800 feet and 22,500 feet, respectively. The Cox is three miles east and the Tipton is one mile north of the Crook No. 1-32 (Mesa 63.5%), a previously announced Morrow formation gas discovery. The Mandrell No. 1-30 (Mesa 12.1%), one mile northwest of the Crook, is drilling below 17,400 feet toward a 20,000-foot Morrow-Springer objective. The Keathley No. 1-31 (Mesa 13.1%), one mile west of the Crook, is drilling below 9,800 feet toward a Morrow-Springer objective at 20,000 feet. The Benton No. 1-21 (Mesa

AVERAGE NET U.S. OIL AND CONDENSATE PRODUCTION



MESA PETROLEUM CO. AND SUBSIDIARIES

Consolidated Statements of Income *(Unaudited)*

REVENUES:
- Natural gas
- Oil and condensate
- Natural gas liquids
- Total oil and gas revenues
- Interest and other income

COSTS AND EXPENSES:
- Operating
- Federal excise tax on oil and condensate
- General and administrative
- Interest
- Interest capitalized
- Taxes, other than on income
- Depreciation, depletion and amortization

INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES
- Foreign exchange gain (loss)
- Gain on sale of marketable securities
- Provision for income taxes

NET INCOME

PREFERRED STOCK DIVIDENDS

NET INCOME AVAILABLE FOR COMMON

INCOME PER COMMON SHARE—primary and fully diluted

AVERAGE SHARES—fully diluted

	Three Months Ended March 31	
	1982	1981
	(In thousands, except earnings per share)	
	$ 68,412	$ 57,266
	23,664	32,572
	3,277	4,335
	95,353	94,173
	8,786	9,451
	104,139	103,624
	14,531	11,523
	4,943	7,898
	4,585	4,200
	27,519	22,650
	(15,371)	(15,673)
	965	1,205
	29,979	22,995
	67,151	54,798
	36,988	48,826
	(9,753)	1,437
	22,274	3
	(16,280)	(20,425)
	33,229	29,841
	(3,625)	—
	$ 29,604	$ 29,041
	$.44	$.43
	67,712	69,467

MESA PETROLEUM CO. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes In Financial Position *(Unaudited)*

SOURCE OF FUNDS:

- Net income .....
- Depreciation, depletion and amortization .....
- Deferred income tax .....
- Gain on sale of marketable securities .....
- Funds provided from operations .....
- Proceeds from sale of marketable securities .....
- Long-term borrowings, production payments and subordinated debentures .....
- Decrease in long-term notes receivable and term royalty receivable .....
- Other .....

USE OF FUNDS:

- Capital expenditures .....
- Retirements of long-term debt, production payments and subordinated debentures .....
- Other .....
- Increase (decrease) in working capital .....

Condensed Consolidated Balance Sheets *(Unaudited)*

ASSETS:

- Current assets .....
- Marketable securities .....
- Long-term notes receivable .....
- Term royalty receivable .....
- Property, plant and equipment (net) .....
- Deferred charges and other assets .....

LIABILITIES:

- Current liabilities .....
- Long-term debt .....
- Production payments .....
- 8½% subordinated debentures .....
- Deferred revenue .....
- Deferred income taxes .....

7% REDEEMABLE PREFERRED STOCK .....

STOCKHOLDERS' EQUITY .....

	Three Months Ended March 31	
	1982	1981
	(In thousands)	
	$ 33,229	$ 29,841
	29,979	22,995
	14,903	19,345
	(22,274)	(3)
	55,837	72,178
	30,988	5
	140,256	43,757
	16,077	36,226
	3,375	438
	$246,533	$157,604
	$121,925	$ 85,364
	183,909	16,829
	11,336	2,847
	(70,637)	52,564
	$246,533	$157,604

	March 31 1982	December 31 1981
	(In thousands)	
	$ 251,804	$ 279,536
	193,798	238,339
	847	1,377
	258,512	274,059
	1,353,871	1,263,331
	15,929	12,713
	$2,074,761	$2,069,355
	$ 238,500	$ 195,595
	671,382	594,423
	55,442	176,054
	76,590	76,590
	20,433	21,588
	216,532	199,660
	210,000	210,000
	585,882	595,445
	$2,074,761	$2,069,355

Financials

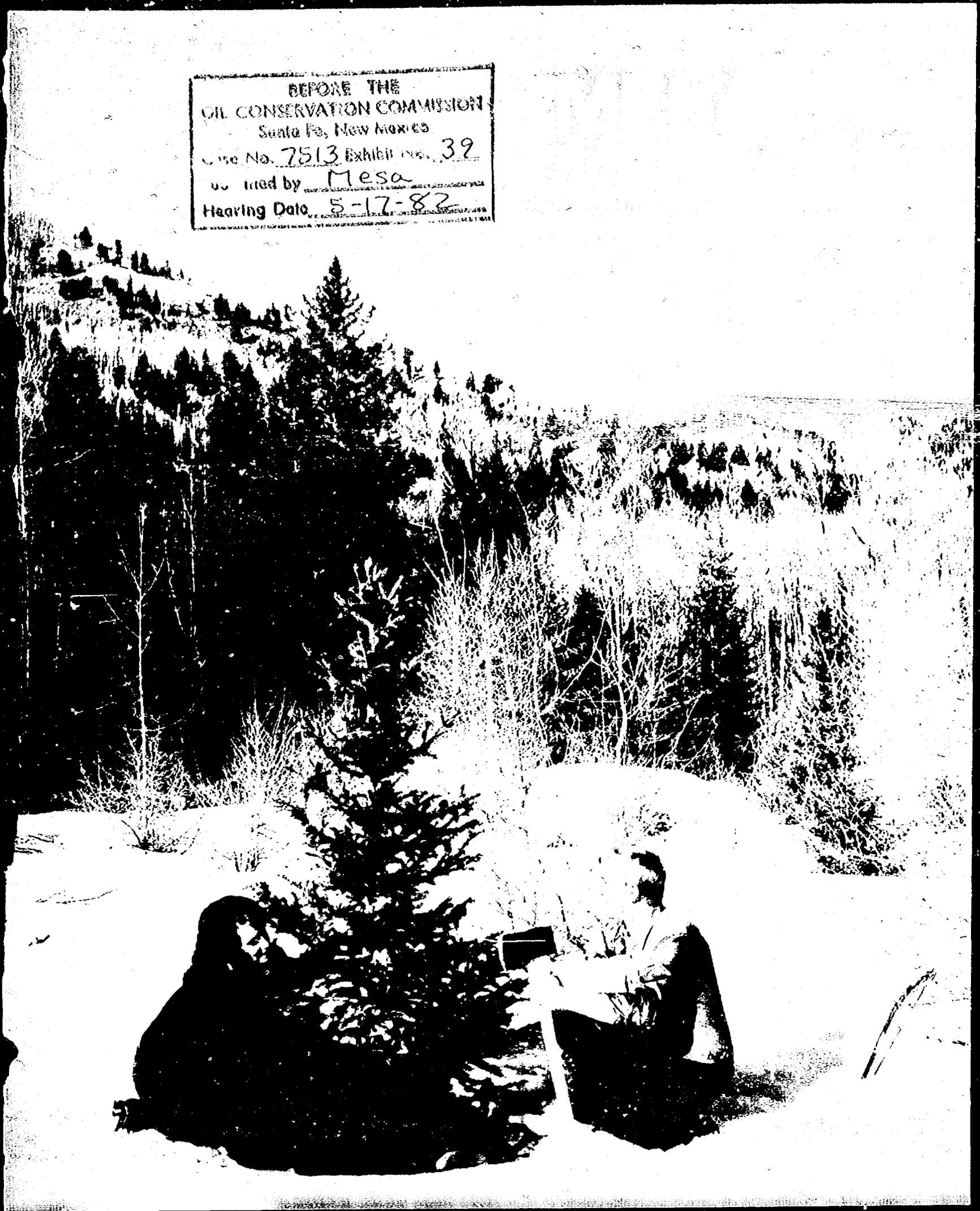
Directors

T. BOONE PICKENS, JR.	*President and Chairman of the Board of Directors of the Company*
JACK K. LARSEN	*Executive Vice President of the Company*
WALES H. MADDEN, JR.	*Attorney and businessman Amarillo, Texas*
MICHAEL A. NICOLAIS	*President of The Clark Estates, Inc. (estate management) New York, New York*
ROBERT L. STILLWELL	*Partner of Baker & Botts (attorneys) Houston, Texas*

Officers

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JACK K. LARSEN	*Executive Vice President*
BILL R. ALEXANDER	*Vice President-Personnel and Administration*
JOHN F. BOROS	*Vice President, Treasurer and Secretary*
MARION E. CAUSEY	*Vice President-Permian Basin*
GAINES L. GODFREY	*Vice President-Finance*
JESSE P. JOHNSON	*Vice President-Operations*
ROBERT W. KING	*Vice President-Rocky Mountain*
JAMES O. UPCHURCH	*Vice President-Engineering*
DAVID H. BATCHELDER	*Controller*

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 39
Submitted by Mesa
Hearing Date 5-17-82





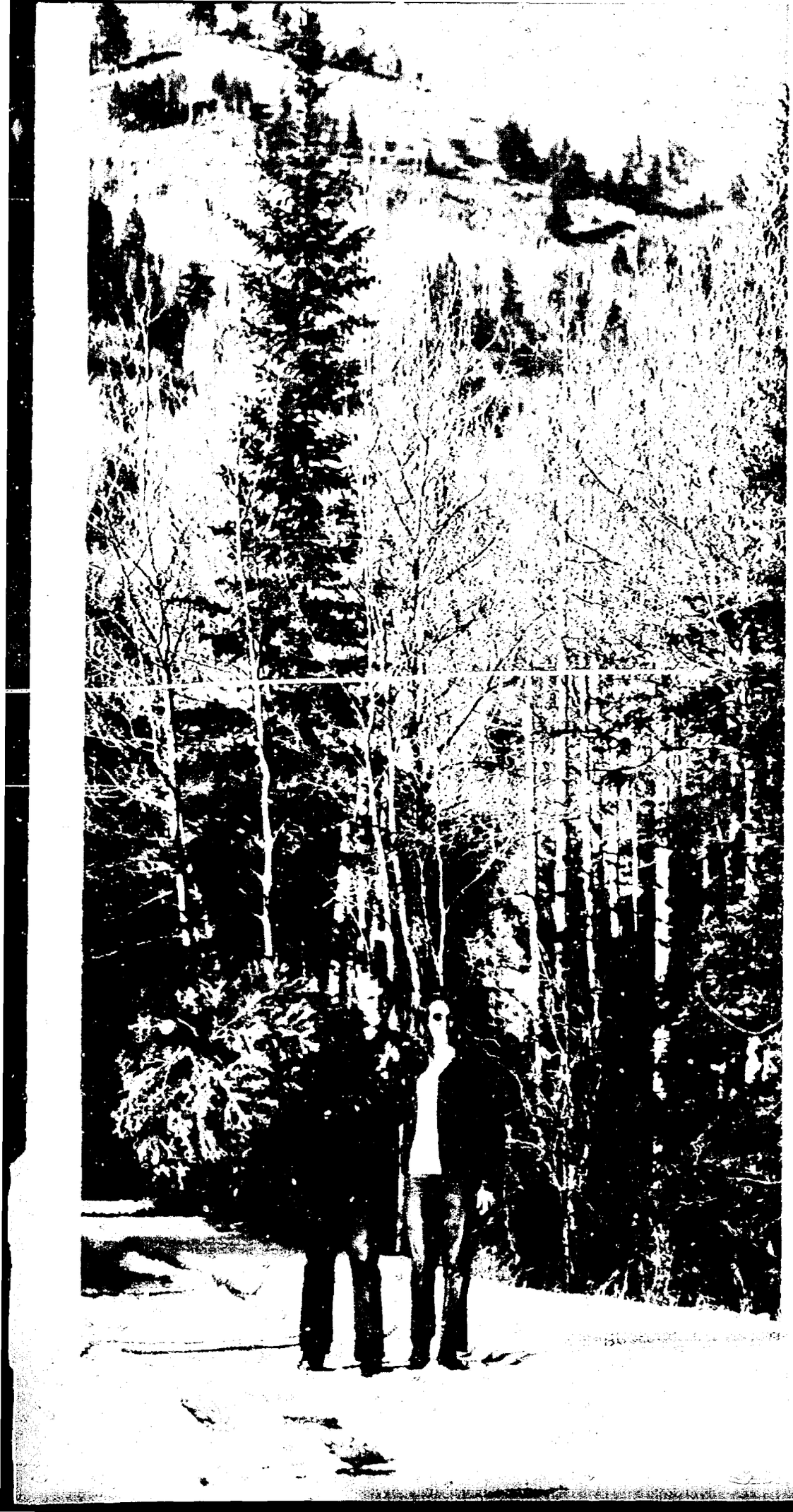
President's Greeting

Bea and I hope that this will be the happiest of all holiday seasons for you and your family. We have been blessed this year with our first grandson who, along with two granddaughters and our own children, makes the Christmas season extra special.

Our Mesa family also continues to grow, and it, too, is a great source of personal satisfaction. Mesa people are unique in their dedication, outstanding accomplishments and personal values. It is particularly gratifying that this group of special people has built a company which can help its employees meet the needs for a happy and successful life. Mesa's continuing growth provides each employee the opportunity to be productive. The Company's physical fitness facilities and programs will assist employees in acquiring and maintaining good health throughout their lives. And, Mesa's stock purchase and profit sharing plans will help individuals attain economic security for retirement. As a result, the Company's personnel enjoy greater job satisfaction, healthier lives and financial security.

This same dedication to achievement will again be needed in 1982 as Mesa faces such industry-wide problems as increased drilling costs and escalating acreage prices. To ensure realistic capital budget requirements for the Company, every employee must demand full value for funds expended. I am confident that the Mesa team will view these situations as opportunities to excel.

Mesa has received recognition for its industry leadership throughout the year in numerous publications, including Financial World, Forbes, Fortune, Institutional Investor, Texas Business *and the* Wall Street Transcript, *and by such organizations as the Stanford Business School Alumni Association. The Company will continue as an industry leader by bringing to bear its unique brand of innovativeness, operational expertise and adherence to excellence.*



Christmas Tree Traditions

Last year, Susan Burns, draftsman in the Mid-Continent division, bought two live Christmas trees, one for the office and one for home. "When you think about it," says Burns, "you spend more time at the office than you do at home.

"The trees were only six inches tall, and I shared one with a friend. We wanted to buy a Christmas tree together, but we couldn't decide whether to keep it at her house or mine. Neither of us really had room for a big tree, so the two small trees were a nice compromise.

"Even though the trees were small," says Burns, "it gave us a feeling of Christmas."

Christmas trees are an American tradition, and for those born in the 20th century, it is hard to imagine Christmas without one. If not at one's own house, then a friend's or relative's.

Legend dates the Christmas tree back to the 5th and 6th centuries. St. Boniface, a Christian missionary in what is now Germany who lived between 680 and 755 A.D., is said to have brought the first fir tree into his home because all its branches pointed toward heaven. He encouraged his recent converts to use a tree as a symbol of their new faith.

Another version of this legend

Ron and Yvonne Bishop head home with their freshly cut blue spruce.



Snowball fights are part of the fun of an outing to cut a tree according to Ron and Yvonne Bishop, Aztec Office, Flora Vista, New Mexico.

what it's all about."

David Green, assistant drilling foreman, Flora Vista, has been cutting his own Christmas tree since he was "knee-high to a grasshopper."

"We save a little money," says Green, "but the real reason we cut our own is to enjoy a day out as a family. We drive to a designated area in Colorado where the forest service has marked certain trees to be cut as part of a thinning/conservation program."

Every Christmas since Diana Carmean's son Russell (9), was a baby, she has decorated his room with a tree. Carmean, a geological assistant in the Permian Basin division, was in the process of picking out a cut tree at the local nursery when she spotted a small, potted fir decorated with a string of small lights.

"It was perfect," says Carmean. "After Christmas, we replanted it in a bigger pot. Russell kept it in his room all winter, and we moved it out on the back porch in the spring."

The tree grew about three inches, according to Carmean, and this Christmas, she plans to move it back into her son's room. "He decorates the tree with several ornaments that he has made and some his grandparents have given him over the years. We really enjoy having a live tree," says Carmean. "For one thing, they don't shed their needles, and after Christmas, you still have a nice plant."

For Sally Buys, draftsman in the Permian Basin division, this will be the first year that she and her husband have had a tree since being married.

"We always went somewhere for Christmas," says Buys, "so we didn't go to the expense of putting up a tree. But this Christmas, we are buying a live tree."

Buys' husband works for a landscaping service and specially ordered the five-foot pine this fall.

"We will be able to keep the tree as a house plant after Christmas," says Buys, "and then use it again next year. It will always be serving a useful purpose."

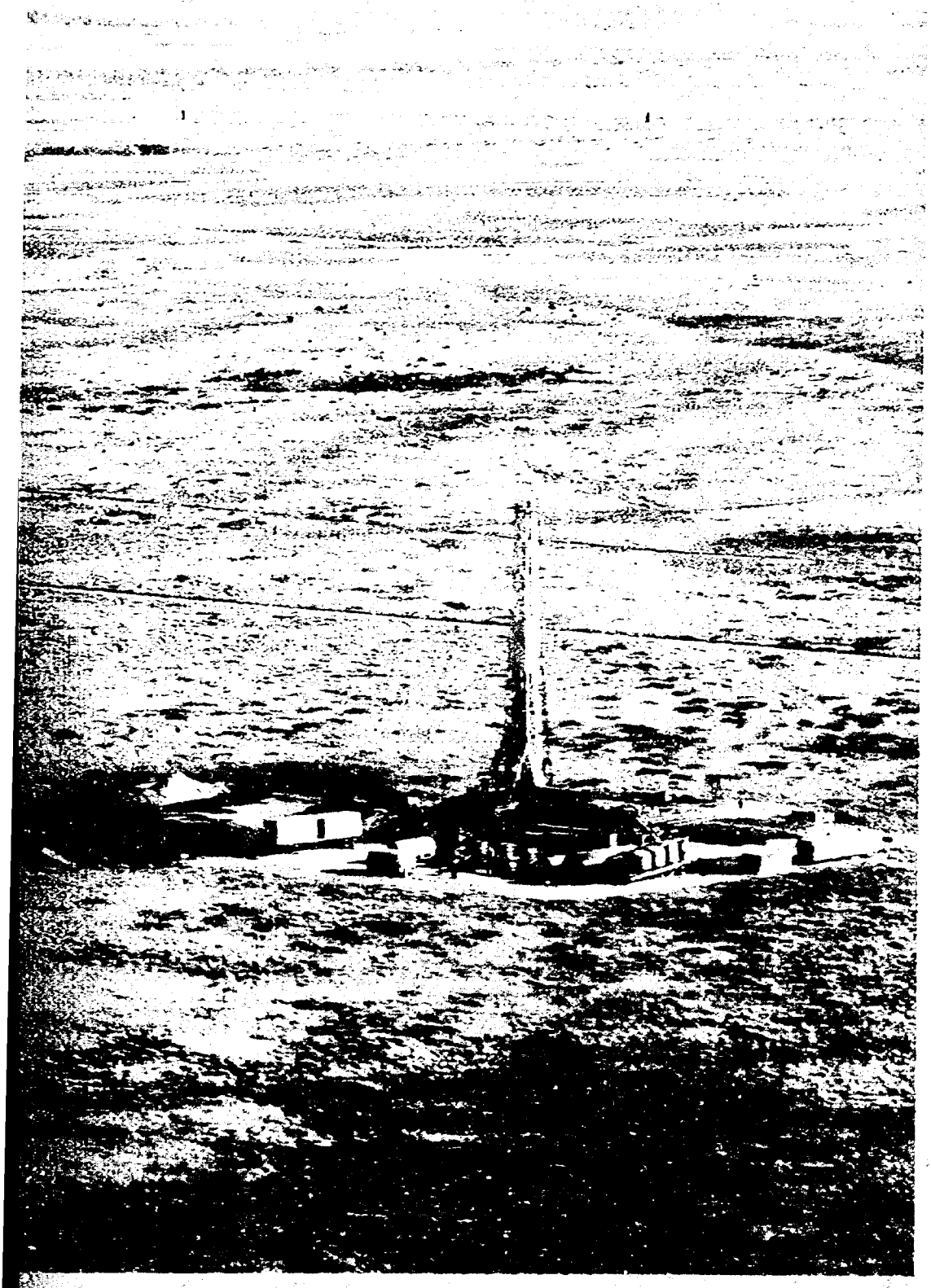
Jim Knight, materials and transportation supervisor in the Mid-Continent division, grew up on a farm in Illinois. "My parents planted a windbreak of fir trees when I was very small. After a few years, the trees began to crowd each other. My mom and dad decided that instead of cutting down some of the trees, they would dig them up and use them for potted Christmas trees.

"They were nicer than the cut trees you buy, because they stayed fresh and didn't shed their needles, which is the worst thing about a cut tree.

"After Christmas, we kept the tree, undecorated, in the house until the ground thawed enough to plant it somewhere else on the property. We did that for about seven years.

"We moved from the farm when I was in high school, but I imagine those trees are still there, symbols of seven memorable Christmases we spent on the farm."

The Pecos



In 1869, a professional gambler named Van C. Smith and his partner, Arron O. Wilburn, decided to construct two adobe buildings close to the Pecos River which runs through southeastern New Mexico. The buildings served as post office and general store with sleeping quarters in the attic for passing travelers. When Smith filed a homestead claim on the 136 acres around his buildings, he named the settlement after his father, Roswell.

From those humble beginnings, Roswell has grown to a town of 55,000 population with ranching, irrigated farming and rapidly developing natural gas exploration and production providing the economic base.

In April this year, Mesa's Permian Basin division opened a district office in Roswell to oversee the Company's activities in the Pecos Slope area. John James, drilling superintendent, now has 12 people working out of the office. Five are drilling foremen: Jack Jackson, Steve Matthews, Don Mayberry, Dean Pate and Tommy Roger. Ed Bannister is production foreman; Mike Lynch is production foreman assistant; and pumpers—James Craig, John Hunt and Eugene Neff—keep produc-

Mesa owns an interest in approximately 780,000 acres in the Pecos Slope area in eastern New Mexico.

Slope

tion units operating. Lloyd Reed is the regulatory agent, and Jamie Owens is the secretary.

The impact of the increasing exploration and production activities in the past two years can be seen on the Chaves County tax rolls. In 1979, the energy industry paid $13.5 million in taxes. By 1980, that figure was up to $22 million, and for 1981, the industry paid $40.8 million through October.

The first royalty check paid to the State of New Mexico was for $124 in 1923. In 1980, the state received $800 million in royalties and taxes.

Three major industrial parks covering 242 acres with oil and gas related equipment and servicing facilities were constructed in Roswell in the past two years. According to the Chamber of Commerce, each drilling rig provides an average yearly payroll of $600,000. There are currently 19 rigs operating in the area.

The cause of this boom is a gas play in the Pecos Slope area of eastern New Mexico. Although most current activity is centered in Chaves County, north and east of Roswell, the potential producing area stretches farther north to include all of De Baca County, about half of Guadalupe County and the eastern edge of Lincoln County.

Underlying the Pecos Slope (drainage basin for the Pecos River) is the Permian Abo formation, a shallow gas zone (at about 3,500 feet) once shunned as uneconomic, according to the June 22, 1981, *Oil and Gas Journal*. The formation is made up of very fine-grained sandstone and siltstone, and without fracturing, the formation flows only 7 to 50 Mcf of gas per day. With hydraulic fracturing, a process of injecting gelled water mixed with sand down the well bore to crack open the formation, flow rates can reach 300 to 15,000 Mcf per day.

Gas was discovered in the Abo several years ago in a well drilling for a deeper zone. Prior to the discovery, over 200 wildcat wells were drilled in the 5 million-acre area, all with objectives other than the Abo. The initial well was drilled in 1923 with the majority of the 200 drilled in the 1950s. While some of the wells were drilled for shallower zones such as the San Andres, most were looking for formations deeper than the Abo, like the Wolfcamp.

The Abo age rocks in the Pecos Slope are a series of sand deposits left 280 million years ago by rivers draining into the Permian Sea, much as the Mississippi River deposits sands off the coast of Louisiana today. Therefore, reservoirs are found in disconnected channel sands laid down by ancient rivers and streams in the Pecos Slope. The Abo rocks are a series of red and green sands and shales, which would look much like Palo Duro Canyon if they were exposed on the surface. Over the years, gas has migrated from the shales into the channel sands which permeate the formation.

With drilling and completion costs, including fracturing, averaging $350,000 to $400,000 per well, the economics of drilling a well were marginal at the $2.81 per Mcf ceiling price for gas set by the Federal Energy Regulatory Commission (FERC).

As the most active operator in the Pecos Slope, Mesa, along with another operator, filed a joint application for a "tight sand" designation on 5.76 million acres in De Baca, Chaves, Lincoln, Guadalupe and Torrance counties.

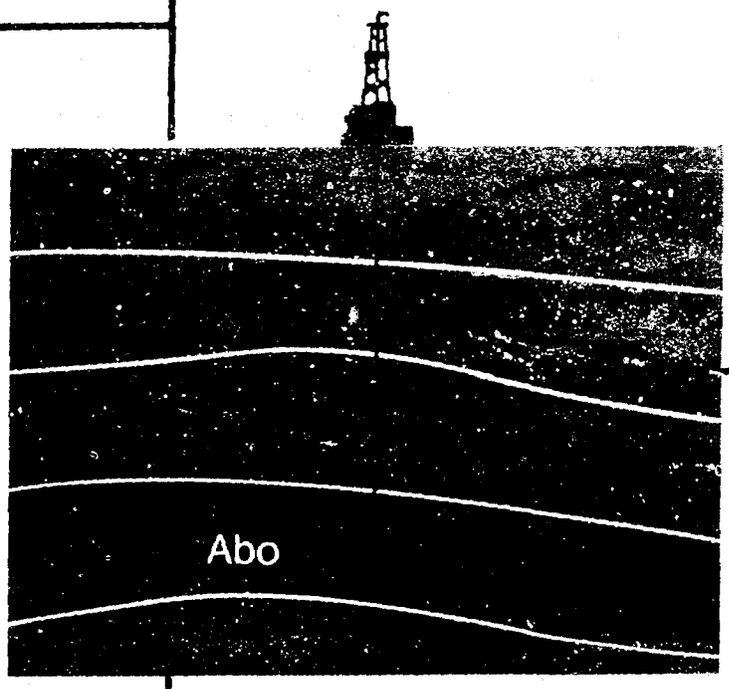
In June, the FERC approved the designation for 1.54 million acres in Chaves and De Baca counties. The designation raises the ceiling price on natural gas wellhead sales contracts to $4.92 per Mcf which greatly enhances the economics for these wells.

Mesa's first well in the Pecos Slope was the Rock Federal No. 1 (Mesa 53.3%) drilled in October 1979. The well initially produced 3.1 million cubic feet of gas per day after fracturing. Since the Rock Federal No. 1,

MESA
Pecos Slope Prospect
New Mexico

Guadalupe

De Baca

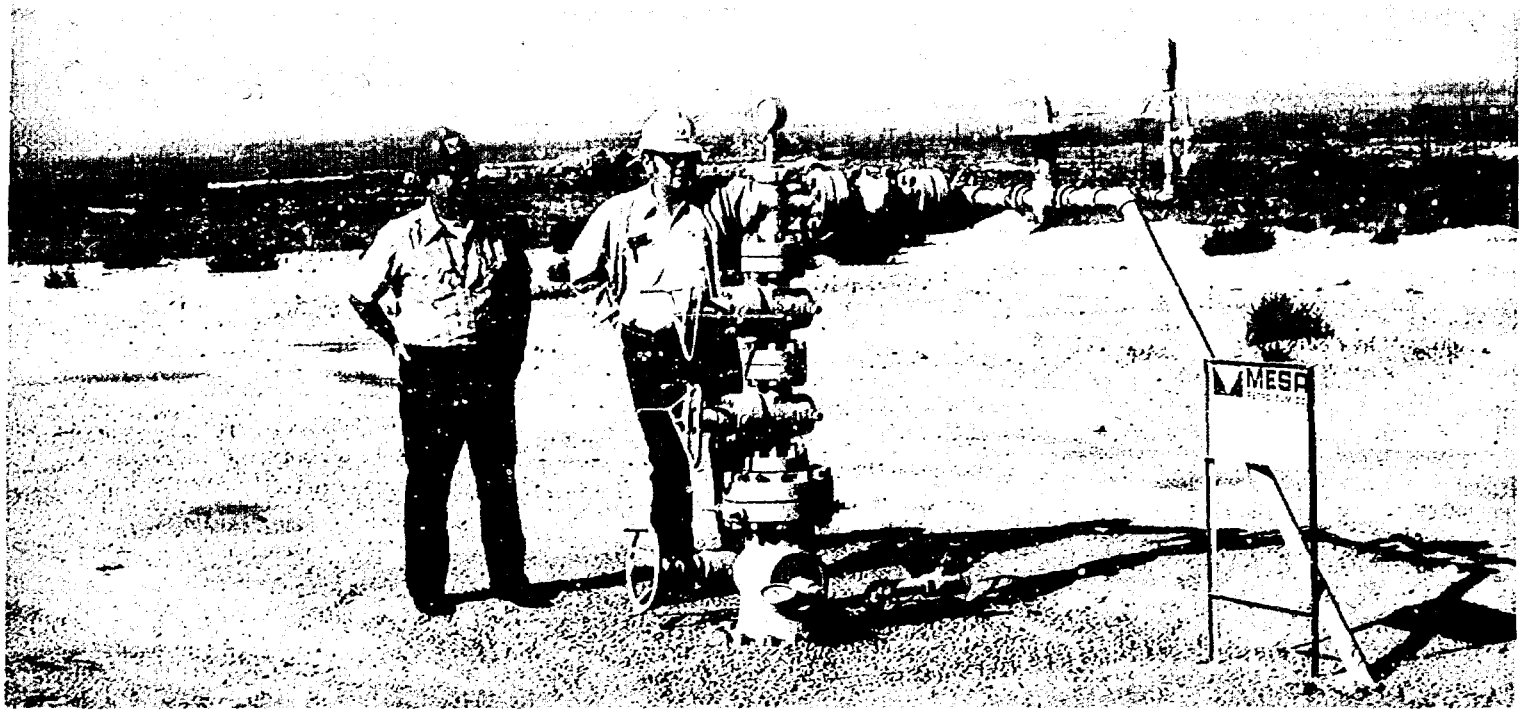


Chaves

Lincoln

Roswell

Mesa's primary area of activity in the Pecos Slope (yellow hatchered area of map) covers four counties in eastern New Mexico. Inset is a cross section of the Abo gas play.



Ed Bannister (left) and John James oversee Mesa's operations in the Pecos Slope. They are based in the Permian Basin division's Roswell office.

the Company had drilled 88 wells through the third quarter of 1981. Fifty-eight of these wells (Mesa 45.2% average interest) had been successfully completed, 15 were in various stages of completion and 15 were dry holes. Thirty-three wells were on production, and 25 were awaiting pipeline connection. The wells are expected to produce at an average initial daily rate of 500 Mcf of gas. Mesa plans to have drilled 133 wells by year-end and will drill 200 more in 1982.

The Pecos Slope is a new area for the oil and gas industry, and no one knows the ultimate size of recoverable reserves. Estimates from the *Oil and Gas Journal* state the Pecos Slope could cover as much as 8,000 square miles with potential recoverable reserves of 3 trillion cubic feet which would classify it as a giant gas field in the U.S. "That would compare in size with reserves in the Pictured Cliffs formation, a major producing zone in the San Juan Basin of northwestern New Mexico, one of the oldest gas producing fields in North America and second in size of gas reserves," says Les Carnes, manager of reservoir engineering.

"We estimate, based on cumulative production to date from 2,800 wells," says Carnes "that the Pictured Cliffs formation has ultimate recoverable gas reserves of 4 trillion cubic feet. The wells initially produced at a rate of approximately 500 Mcf per day from the 3,500-foot Pictured Cliffs zone on 160-acre spacing (one well per 160 acres). That just about mirrors the situation in the Pecos Slope, where wells in the Abo produce initially at average rates of 500 Mcf per well from about 3,200 feet on 160-acre spacing.

"Mesa could ultimately participate in the drilling of nearly 1,000 wells, of which we could expect 750 to be productive," says Carnes. "Mesa's net wells would number 270. At an average stabilized production rate of 300 Mcf per day per well, we could produce 80 million cubic feet of gas per day to Mesa's interest and generate revenues, based on a selling price of $5 per Mcf, of $150 million per year."



Trixie Lee Slife

Second Longest Service, but Second to None

How She Became a Mesa Employee — According to Mrs. Slife

"The day I discovered that the ironing, sprinkled days earlier, had molded, because I had taken to playing bridge incessantly," says Trixie Lee Slife, production records coordinator, "I decided it was time for me to go back to work. I had signed up with an employment agency, and they called me about a job with Petroleum Exploration, Inc. (PEI, the predecessor company to Mesa). PEI was in urgent need of a secretary. Would I talk to them that afternoon?

"I arrived at the Alta Building, 1501 Taylor, for the interview — fresh from the beauty parlor — promptly at 2 p.m. The receptionist, a secretary and jack-of-all-trades, told me that PEI had hired someone else for the position that morning. I left for home, headed straight for the telephone and told the employment agency that PEI was nothing but a bunch of amateurs. How wrong I was!

"The agency called the next morning, with great reservations I learned later, to ask me to go back to PEI and interview for the same job. The woman they hired had quit. Curiosity prompted me to go back to PEI's headquarters. That day, I proceeded to 'throw in my lot' with the most energetic, exasperating, inspiring and kind people I have ever known."

Trixie Lee Slife, with 24 years of service, has been with Mesa and its predecessor companies longer than anyone but T. Boone Pickens, Jr.

According to Mr. Pickens

"My secretary had resigned, because she couldn't stand the phones," says T. Boone Pickens, Jr., president and chairman of Mesa Petroleum Co. "I called Berlin Vance, who owns an employment agency, and told him I needed a secretary. Vance said he had a really qualified, nice-looking lady who he thought would be perfect for the job. So, we set up an appointment for 2 o'clock that afternoon.

"In the meantime, a friend called and told me she needed a job. I desperately needed someone, so I told her to come on over.

"I called the agency to tell them to cancel the interview, because I had already hired someone. However, they were unable to reach Mrs. Slife, and she arrived promptly at 2 p.m. She was very unhappy with us, to say the least. Then the next morning, the friend I had hired the day before quit. I called Vance to see if the lady he had mentioned previously would come back for an interview.

"He was a little hesitant about calling Mrs. Slife, but she agreed to return. I will never forget that meeting. She had on a red dress with a shawl. I knew from the way she walked into the room and tossed her shawl onto a chair that we had a problem.

"'I just wanted to see the person who had the nerve to set up an interview, hire someone else, cancel at the last minute and then call me back for an interview the next morning,' she said. Those were her first words, but certainly not her last. And after 24 years, she still does not mind setting anyone straight when she feels the occasion calls for it."

The Rest of the Story

On the morning of September 17, 1957, Trixie Lee Slife decided to "throw in her lot" with one president, two vice presidents, one landman, one part-time student-engineer and one other secretary/jack-of-all-trades. Slife knew nothing about the oil business, and there were no written office procedures.

"To show you how much I didn't know, El Paso Natural Gas had offices on the second floor of the Alta Building," Slife continues. "One day, not too long after I started working, Mr. Pickens came in and said he was going to see El Paso. I told everyone who called him that

he had gone to El Paso (Texas) and probably wouldn't be back for a few days.

"What an adventure," Slife continues in her one-page diary of those first years. "We hired a bookkeeper (She had plenty of experience as an executive secretary.) and a new land secretary. (The other one got married.) Then we hired a full-time production superintendent. Our part-time draftsman was still with us, and we had another drilling account going. Lots of prospects. Our wells were good ones. People were interested.

"One of the original partners left. The bookkeeper retired. We hired a secretary/treasurer, and he hired two clerks. Help — we're being crowded out."

"Those first years were rough," says Slife. "We all worked hard, long hours. We pitched in and helped each other with whatever needed to be done. No one talked about overtime. In fact, we would have taken a cut just to keep things running. And, we still managed to have fun.

"One time when we had been working particularly hard," says Slife, "Sandra Hunter, the other secretary, and I started clowning around after we had eaten lunch in the office. I don't remember exactly how we reached the point where we decided to imitate Jackie Gleason's traveling act from the old 'Honeymooners' TV series. I told Sandra to give me a little traveling music — da da da da dada, and away we go! — down the hall right into Mr. Pickens coming back from an abbreviated lunch. All he said was: 'What if someone had been with me?' Ever since that day, 'traveling' just hasn't been the same for me.

"In those early days, before we had a chance to prove ourselves, we wanted to be sure that our office conveyed a professional appearance to outsiders. (We still do.) Because of that, Mr. Pickens decided that we should call each other 'Mrs. Whoever' and 'Mr. Whomsoever.' To this day, he is still Mr. Pickens to me, and I am still Mrs. Slife."

Slife was the production records, division orders and central records departments all rolled into one. "I knew when each well started — from buying or selling an interest through drilling and bringing it on production. We kept our production records in a single book," says Slife.

PEI had offices in the Alta Building, which is still standing. The windows in that building could be opened, and when Slife began her career, the Company's offices were on the ground floor.

"Mr. Pickens was always 'on the wing,' even then," says Slife. "The way our offices were set up, I could see the parking lot from my window. If he was leaving before I gave him all his messages, I could just open the window and yell at him, which I did many times.

"Of course, that was a two-edged sword. I was called back many times from that same window to type an urgent letter.



For 8 years, Slife said, "I'm going to build a h stock price rises." She proudly displays the w built."

"Sometimes, it wasn't even possible to catch Mr. Pickens in the parking lot for a last minute call. Once, he needlessly drove 150 miles because he just missed a call from the field where a well he was to visit lost circulation. After that, we instituted the 'call when you get to the edge of town rule,' which over the years saved two or three needless trips for Mr. Pickens."

From the day she began working until 1969, Slife was, among everything else, the mailman. Every day at 8:30 a.m. and noon she stopped at the post office to pick up the mail. She opened the mail, stamped it with the date received and distributed it to the proper person. Outgoing mail was sealed and stamped with Slife's "hand-tongue-glass-of-water machine."

After five years of devoted service, Slife looked forward to

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bay window when the
window that "Mesa

her anniversary date. The day came, and she sat at her desk waiting for a sign of recognition.

"And, nothing happened," says Slife. "Oh, I got the usual 'good morning, Mrs. Slife.' No congratulations, no happy anniversary, no cake, no band, nothing. Toward the end of the day, I decided I had to say something. I told Mr. Pickens, 'Today's my five-year anniversary. Where's my service award?'

"There was no immediate response, so I went back to my desk. In a few minutes, Mr. Pickens came out to personally present me with my service pen — a paper circle (not exactly round) about the size of a nickle with a penciled-in numeral '5' attached to a routing slip with a paper clip. I still have both. He told me the paper clip was platinum."

Slife also has her 10-year service award. Jim Farrell, then drilling and production supervisor, now operations manager in the Rocky Mountain division, wanted the occasion to be momentous for Slife and submitted a check request for 10 cents. The date needed was "ASAP," and the reason given for such a sum was: To purchase one paper clip (for Trixie Lee Slife — to supplement existing five-year service pen and as acknowledgement of her 10-year anniversary).

The following is taken directly from the section titled "Comments" on the check request form. Farrell's comments are in regular type and Pickens' comments are italicized and underlined.

Mrs Slife is: exuberant, courteous, cheerful, friendly, silent, — *xed out;* gregarious — *definitely;* titillating — *don't know the meaning . . . suggest you drop it;* attractive — *no doubt;* youthful, accurate — *? must have changed;* faithful — *always;* is a daily Billiken belly rubber (see Billiken story) — *this is what really counts;* prompt, winsome, devastating — *xed out, sounds like a bulldozer;* dependable, never lost a post office key — *forgot it a few times though!;* thrifty — *xed out, need to check with Mark (Slife);* Democratic — *party only;* open minded, resourceful, tenacious — *I can vouch for this one;* unpretentious, philanthropic — *xed out, scratch, not on policies, ask Cast;* scintillating — *we could send her to Montana to work on the uranium prospect;* productive — *Department?;* humble — *xed out, should be Mesa, not Humble.*

"And, it is true," says Pickens. "Mrs. Slife has done just about everything in this Company there is to do. She is extremely loyal. If we cut her wrist, it would bleed little 'M's.' She knows every pumper, which wells they take care of and how hard they work. And, she can tell a cover-up from a mistake."

Today, Slife is the coordinator of production records. She has six production analysts working under her supervision and can boast that the turnover in personnel in her department is zero. Dorothy Randle joined Mesa in 1973. Marcie Miller and Jeanne McGee came in 1974. Sue Howard, Lesa Grider and Lovella Hollingsworth all came in 1979 to take care of the Tema properties.

"She has confidence in her employees," says Miller. "She gives you a job to do, shows you how to do it, makes sure you understand and then turns you loose to do it," says Grider.

Slife and her crew keep production records on 1,800 onshore wells (918 Mesa operated) in which the Company has an interest. Run tickets, a daily record of the amounts of production taken from each well, are sent in by the pumpers each month. The analysts compare the information on the run tickets with statements that come in from the purchasers who take the production. If there are discrepancies between the run tickets and the statements, the production records department

settles them. Then, Slife alerts accounting and the purchaser to make sure Mesa is paid or pays for the correct amount.

The production records department is also responsible for informing each working interest owner, state agency and the United States Geological Survey (USGS) about the Company's production.

Because of Slife's thorough methods of auditing production amounts, she often saves the Company money and can spot problems that might otherwise go undetected. For instance, a few years ago, Mesa formed a partnership with another company for an acquisition. Under the terms of the partnership, Mesa operated certain properties close to some of its existing production, and the other company operated wells close to its existing production.

After the acquisition, Slife wrote each participant with an interest in any of the acquired properties, both those Mesa is responsible for overseeing and those the other company is responsible for overseeing, and requested production reports on the wells. From the information provided by the companies with interests in our co-owner's area of responsibility, Slife noted that our partner had not booked or paid Mesa for production on several wells. She alerted the auditing department, and they looked into the situation. The discrepancies amount to several hundred thousand dollars.

The production records department works closely with several other departments in the Company. Slife's group supplies all the information on new wells for central records. She issues notices of first production and keeps track of the status of each well drilled, such as plugged and abandoned, shut in, producing and the status of Mesa's leases. Each month, leases close to expiration are identified, and the divisions are notified of the need for action.

Information provided by production records is used in the reservoir, gas contracts, accounting, auditing and tax departments. "If you have a production question about any well, you can call Trixie Lee, and she can tell you about it," says Celia Irwin, supervisor of division orders. "She is a whole library of information about the Company and can answer questions when you can't find the information anywhere else."

"You can always tell when Mesa's stock is up," says Hollingsworth. "You can hear Trixie Lee coming down the hall singing, 'We're in the money.'"

"I used to tell people that Mrs. Slife is Mesa's second oldest employee," says Pickens. "However, one day she asked me to rephrase that statement to say employee with the second longest service."

"Just because I was Mesa's first grandmother doesn't make me a day over 39," says Slife.

Slife has a few other "firsts" to her credit. She was Mesa's first mother, August 23, 1950. She was the first editor of the *Mesa Message*, then a four-page newsletter complete with art by Iris Shackelford, executive secretary. She instituted the "honor your boss Christmas lunch," a covered dish affair that was the highlight of the Christmas season for three years. And, Slife designed many of the forms and filing systems which are still used today.

"Mr. Pickens is a caring man, and I think that is what's made Mesa different from other companies," says Slife.

For many people inside and outside of Mesa, Slife has made a difference. They know they can call her for reliable, accurate information. "And," says Grider, "although Trixie would never hold one of her people back, there is no one for which I would rather work."

Billiken Belly Rubbing

A Billiken is a strange looking little man usually carved from ivory which the Eskimos adopted many years ago as a symbol of good luck and happiness.

"Back when we first started our Canadian operations," says Slife, "Mr. Pickens brought several Billikens back and passed them out among the seven employees in the Amarillo office. His instructions were to rub the Billiken's belly for good luck every time we drilled a well.

"I was and still am a faithful Billiken belly rubber."

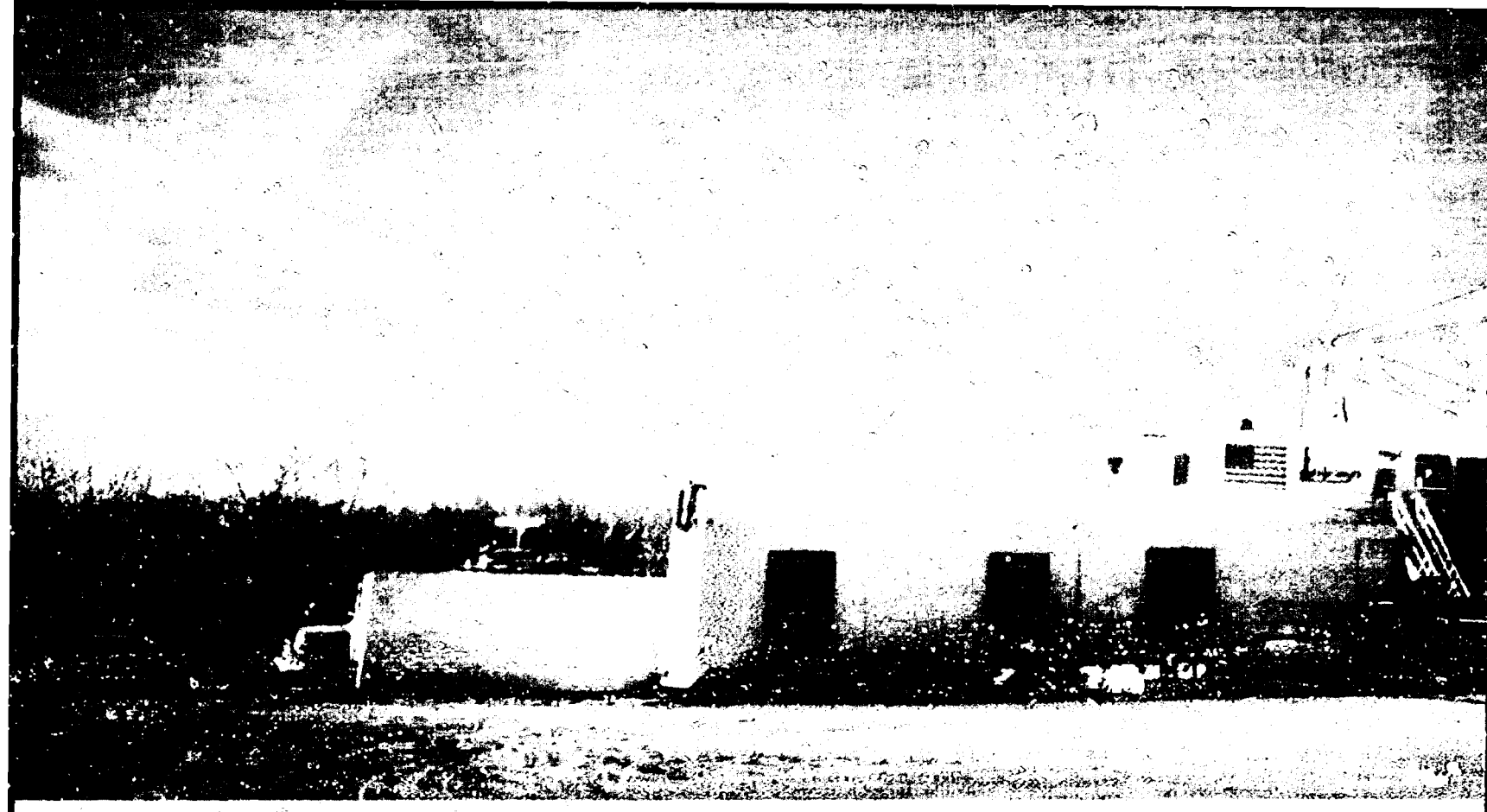


Drilling Locations

There Is More Than Meets the Eye

Take I-40 from Amarillo to Clinton, Oklahoma. Turn north on State Highway 183 to Seiling. Continue north from Seiling on State 281 across the North Canadian River bridge. Turn right onto the first black-top which jogs south and then back east again. The rig signs are approximately one mile past the last turn. At the signs, turn south off the black-top and follow the road for one and one-half miles. The derrick marks the spot.

What sounds like a guide to buried treasure is actually directions to a typical drilling site, in this case the Macosa No. 1-5 (Mesa 28.4%) in the Mid-Continent division. While most casual observers of the oil patch see only the rig drilling, that is just part of the story. The location must be chosen, the site prepared, the rig



"Rigging up" is the final phase before drilling commences.

has proven to be a prolific oil and gas zone in Dewey County, Oklahoma. The best location to drill the well was chosen by carefully interpreting and plotting data from seismic surveys which constitute the first step taken in selecting a drilling site. Seismic surveys are patterns of reflected sound waves through buried rock formations. The resulting "map" shows the best place to drill to intersect the most promising zones.

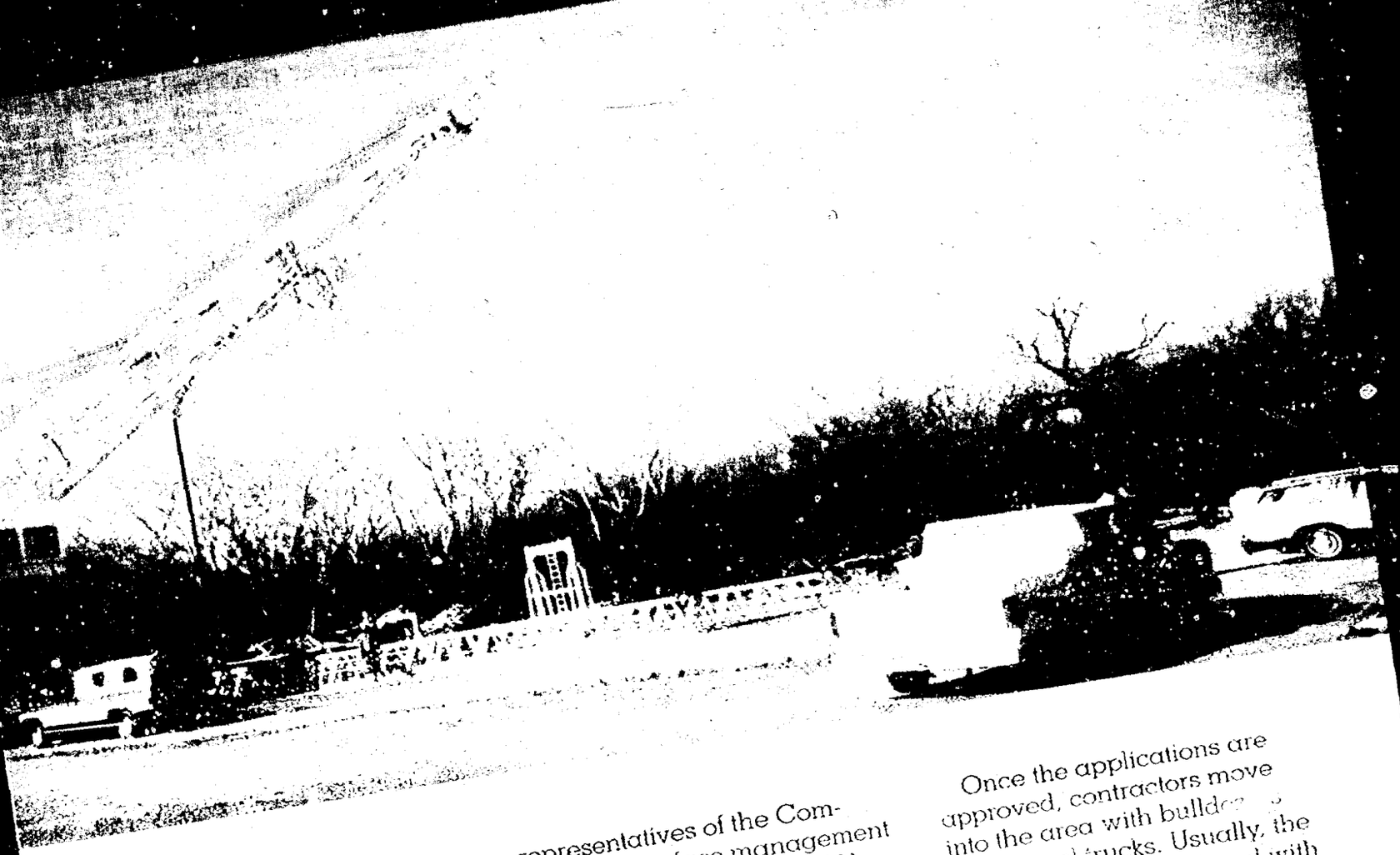
The next step was for Mike Lyon, landman in the division, to obtain a lease. The land on which the Macosa is drilling belongs to a Cheyenne-Arapaho Indian named David Fanman, Sr., who inherited it from his mother, Dodging Girl. Since Fanman is an indian, the Bureau of Indian Affairs (BIA) handled the leasing. The land was put up for bid by the Choncho Indian Agency through the Department of the Interior. Lyon acquired the lease for Mesa on 157.25 acres for a bid of $18,083.75 or $115 per acre.

Fanman had previously leased the property's surface rights to Leo Hurt. Consequently, Lyon negotiated with Hurt for the drilling site. Settlements can range from $100 for the entire location with little productive value on the surface to several thousand dollars for land that would normally be growing crops or grazing animals.

"First," says Lyon, "I met on the site with Fanman, Hurt and the BIA's representative to ensure that our proposed drilling location would be environmentally safe." After the onsite inspection and negotiations with Hurt, the operations department began the permitting process.

According to Brad Crouch, division drilling supervisor in the Mid-Continent division, the Company contracts with an independent surveying company to physically "stake" the location, including a layout for access roads. "Since this location was on indian land," says Crouch, "it falls under the same permitting process as federal lands. We filed a notice of 'intent to stake' with the United States Geological Survey (USGS) and the Bureau of Land Management (BLM), including a topographical map (a map showing the elevations and physical features of the area)."

Along with the intent to stake, the Company must prepare a 13-point surface-use plan for both the USGS and the BLM. The plan includes (1) roads, where they originate and how far to the nearest town; (2) the sources of water for drilling; (3) a location map for the rig; (4) the location of the mud pit; (5) a cut and fill survey for leveling the ground underneath the rig; (6) a cut and fill plan which refers to cutting down or filling



in to make the location level; (7) a description of the environment including plants, animals and the nearest humans; (8) a centerline survey of proposed roads; (9) a plan for culverts that must be constructed; (10) what bridges will need to be built and where; (11) a diagram of any pipelines including a centerline survey of the proposed route; (12) the seed mixture and plan for reclaiming the location; and (13) a diagram of proposed production facilities.

The Company must also hire an independent archeologist to certify that there are no archeological artifacts on the location where we plan to drill. The archeological survey is sent to a government archeologist who performs his own survey.

"After all the applications and notices are on file," says Stan Dobler, operations manager in the Mid-Continent division, "we have an onsite inspection with representatives of the Company, the surface management agency (in this case the BIA) and the USGS. Each part of the 13-point surface-use plan is walked through."

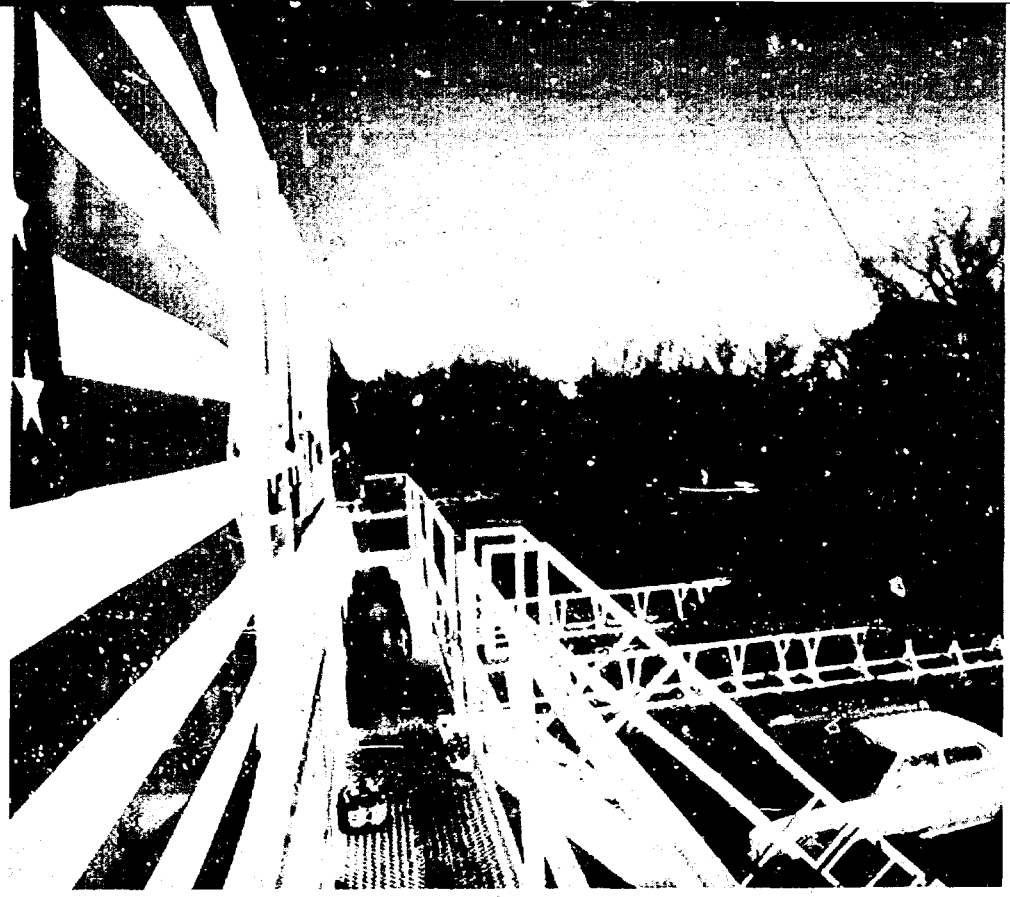
During the onsite inspection, the representatives look at a 10-point operator's plan, also prepared by the Company. The operator's plan covers the blowout preventer system, the types of casing, the cementing plan, total depth of the well and access lines to the gathering system.

After the inspection, the agencies prepare an assessment and, generally, approve the application. "However," says Crouch, "we can have all the approvals, be ready to build a road, but if the government archeologist does not give us a clearance, we have to move the location. That means starting over on all the applications and plans.

Once the applications are approved, contractors move into the area with bulldozers and gravel trucks. Usually, the roads need to be surfaced with caliche (a limestone base gravel found in the southwest) or gravel to keep them passable during wet weather.

On the location, the drilling pad (exact location where the rig will stand) is graded smooth, and the reserve and mud pits are dug and lined to prevent seepage, if necessary. Making the surface for the drilling pad level can involve carving out pieces of hills, filling in a valley or both. Top soil is stockpiled to be spread back over the location when drilling is completed and the area restored.

After the road and pad are built, the drilling rig can be brought in and raised. "Mesa contracts with drilling companies to drill our wells," says Dobler. "They make all the



Crew quarters ("the dog house") on the rig serve as office and home on the drilling location.

arrangements to have the rig moved in."

Depending on the size, moving a rig may require 10 to 70 trucks. Rigs range in height from 100 to 182 feet.

"A small rig can be torn down, moved and raised in a day," says Dobler. "Six days may be required to erect a larger rig."

Next, the trailer houses are moved in for the mud logger and the Company representative. Pipe, cement, drilling mud and water are stockpiled. At this point, drilling can begin.

Each division has its own particular problems in setting up drilling locations. In the Permian Basin division, according to Richard Mathis, regulatory coordinator, one of their problems is finding sources of caliche or gravel to surface the roads in the Pecos Slope area where the Company has five drilling rigs in operation.

"We complete a well every other day in the Pecos Slope area," says Mathis. "That means we need to have a new location ready to move the rig onto that often. Since most of the land we are drilling on belongs to the government, the permitting process keeps us really busy, and it is probably our greatest problem. So far, we have not had to keep a rig idle waiting on location preparation, but we have been close a couple of times."

In the Rocky Mountain division, mountainous remote locations and weather present the biggest obstacles. "On the Pelton No. 1-10 (Mesa 65%), road-base material and gravel were piled 161 feet deep to make the drilling pad large enough to support the rig," says Alec Nash, division drilling supervisor. "That location is in the Little Missouri River breaks in a national forest.

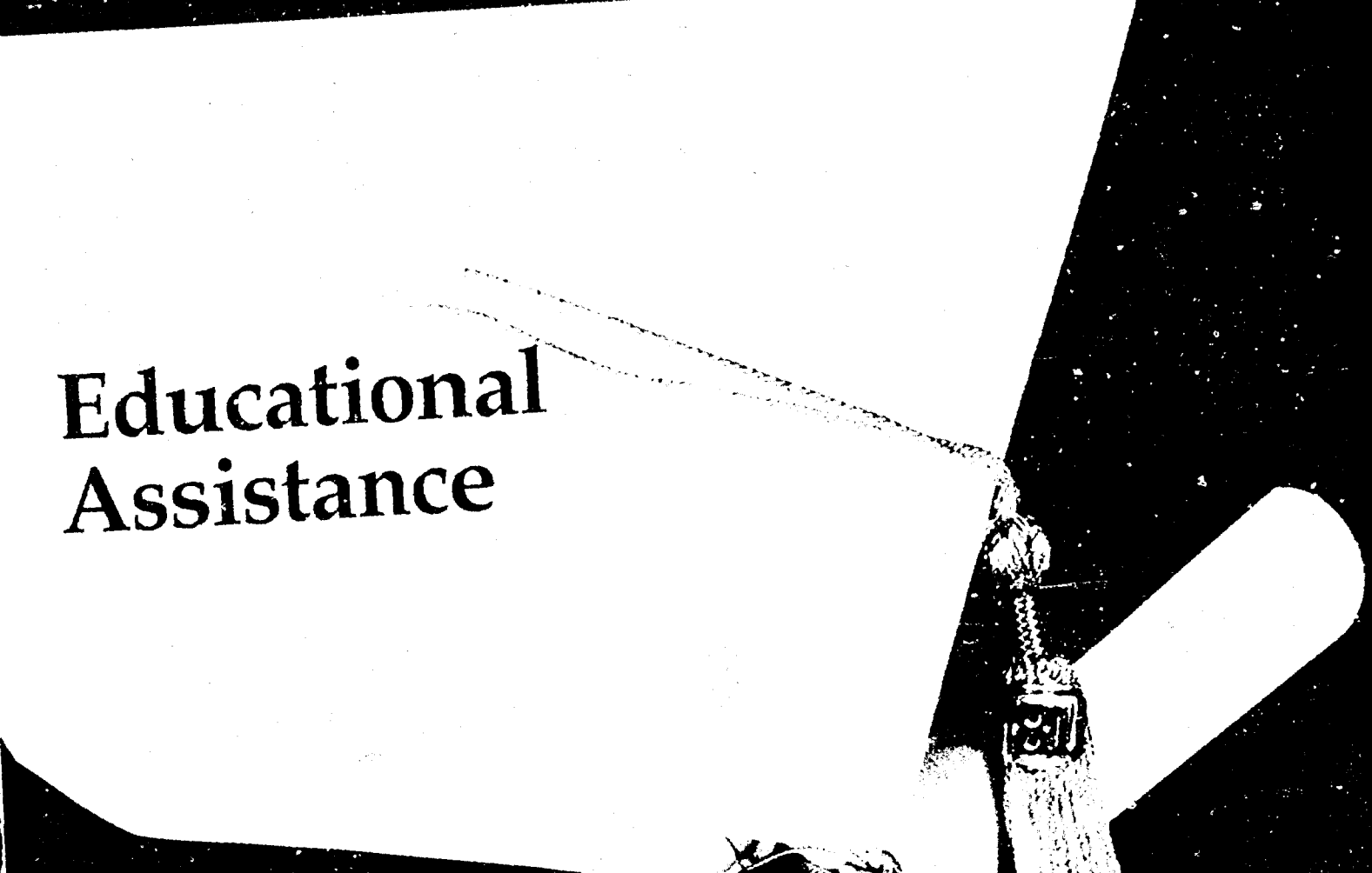
"On the Knutson-Werre No. 3 (Mesa 65%), we had to build one and one-fourth miles of access road in the wilderness of the North Dakota Badlands. That road cost us $80,000. Also in the Badlands, we upgraded and built eight miles of road to the Federal 18 No. 1 (Mesa 24.8%) at a cost of $20,000 per mile.

"We have also built locations in solid rock using dynamite to make a level surface. At times, accessibility is at best terrible, which makes building some locations very expensive."

Once drilling is completed, the operations department restores the location to its former state as much as possible. Mud and reserve pits are cleaned out and filled. The top soil is replaced and seeded with native grasses. On dry holes, not a trace of the drilling is left except for the required marker. On locations where production facilities are installed, the location is also restored as much as possible. The production units on federal land are painted a color which blends in with the surrounding countryside. On private land, the location is restored for its previous use. In many areas, it is not unusual to find cattle feeding around a pump jack or deer nibbling on nearby shrubs.

On the Macosa No. 1-5 location, the Canadian River runs close by, undisturbed by the drilling operations. "This time," says Dobler, "we hope the directions to the drilling site really do lead to buried treasure."

Educational Assistance



Stanford, Yale, Brown or Massachusetts Institute of Technology. Supporting a student in a private university can average as high as $51 per school day. And, costs are expected to double by 1990.

Ronnie Barnes, director of student financial aid at Texas Tech University in Lubbock, Texas, says that the cost of attending Tech has risen from $1,500 per year in 1971 to $2,500 this year. And most of that increase, approximately $800, has occurred since 1975.

Mesa currently provides two educational assistance programs to help employees and their children meet the increasing costs of higher education. Full-time permanent employees with six months of continuous service are eligible for the Company's educational assistance program if they take courses designed to improve skills, knowledge and capabilities directly applicable to the employee's present position or one to which he may transfer after completing the course.

The Guaranteed Student Loan Program is available to qualified dependent children of full-time permanent employees of Mesa and its domestic subsidiaries. The program is provided by Mesa in cooperation with the United Student Aid Funds, Inc. (USAF), a private nonprofit agency which administers the program. To be eligible for the loan, a student must be enrolled or accepted on at least a half-time basis at a post-high school institution approved by the Department of Education and the U.S.A. Funds. If already enrolled, the student must be in good standing and making satisfactory academic progress. As of October 1, 1981, new students entering the program and their families must also meet certain criteria based on salary and number of dependents to qualify for a student loan.



The student loan fund pays tuition, books, fees and dormitory expenses for Tracy Britain, Texas Tech freshman.

Rhonda Dixon, daughter of George Dixon, Rocky Mountain division production superintendent, is a junior journalism/public relations major at Texas Tech University. Dixon has used the loan program to pay tuition, fees, books and dormitory expenses all three years.

Michel Bayless, daughter of Sid Bayless, manager of personnel in Amarillo, is a sophomore geology major at Texas Tech. "Since I attended Amarillo College in my home town last year," says Michel Bayless, "this is my first year to take advantage of Mesa's guaranteed student loan."

Tracy Britain, daughter of Jeri Britain, executive secretary in Amarillo, is a freshman deaf education major also attending Tech on the loan program. "The loan covers tuition, books, fees and room and board costs," says Tracy Britain. "I use the money I made working last summer for the extras," she says.

All three borrowed the maximum allowed undergraduates for one year — $2,500. The total an undergraduate may borrow is $12,500. Graduate students are allowed $5,000 per year and a total (including undergraduate balances) of $25,000.

Loans must be applied for each year, and processing the application takes approximately



Michel Bayless, sophomore, is using the student loan fund to study geology at Texas Tech.

two months. Distribution of the funds is made either directly to the student or through the school's financial aid office.

The federal government pays the interest on the loan while the student is in school as well as for a grace period after graduation. A student who has borrowed for more than one year pays 7% per annum simple interest, although loans made after January 1, 1981, have interest rates of 9%.

Arrangements for repayment of the loan must be made three months before the end of the grace period which is nine months for students who began borrowing before 1981 and six months for those who began borrowing after January 1, 1981. Payments are a minimum of $30 per month, although other arrangements for scheduling can be made with the lending bank. Loans made subsequent to October 1, 1981, must be paid at not less than $50 per month.

Treva Davis, senior tax accountant, began taking courses toward a degree in accounting before Mesa instituted the educational assistance program in 1979. However, Davis was eligible for reimbursement the last three of the seven years she attended night school to obtain an accounting degree.

Graduating *summa cum laude* with a 4-point grade average, Davis also received an award for the woman with the highest grade point average.

Mesa's educational assistance program paid for Davis' tuition, fees and textbooks on courses which were directly related to the work she performed for the Company. Since Davis was working on a degree program, the policy also covered the electives required to complete her degree.

"I would not have been eligible for any reimbursement," says Davis, "had the degree not been related to improving my skills in my job.

"The student has to pay all the costs upon enrollment," says Davis. "Reimbursement is made only after you have successfully completed the course and can present receipts and a passing grade certification. And, you need to have the courses approved by the Company's Educational Assistance Committee before signing up for them."

Harvey Bear, geological technician in the Gulf Coast division, is working toward a degree in geology. "Although my first job with Mesa was in the drafting department, I met some of the geologists, and they stimulated my interest in this field," says Bear.

After Bear transferred to his present position, he decided to return to school. He has now been in the program for three years.

Although Bear has enough hours to be classified a senior at the University of Houston, he still lacks 60 hours toward his degree. "I'm not looking too far down the road right now," says Bear. "The people I work with give me a lot of encouragement, and that keeps me going." Bear's time is carefully scheduled so that he can take six semester hours, the maximum recommended, each semester.



Kay Morgan, program assistant in the fitness center, is studying nutrition on the educational reimbursement program.

"I get up at 4:30 a.m., drive into town to the YMCA and run five to seven miles. That puts me in the office around seven. On Mondays and Wednesdays, I have class from 5:30 to 7:00 p.m., and on Tuesdays and Thursdays, class is from 7:10 to 8:30 p.m. Studying is worked into evenings and lunch hours. *It keeps me busy, but it's better than going home and vegetating in front of the television,*" says Bear.

Bear says he would probably have gone back to school eventually without Mesa's educational assistance program. "But, it would have been much harder," he says. "I would have had to lay off more semesters, just because of the costs. The Company's program has already paid nearly $1,200 in the past three years."

Mesa's reimbursement policy limits the amount of refund any one employee can receive in a calender year to $750. Also, if an employee receives other assistance from government or school sources, the Company's reimbursement will be applied to the costs remaining after deducting the amount of other assistance. Courses of study must be from an accredited college, university, high school, trade or business school.

For more information about the Guaranteed Student Loan Program or the educational assistance policy, contact Sid Bayless, manager of personnel, Amarillo.

SPONSOR

Annual Report Wins Award

Mesa Petroleum Co. was named a Silver Award Winner for the best annual report among natural resource companies in the United States by *Financial World* magazine at the 41st Annual Report Awards Ceremonies in New York City, October 21, 1981.

The winning reports were selected by an independent board of judges which, according to magazine officials, placed Mesa as runner-up to Irving Bank Corp. for the best report throughout all industry.

En route to the silver award, Mesa's 1980 annual report was first selected from over 2,000 entries as a Merit Award winner which qualified the Company to compete in the category of petroleum companies with sales under $600 million, one of 73 industry classifications. Mesa's report was judged best of this category and received a Bronze Award. The Company's annual report entered the next round of competition among six Bronze Award winners representing all natural resource companies. Mesa was judged best of this category and received the Silver Award. Phillips Petroleum Co. was runnerup.

"Mesa's annual report is unique in that it is one of few in the competition which is produced entirely in-house, including all writing, design and photography. No outside agencies are used in its production," said T. Boone Pickens, Jr., president. "Mesa's management is totally involved in the Company's annual report. Five drafts of the report copy are read by each officer, including four group-reading sessions. Our goal is to provide shareholders with clear, concise writing and meaningful graphics."



Jean Larsen christens the J. Storm XVI.

Jean Larsen Christens Rig

Jean Larsen, wife of Jack K. Larsen, executive vice president of Mesa, recently christened the *J. Storm XVI*, a mobile offshore drilling rig built by Bethlehem Steel Corp. at shipyards in Beaumont, Texas.

The offshore unit is capable of drilling in 250-foot deep waters and houses a crew of 48. Mesa Petroleum Co. contracted with Southern Drilling for the *J. Storm XVI*, which is currently drilling on Brazos A-6 (Mesa 65%). Mesa has recently had five J. Storm rigs under contract drilling in the Gulf of Mexico.

Pickens Named Outstanding CEO

T. Boone Pickens, Jr., president and chairman of the board of directors, Mesa, has been named the outstanding chief executive officer in the oil producers industry for 1981 by the *Wall Street Transcript*.

The publication makes its selection based on the extent to which the chief executive officer has taken proper steps to enhance the overall value of the company for the benefit of the stockholders. The final selection results from 40-60 interviews conducted by the newspaper with industry executives, leading financial analysts, money managers, trade journalists and members of the academic community.

In making the award, the *Transcript* said, "Pickens has not only built a topflight exploration team and positioned the Company strongly in such domestic producing areas as the Overthrust Belt, the Anadarko and Permian Basins and the Tuscaloosa Trend, but he has also displayed financial ingenuity in developing the royalty trust concept for the benefit of the shareholders. Pickens also showed foresight in selling Mesa's North Sea and Canadian properties at the right time in 1979 and concentrating Mesa's resources on an aggressive domestic exploration program."

MESA
PETROLEUM CO.
ONE MESA SQUARE
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MESA *MESSAGE*

1981 Vol. VI No. 2

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Mesa Petroleum Co. is engaged in the exploration for and production of oil and natural gas in the continental United States, including offshore areas of Louisiana and Texas, and Australia.

Editor: Barbara Beverlin
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Layout Artist: Jeanie Wineinger

About the Cover:

Ron and Yvonne Bishop, Aztec office, Rocky Mountain division, participate in the time-honored tradition of cutting their own Christmas tree. The tree was cut from a Bureau of Land Management designated cutting area in the San Juan National Forest near Durango, Colorado.



Christmas Tree Traditions p. 1



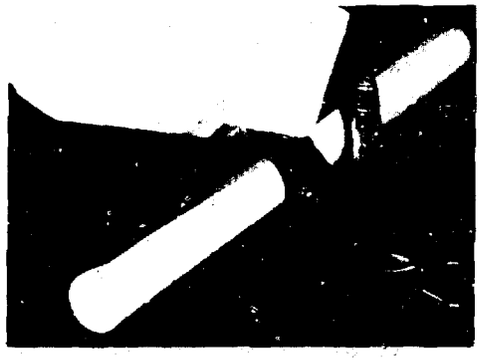
The Pecos Slope p. 4



Trixie Lee Slife p. 9
Second Longest Service, but Second to None



Drilling Locations p. 13
There Is More Than Meets the Eye



Educational Assistance p. 17

Ranking The Forbes 500's—Jobs And Productivity

Rank	Company	Employees (000)	Per employee ($000) Sales (rank)	Profits (rank)	Assets (rank)
689	Centran	2.6	146.2 (287)	-8.5 (779)	1161.4 (102)
690	Central Bancorp	2.6	108.1 (432)	7.1 (370)	940.2 (147)
691	Norstar Bancorp	2.5	96.3 (491)	12.1 (211)	994.1 (139)
692	Homestake Mining	2.6	91.6 (513)	11.2 (228)	136.9 (397)
693	Texas American Bshs	2.5	189.3 (205)	15.3 (170)	1591.9 (55)
694	Overseas Shipholding	2.5	144.7 (291)	35.3 (40)	460.4 (273)
694	Montana Power	2.5	195.5 (194)	24.7 (78)	478.7 (267)
696	NIKE	2.5	183.1 (222)	10.4 (242)	92.1 (464)
697	Allied Bancshares	2.5	214.3 (172)	25.4 (76)	1794.5 (47)
698	American Fletcher	2.4	140.7 (301)	6.3 (408)	1202.7 (94)
699	Puget Sound Pwr & Lt	2.4	167.8 (243)	39.7 (31)	684.1 (201)
700	First Kentucky Natl	2.4	120.7 (369)	8.7 (302)	1124.9 (110)
701	Provident National	2.4	163.7 (248)	16.4 (159)	1379.0 (70)
702	Global Marine	2.4	150.0 (273)	34.0 (46)	398.6 (291)
703	Turner Construction	2.3	835.0 (15)	4.1 (519)	176.1 (361)
704	Toledo Edison	2.3	189.6 (203)	35.6 (38)	800.8 (175)
705	First Charter Finl	2.3	431.7 (53)	-23.9 (789)	4193.6 (8)
706	SouthTrust	2.3	110.0 (418)	8.5 (310)	889.8 (158)
707	Equimark	2.3	152.4 (269)	-20.6 (787)	1306.3 (76)
708	Gt Western Financial	2.3	516.0 (37)	-12.4 (781)	4679.8 (5)
709	Southwestern Pub Svc	2.3	236.1 (150)	28.2 (67)	481.5 (266)
710	Republic New York	2.3	474.6 (45)	30.2 (60)	3425.3 (15)
711	First Florida Banks	2.2	108.6 (429)	8.6 (307)	1047.0 (121)
712	Riggs National	2.2	189.9 (201)	10.9 (233)	1642.5 (53)
713	Moore Financial	2.2	106.0 (447)	9.2 (283)	912.5 (153)
714	Brown-Forman Dist	2.2	226.8 (160)	30.5 (58)	231.9 (346)
715	Indiana National	2.2	139.7 (304)	9.2 (283)	1162.2 (101)
716	Arizona Bank	2.2	120.9 (368)	7.2 (363)	948.1 (145)
717	Northwest Energy	2.2	640.8 (23)	32.1 (51)	704.5 (196)
718	Peoples Bancorp	2.2	94.7 (496)	7.2 (363)	801.7 (173)
719	Rowan Companies	2.2	170.2 (235)	51.6 (17)	303.9 (328)
720	Pioneer Hi-Bred Intl	2.2	220.7 (166)	29.3 (65)	169.7 (366)
721	First Empire State	2.2	110.1 (417)	4.8 (480)	876.6 (162)
722	Marine	2.2	109.3 (425)	5.4 (455)	941.6 (146)
723	Central Bancshares	2.1	134.3 (321)	3.4 (568)	1097.8 (112)
724	Paradyne	2.1	63.7 (694)	8.2 (316)	82.5 (496)
725	First Hawaiian	2.1	119.9 (372)	8.7 (302)	1032.8 (125)
726	Old Kent Financial	2.1	131.2 (330)	9.9 (257)	1083.8 (113)
727	General Re	2.1	689.8 (22)	86.0 (4)	2020.5 (41)
728	Tandem Computers	2.1	101.2 (466)	12.9 (190)	124.3 (410)
729	Noble Affiliates	2.0	186.1 (215)	39.3 (32)	311.4 (324)
730	First American	2.0	119.6 (373)	8.0 (321)	963.1 (141)
730	Third Natl	2.0	124.6 (349)	.7 (539)	1004.8 (133)
732	Affiliated Bshs Colo	2.0	108.1 (432)	10.0 (255)	903.9 (155)
733	Cullen/Frost Bankers	2.0	155.7 (265)	9.5 (269)	1233.1 (90)
734	First Natl Charter	2.0	121.6 (364)	9.3 (277)	1127.5 (107)
735	Tenn Valley Bancorp	2.0	138.3 (313)	3.7 (550)	1099.1 (111)
736	Nationwide	2.0	346.6 (73)	17.9 (146)	1741.0 (50)
737	Public Service N H	2.0	223.3 (163)	39.1 (33)	672.9 (204)
738	United Missouri Bshs	2.0	110.0 (418)	12.0 (213)	1175.4 (99)
739	Indust Valley Bank	1.9	119.3 (374)	4.6 (492)	908.5 (154)
740	H & R Block	1.8	144.2 (294)	20.6 (120)	129.2 (404)
741	Citizens Fidelity	1.8	146.5 (28[illegible]	[illegible]03)	[illegible]0.3 (84)
742	Hospital Trust	1.8	128.9 (337)	6.8 (385)	1070.8 (116)
743	Valero Energy	1.8	1305.6 (6)	51.4 (18)	819.0 (217)
744	American Bancorp	1.8	139.5 (305)	11.4 (226)	1150.7 (104)
745	MCI Communications	1.7	133.9 (322)	10.7 (238)	266.9 (342)
746	Imperial Corp of Am	1.7	504.7 (38)	-21.7 (788)	7974.2 (18)
747	Apple Computer	1.7	192.8 (198)	22.7 (97)	146.8 (387)
748	Boatmen's Bancshs	1.7	137.5 (315)	10.4 (242)	1359.6 (73)
749	Sumitomo Bank Cal	1.7	152.2 (270)	4.7 (486)	1149.7 (105)
750	Natl Central Financl	1.7	162.0 (250)	10.2 (249)	1283.1 (80)
751	General American Oil	1.7	189.9 (201)	31.3 (54)	315.3 (322)
752	Kansas Gas & Elec	1.6	190.8 (199)	40.2 (30)	792.5 (177)
753	First United Bancorp	1.6	183.3 (221)	14.2 (180)	1488.0 (63)
754	Crown Central Petrol	1.6	913.6 (12)	2.1 (656)	333.2 (315)
755	Zions Utah Bancorp	1.6	160.8 (252)	12.7 (196)	1243.7 (87)
756	First Natl Cinc	1.6	145.0 (290)	15.8 (165)	1257.1 (85)
757	Belco Petroleum	1.6	199.9 (185)	68.6 (8)	482.0 (265)
758	Merchants National	1.6	169.0 (238)	0.4 (749)	1171.1 (99)
759	Deposit Guaranty	1.6	139.2 (307)	9.2 (283)	1183.2 (96)
760	Continental Bank	1.6	168.5 (240)	14.5 (176)	1307.6 (75)
761	Helmerich & Payne	1.6	185.5 (216)	48.6 (22)	352.5 (305)
761	First Boston	1.6	546.3 (32)	29.9 (61)	6654.4 (2)
763	United States Trust	1.5	168.2 (241)	9.1 (290)	1425.3 (67)
764	City Federal S & L	1.4	227.4 (159)	-0.9 (762)	2316.3 (32)
765	American Security	1.4	262.3 (119)	18.5 (140)	2157.3 (37)
766	Golden West Finl	1.3	482.3 (42)	-14.8 (784)	4282.3 (7)
767	First Oklahoma Bncp	1.3	259.8 (120)	18.6 (139)	2367.2 (30)
768	Tucson Electric Pwr	1.2	296.8 (96)	76.0 (7)	1046.6 (123)
769	Gibraltar Financial	1.2	421.4 (53)	-47.1 (795)	4149.0 (9)
770	Fedl Natl Mortgage	1.1	5295.3 (1)	-172.0 (798)	56093.9 (1)
771	Old Stone	1.1	194.8 (195)	-13.8 (782)	1791.8 (48)
772	Liberty National	1.1	242.8 (141)	13.5 (184)	2142.2 (38)
773	Texas International	1.1	135.5 (319)	6.9 (380)	501.2 (253)
774	Centl Louisiana Engy	1.0	1180.7 (8)	84.8 (5)	627.0 (215)
775	Flightsafety Intl	1.0	62.2 (698)	18.8 (134)	117.1 (421)
776	El Paso Electric	1.0	248.9 (129)	56.4 (14)	884.8 (159)
777	Tom Brown	1.0	141.0 (300)	21.3 (113)	211.7 (351)
778	Fin Corp of America	0.9	414.9 (54)	22.5 (99)	4018.6 (11)
779	Western Financial	0.9	242.0 (144)	-27.4 (792)	2339.8 (31)
780	Cray Research	0.9	110.5 (415)	19.8 (127)	149.3 (385)
781	Fidelity Financial	0.9	356.5 (69)	-63.3 (797)	3229.5 (16)
782	Amer Savings & Loan	0.9	275.6 (108)	-8.7 (780)	2515.1 (25)
783	Whitney Holding	0.8	268.3 (113)	38.7 (34)	2444.7 (27)
784	No Calif Savings	0.8	259.1 (123)	-19.2 (786)	2408.2 (28)
785	Mesa Petroleum	0.8	461.0 (49)	144.7 (2)	2603.0 (22)
786	Inexco Oil	0.8	304.9 (91)	40.8 (29)	1002.7 (134)
787	Fin Cp Santa Barbara	0.8	249.4 (128)	-38.9 (793)	2654.0 (21)
788	Broadview Financial	0.7	259.5 (122)	-26.9 (790)	2600.6 (23)
789	TRANSOHIO Fin	0.7	291.2 (100)	-27.3 (791)	2964.0 (19)
790	Berkshire Hathaway	0.6	734.7 (20)	63.3 (11)	1843.8 (45)
791	Gibraltar Savings	0.6	583.9 (27)	14.9 (174)	5751.4 (4)
792	Financial Federation	0.6	391.9 (60)	-53.4 (796)	4092.7 (10)
793	Energy Reserves Gp	0.6	304.6 (92)	-39.7 (794)	626.4 (216)
794	Southland Royalty	0.5	757.8 (19)	68.6 (8)	1302.7 (77)
795	Sabine	0.3	468.8 (47)	81.4 (6)	997.7 (137)
796	First Executive	0.3	4194.5 (2)	51.1 (18)	6253.3 (3)
797	Pogo Producing	0.2	1409.5 (4)	322.6 (1)	3675.9 (14)
798	Supron Energy	0.2	496.7 (40)	131.6 (3)	1525.9 (59)

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 40
Submitted by MESA
Hearing Date 5-17-82

Ranking The Forbes 500's—Jobs And Productivity

Rank	Company	Employees (000)	Per employee ($000) Sales (rank)	Profits (rank)	Assets (rank)
689	Centran	2.6	146.2 (287)	-8.5 (779)	1161.4 (102)
690	Central Bancorp	2.6	108.1 (432)	7.1 (370)	940.2 (147)
691	Norstar Bancorp	2.6	96.3 (491)	12.1 (211)	994.1 (139)
692	Homestake Mining	2.6	91.6 (513)	11.2 (228)	136.9 (397)
693	Texas American Bshs	2.5	189.3 (205)	15.3 (170)	1591.9 (55)
694	Overseas Shipholding	2.5	144.7 (291)	35.3 (40)	460.4 (273)
694	Montana Power	2.5	195.5 (194)	24.7 (78)	478.7 (267)
696	NIKE	2.5	183.1 (222)	10.4 (242)	92.1 (464)
697	Allied Bancshares	2.5	214.3 (172)	25.4 (76)	1794.5 (47)
698	American Fletcher	2.4	140.7 (301)	6.3 (408)	1202.7 (94)
699	Puget Sound Pwr & Lt	2.4	167.8 (243)	39.7 (31)	684.1 (201)
700	First Kentucky Natl	2.4	120.7 (369)	6.7 (392)	1124.9 (110)
701	Provident National	2.4	163.7 (248)	16.4 (159)	1379.0 (70)
702	Global Marin	2.4	150.0 (273)	34.0 (46)	398.5 (291)
703	Turner Construction	2.3	835.0 (15)	4.1 (519)	176.1 (361)
704	Toledo Edison	2.3	189.6 (203)	35.6 (38)	800.8 (175)
705	First Charter Finl	2.3	431.7 (53)	-23.9 (789)	4193.6 (8)
706	SouthTrust	2.3	110.0 (418)	8.5 (310)	889.8 (158)
707	Equimark	2.3	152.4 (269)	-20.6 (787)	1306.3 (76)
708	Gt Western Financial	2.3	516.0 (37)	-12.4 (781)	4679.8 (5)
709	Southwestern Pub Svc	2.3	236.1 (150)	20.2 (67)	481.5 (256)
710	Republic New York	2.3	474.6 (45)	30.2 (60)	3425.3 (15)
711	First Florida Banks	2.2	108.6 (429)	8.6 (307)	1047.0 (121)
712	Riggs National	2.2	189.9 (201)	10.9 (233)	1642.5 (53)
713	Moore Financial	2.2	106.0 (447)	9.2 (283)	912.5 (153)
714	Brown-Forman Dist	2.2	225.8 (160)	30.5 (58)	231.9 (346)
715	Indiana National	2.2	139.7 (304)	9.2 (283)	1162.2 (101)
716	Arizona Bank	2.2	120.9 (368)	7.2 (363)	948.1 (145)
717	Northwest Energy	2.2	640.8 (23)	32.1 (51)	704.5 (196)
718	Peoples Bancorp	2.2	94.7 (496)	7.2 (363)	801.7 (173)
719	Rowan Companies	2.2	170.2 (235)	51.6 (17)	303.9 (328)
720	Pioneer Hi-Bred Intl	2.2	220.7 (166)	29.3 (65)	169.7 (366)
721	First Empire State	2.2	110.1 (417)	4.8 (480)	876.6 (162)
722	Marine	2.2	109.3 (425)	5.4 (455)	941.6 (146)
723	Central Bancshares	2.1	134.3 (321)	3.4 (568)	1097.8 (112)
724	Paradyne	2.1	63.7 (694)	8.2 (316)	82.5 (496)
725	First Hawaiian	2.1	119.9 (372)	8.7 (302)	1032.8 (125)
726	Old Kent Financial	2.1	131.2 (330)	9.9 (257)	1083.8 (113)
727	General Re	2.1	689.8 (22)	86.0 (4)	2020.5 (41)
728	Tandem Computers	2.1	101.2 (466)	12.9 (190)	124.3 (410)
729	Noble Affiliates	2.0	186.1 (215)	39.3 (32)	311.4 (324)
730	First American	2.0	119.6 (373)	8.0 (321)	963.1 (141)
730	Third National	2.0	124.6 (349)	7.7 (339)	1004.8 (133)
732	Affiliated Bshs Colo	2.0	108.1 (432)	10.0 (255)	903.9 (155)
733	Cullen/Frost Bankers	2.0	155.7 (265)	9.5 (269)	1233.1 (90)
734	First Natl Charter	2.0	121.6 (364)	9.3 (277)	1127.5 (107)
735	Tenn Valley Bancorp	2.0	138.3 (313)	3.7 (550)	1099.1 (111)
736	Nationwide	2.0	346.6 (73)	17.9 (146)	1741.0 (50)
737	Public Service N H	2.0	223.3 (163)	39.1 (33)	672.9 (204)
738	United Missouri Bshs	2.0	110.0 (418)	12.0 (213)	1175.4 (99)
739	Indust Valley Bank	1.9	119.3 (374)	4.6 (492)	908.5 (154)
740	H & R Block	1.8	144.2 (294)	20.6 (120)	129.2 (404)
741	Citizens Fidelity	1.8	146.5 (288)	22.3 (103)	170.3 (84)
742	Hospital Trust	1.8	126.9 (337)	6.8 (385)	1070.8 (116)
743	Valero Energy	1.8	1305.8 (6)	54.4 (16)	612.0 (217)
744	American Bancorp	1.8	139.5 (305)	11.4 (226)	1150.7 (104)
745	MCI Communications	1.7	133.9 (322)	10.7 (238)	266.9 (342)
746	Imperial Corp of Am	1.7	504.7 (38)	-21.7 (788)	2974.2 (18)
747	Apple Computer	1.7	192.8 (198)	22.7 (97)	146.8 (387)
748	Boatmen's Bancshs	1.7	137.5 (315)	10.4 (242)	1359.6 (73)
749	Sumitomo Bank Cal	1.7	152.2 (270)	4.7 (486)	1149.7 (105)
750	Natl Central Financl	1.7	162.0 (250)	10.2 (249)	1283.1 (80)
751	General American Oil	1.7	189.9 (201)	31.3 (54)	315.3 (322)
752	Kansas Gas & Elec	1.6	190.8 (199)	40.2 (30)	792.5 (177)
753	First United Bancorp	1.6	183.3 (221)	14.2 (180)	1488.0 (63)
754	Crown Central Petrol	1.6	913.6 (12)	2.1 (656)	333.2 (315)
755	Zions Utah Bancorp	1.6	160.8 (252)	12.7 (196)	1243.7 (87)
756	First Natl Cinc	1.6	145.0 (290)	15.8 (165)	1257.1 (85)
757	Belco Petroleum	1.6	199.9 (185)	68.6 (8)	482.0 (265)
758	Merchants National	1.6	169.0 (238)	0.4 (749)	1171.1 (99)
759	Deposit Guaranty	1.6	139.2 (307)	9.2 (283)	1183.2 (96)
760	Continental Bank	1.6	168.5 (240)	14.5 (176)	1307.6 (75)
761	Helmerich & Payne	1.6	185.5 (216)	48.6 (22)	352.5 (305)
761	First Boston	1.6	546.3 (32)	29.9 (61)	6654.4 (2)
763	United States Trust	1.5	168.2 (241)	9.1 (290)	1425.3 (67)
764	City Federal S & L	1.4	227.4 (159)	-0.9 (762)	2316.3 (32)
765	American Security	1.4	262.3 (119)	18.5 (140)	2157.3 (37)
766	Golden West Finl	1.3	482.3 (42)	-14.8 (784)	4282.3 (7)
767	First Oklahoma Bncp	1.3	259.8 (120)	18.6 (139)	2367.2 (30)
768	Tucson Electric Pwr	1.2	296.8 (96)	76.0 (7)	1046.6 (123)
769	Gibraltar Financial	1.2	421.4 (53)	-47.1 (795)	4149.0 (9)
770	Fedl Natl Mortgage	1.1	5295.1 (1)	-172.0 (798)	56093.9 (1)
771	Old Stone	1.1	194.8 (195)	-13.8 (782)	1791.8 (48)
772	Liberty National	1.1	242.8 (141)	12.5 (184)	2142.2 (38)
773	Texas International	1.1	135.5 (319)	6.9 (380)	501.2 (253)
774	Centl Louisiana Engy	1.0	1180.7 (8)	84.8 (5)	627.0 (215)
775	Flightsafety Intl	1.0	62.2 (698)	18.8 (134)	117.1 (421)
776	El Paso Electric	1.0	248.9 (129)	55.4 (14)	884.8 (159)
777	Tom Brown	1.0	141.0 (300)	21.3 (113)	211.7 (351)
778	Fin Corp of America	0.9	414.9 (54)	22.5 (99)	4018.6 (11)
779	Western Financial	0.9	242.0 (144)	-27.4 (792)	2339.8 (31)
780	Cray Research	0.9	110.5 (415)	19.8 (127)	149.3 (385)
781	Fidelity Financial	0.9	356.5 (69)	-63.3 (797)	3229.5 (16)
782	Amer Savings & Loan	0.9	275.6 (108)	-8.7 (780)	2515.1 (25)
783	Whitney Holding	0.8	268.3 (113)	38.7 (34)	2444.7 (27)
784	No Calif Savings	0.8	259.1 (123)	-19.2 (786)	2408.2 (28)
785	Mesa Petroleum	0.8	461.0 (49)	144.7 (2)	2603.0 (22)
786	Inexco Oil	0.8	304.9 (91)	40.8 (29)	1002.7 (134)
787	Fin Cp Santa Barbara	0.8	249.4 (128)	-38.9 (793)	2654.0 (21)
788	Broadview Financial	0.7	259.5 (122)	-26.9 (790)	2600.6 (23)
789	TRANSOHIO Fin	0.7	191.2 (200)	-27.3 (791)	2964.0 (19)
790	Berkshire Hathaway	0.6	734.7 (20)	63.3 (11)	1843.8 (45)
791	Gibraltar Savings	0.6	583.9 (27)	14.9 (174)	5751.4 (4)
792	Financial Federation	0.6	391.9 (60)	-53.4 (796)	4092.7 (10)
793	Energy Reserves Gp	0.6	304.6 (92)	-39.7 (794)	626.4 (216)
794	Southland Royalty	0.5	757.8 (19)	68.6 (8)	1302.7 (77)
795	Sabine	0.3	468.8 (47)	81.4 (6)	997.7 (137)
796	First Executive	0.3	4194.5 (2)	51.1 (18)	6253.3 (3)
797	Pogo Producing	0.2	1409.5 (4)	322.6 (1)	3675.9 (14)
798	Supron Energy	0.2	496.7 (40)	131.6 (3)	1525.9 (59)

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 40
Submitted by MESA
Hearing Date 5-17-82

MESA PETROLEUM CO.

NEWS RELEASE

FOR IMMEDIATE RELEASE
April 28, 1982

Contact: John F. Boros
vice president
(806) 378-1003

Amarillo, Texas--Mesa Petroleum Co. (NYSE) reported net income for common shares of $29.6 million, or $.44 per share, on revenues of $104.1 million for the first quarter ended March 31, 1982, it was announced today by T. Boone Pickens, Jr., president, at the Company's annual shareholders' meeting. In the first quarter of 1981, earnings were $29.8 million, or $.43 per share.

First quarter earnings for 1982 were increased $16 million by an after tax gain on sale of securities and reduced $7 million by foreign exchange adjustments due to fluctuations in the Canadian/U.S. dollar exchange rate.

Total revenues were $104.1 million for the first quarter of 1982 compared to $103.6 million for the same period last year. Oil and gas revenues were $95.4 million, a 1% increase from $94.2 million in the same period last year. This is the thirty-seventh consecutive quarter that the Company's oil and gas revenues have exceeded those for the same period of the preceding year.

Mesa's net daily U.S. production during the first quarter of 1982 and 1981 is summarized as follows:

	1982	1981
Natural gas (Mcf/day)	278,767	311,953
Natural gas liquids (Bbls/day). .	2,171	2,296
Oil and condensate (Bbls/day) . .	7,732	8,746

"The decrease in natural gas production resulted from lower pipeline takes from properties in the Gulf of Mexico and the Hugoton field of Kansas. The decrease in gas production resulted in a corresponding decrease in condensate production," stated Pickens.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 41
Submitted by Mesa
Hearing Date 5-17-82

The results for the first quarter ended March 31, 1982, are summarized in the following table.

	Three Months Ended March 31	
	1982	1981
	(In thousands, except per share data)	
Oil and gas revenues	$ 95,353	$ 94,173
Interest and other income	8,786	9,451
Total revenues	$104,139	$103,624
Income before other income (expense)	$ 36,988	$ 48,826
Foreign exchange gain (loss)	(9,753)	1,437
Gain on sale of marketable securities	22,274	3
Provision for income taxes	(16,280)	(20,425)
Net income	33,229	29,841
Preferred stock dividends	(3,625)	--
Net income available for common	$ 29,604	$ 29,841
Income per common share:		
Excluding foreign exchange gain (loss) and gain on sale of marketable securities	$ .30	$ .42
Foreign exchange gain (loss)	(.10)	.01
Gain on sale of marketable securities	.24	--
Net income available for common	$ .44	$ .43
Average shares	67,712	69,467

In other business at the annual shareholders' meeting, Robert L. Stillwell was reelected as a director. Continuing directors include T. Boone Pickens, Jr., Jack K. Larsen, Michael A. Nicolais and Wales H. Madden, Jr.

Mesa Petroleum Co., with headquarters in Amarillo, Texas, is engaged in the exploration for and the production of oil and natural gas in the United States, including offshore areas of Louisiana and Texas, and Australia.

# # #

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 42
Submitted by Mesa
Hearing Date 5-17-82

METROPOLITAN AREA NEWS
AMARILLO GLOBE-TIMES
Page 41
Friday, November 6, 1981

City Executives 'Nation's Best'

By KEN VAUGHN
Globe-News Business Writer

Three chief executives of Amarillo energy companies are the best in the nation, according to a leading national financial publication.

Forget Exxon. Forget Mobil. Forget the huge utilities around the nation. Forget all those companies in Houston. The Wall Street Transcript — with the leaders of those firms and more to choose from — pointed to Amarillo this year in its yearly practice of naming the best leaders in the nation's various types of industries.

T. Boone Pickens Jr. — founder, chairman and president of Mesa Petroleum Co. — was selected as the outstanding chief executive for the year in the nation's oil producing industry.

K. Bert Watson — chairman, president and chief executive officer of Pioneer Corp. — was named earlier this year as the outstanding chief executive in the gas distribution industry.

Roy Tolk — chairman of Southwestern Public Service Co. — was named earlier this year among the top three chief executives in the electric utility industry.

Kathy Porter, assistant to the publisher at the New York City-based Transcript, said she hadn't realized the publication had picked three Amarilloans.

"That does seem unusual," she said. "All I can say is that those people must be very, very good."

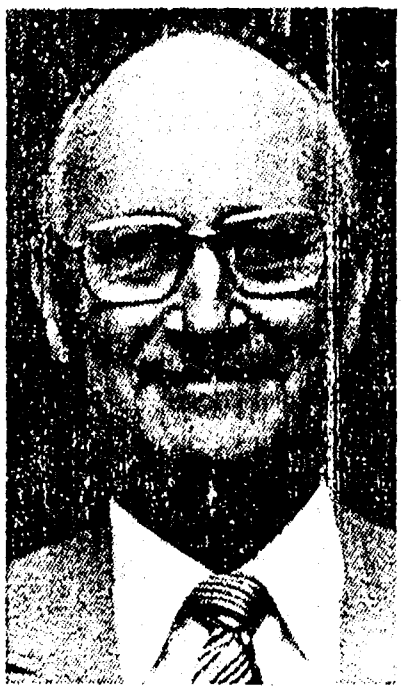
Selections are made after interviews with industry leaders, financial analysts, educators and others, she said. The executives being considered are also interviewed.

Pickens was cited for his development of a "top flight" exploration team, positioning of Mesa in strong domestic producing areas, and development of the royalty trust concept.

Pickens also was praised for selling Mesa's Canadian properties at the right time in 1979, before the country's "Canadianization" of energy companies made American interests less valuable.

Watson was hailed for transforming Pioneer from what once was mainly a natural-gas utility into a diversified energy company that includes oil and gas exploration and production, natural gas liquids processing and contract drilling.

"Pioneer's diversification has been nothing less than brilliant," the Transcript quoted one analyst as saying.



ROY TOLK



K. BERT WATSON



T. BOONE PICKENS JR.

The utility part of the business, Energas, now contibutes only about 15 percent of Pioneer's income.

Tolk was selected behind leaders of two Eastern electric utilities as one of the best in that industry. The Transcript gives "gold," "silver," and "bronze" awards.

Tolk was praised for SPS's work to attract industry to its service area, switching to coal-fired power plants, and creation of an "excellent management team" to take over when he retires.

Pickens founded Mesa Petroleum in 1964. Watson began his career as an attorney with a Pioneer subsidiary in 1952. Tolk began with SPS as a temporary draftsman after graduating from college. All three men are active in civic and professional organizations.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 43
Submitted by MESA
Hearing Date 5-17-82

MESA
PETROLEUM CO.

How Boone Pickens directed the development of one of the hottest companies on the New York Stock Exchange

The man who serves as president and chairman of the board of Mesa Petroleum Co. is a tireless optimist who doesn't look back and believes luck and success don't just happen. "You have to make your own luck," says T. Boone Pickens, Jr.

He should know. Since leaving a job with Phillips Petroleum in 1955, Pickens has built a highly successful exploration and production company from scratch. He began with $2,500 cash from two investors and a $100,000 line of credit. Last year, total revenues from the Amarillo, Tex., company, which is listed on the New York Stock Exchange, were $372 million, with net income of $95 million. Capital expenditures were $397 million last year, and well over $400 million will have been spent by the end of this year. All of this relates to a company that didn't even exist 26 years ago.

"There is a great amount of dedication and hard work on the part of our people," Pickens says. "Along the way, we had some lucky breaks. But, on the other hand, I believe you make your own luck."

As a youngster, he remembers never liking the Notre Dame football team "because I always thought they were lucky. In the last quarter, Notre Dame would recover a fumble, intercept a pass or some other last-minute heroics. But they would always win the game. Finally, after I got older, I realized that those things happened because Notre Dame players were hustling. They were giving unusual effort and had a tradition of winning. That changed my attitude towards Notre Dame. I feel like our people are that way. They cause things to happen. They hit hard."

Pickens' basic business philosophy has remained the same. "Our primary function is working for the stockholders. It is management's responsibility to increase the value of the shareholders' investment. They bought the stock to make money, and it is up to us to see that they do."

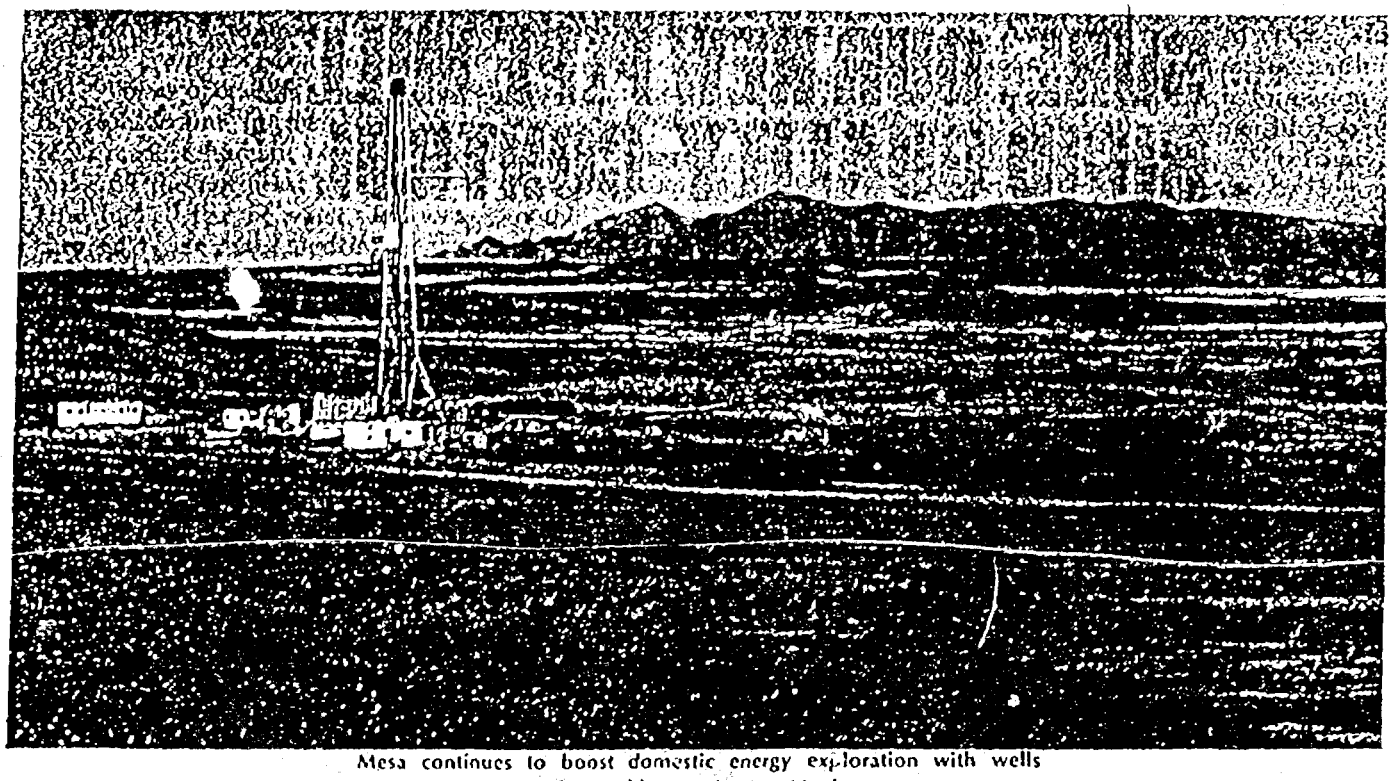
About 95% of Mesa's 800 employes are shareholders in the company and Pickens believes this results in more loyal employes dedicated to doing the job right.

"If more corporate managements held substantial equity interests in their companies, as opposed to serving only as salaried professional managers, the shareholders' interest would more often come first," he says.

THE EARLY HISTORY

Pickens says he always knew he wanted to head an exploration and development company. After graduating from Oklahoma State University in 1951 with a B.S. in geology, he went to work for Phillips Petroleum in Bartlesville. A native Oklahoman, he stayed there three months before moving to Phillips' Corpus Christi office. In 1955, he returned to Amarillo where he had graduated from high school and soon began work as an independent consultant. With two backers providing $2,500 capital, he formed a predecessor company to Mesa in 1956 called Petroleum Exploration, Inc. In addition to the cash, he had a $100,000 line of credit given with the stipulation that the investors would not be liable for any additional cash after three years. As it turned out, they never had to put in any

Boone Pickens/ Photo Courtesy MESA PETROLEUM



Mesa continues to boost domestic energy exploration with wells such as this one in New Mexico.

more cash. (Pickens bought one of them out in 1963 while the other kept his original stock.)

During the first few years, drilling was confined to the Texas-Oklahoma Panhandle area. In 1959, Pickens formed a second company called Altair Oil & Gas to drill in Western Canada. Then in 1964, Mesa Petroleum Co. was formed from these two companies and some of their drilling participants. At the end of its first fiscal year, Mesa had revenues of $1.5 million and net income of $435,310.

At the end of three years, the Company had recorded gross revenues of $5.3 million, an increase of 250% over those for the first year, and net income of $1 million, a 132% increase. In Sept., 1967, the brokerage firm of Hoppin Bros. & Co. became interested in Mesa and issued what was to become a prophetic report on the company.

(Mesa Petroleum) "can be characterized as an aggressive, forward-looking company with an enviable record of growth. Management appears extremely capable, and the company's exposure to important new producing areas is broad. This progressive pattern is expected to continue."

And continue it did. In the fall of 1968, Mesa took the first step in what would become a series of mergers and acquisitions by making a tender offer to shareholders of Hugoton Production Co. The merger became effective in April, 1969. Later that year, Mesa was listed on the New York Stock Exchange. Gross revenues in 1969 were $27 million, about 18 times greater than the $1.5 million for the first year. Net income in 1969 was $8.5 million, 20 times greater than the $435,000 for the first full year of operation. Additionally, Mesa had acquired undeveloped leases on 2.3 million net acres in the United States and Canada by the end of 1969.

Mesa began the 1970s by initiating an offer for Southland Royalty Co. of Fort Worth but later abandoned the proposal stock exchange.

A significant change of direction for the company began in 1970. Having previously confined all its activities to onshore areas of the U.S. and Canada, Mesa purchased interests in five tracts in the Gulf of Mexico. This was the turning point in the company's exploration efforts, with oil and gas being subsequently discovered on four of the five tracts. Also in 1970, Mesa acquired licenses in the North Sea where the company would later make a significant discovery.

In 1972, spurred by success in the Gulf of Mexico, Mesa acquired additional tracts offshore Louisiana. Also that year, Mesa began a successful acquisition race for Pubco Petroleum Corp. of Albuquerque, N. Mex. The merger was completed in April, 1973 and Pubco's Denver and Midland offices and staff became Mesa's present-day Rocky Mountain and Permian Basin divisions. During 1973, Mesa acquired rights to even more offshore tracts and had another record year for revenues and earnings that reached $142 million and $19 million, respectively.

From 1975 through 1977, Mesa showed even more startling growth. In 1976, as operator for a five-member consortium in the North Sea, Mesa made a dramatic oil find twelve miles off the northeast coast of Scotland in 150 feet of water. The Beatrice field was discovered in an area previously explored and declared unproductive by some of the leading major oil companies.

On Wall Street, the company's popularity was mirrored in the price of its common stock. It skyrocketed over 13 years from a low of $10.88 in 1964 to $46.25 in 1977, during which time three 10% stock dividends and a two-for-one stock split also were declared.

The year 1979 was filled with a series of major events for the company. In February, Mesa announced an agreement for the joint acquisition with Tenneco Oil Co. of Ashland Exploration, Inc.'s mid-continent region oil and gas properties. One month later came the next announcement—Mesa would sell its Canadian oil and gas properties for $340 million. Amid speculation that the latest announcement portended new acquisitions, the company announced yet another sale agreement in April—this time, Mesa's United Kingdom interests, including the Beatrice field, were offered for sale for $57 million. The sale decision by Mesa followed rapidly rising development costs brought about by U.K. government dictated delays and enormous tax increases. At that time, Pickens was quoted as saying, "Mesa's venture into the North Sea was much like the person who owned a boat; the two happiest days in his life were when he bought it and when he sold it."

On June 21, the Company announced it planned to create the Mesa Royalty Trust, a move that Pickens feels is the harbinger of many changes to come for the oil and gas industry.

And as 1980 came to a close, Mesa had expanded its domestic exploration activities through formation of the MTS Limited Partnership, owned 65 percent by Mesa, 25 percent by Texaco and 10 percent by Sequoia Petroleum Inc., an affiliate of the Bechtel group of companies. As of Dec. 31, 1980, Mesa's reserves were 25.1 million barrels of liquids and 859 billion cubic feet of gas, representing replacement of production plus an increase in liquids and gas reserves over the previous year of seven and six percent, respectively.

In less than 20 years, Mesa has grown into a leading independent with acreage positions and drilling sites in such major U.S. exploratory areas as the Gulf of Mexico, the Tuscaloosa Trend, the deep Anadarko and Permian Basins and the Overthrust Belt in the Rocky Mountains. Pickens says the company continues to emphasize replacement of production and enhancement of reserves by

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Mark Fuqua, Terry Stuart, Don Turner

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drilling in areas such as the Pecos Slope and Eckley fields in New Mexico and Colorado where tight sand gas price designations have been approved and with wells drilling toward objectives below 15,000 feet where gas qualifies for uncontrolled prices.

RESTRUCTURING SEEN

In interviews, Pickens is intense but soft-spoken. He prefers to talk about the future rather than dwell on past successes and has very definite ideas about what the oil industry must do in the future. He also champions the independent producer and says the independent's role never should be underestimated.

In a recent speech to the Texas Tech University School of Business, Pickens said independent companies "have been and will continue to be the backbone of domestic exploration.

"These independents, generally leaner and more aggressive than their multinational counterparts, have successfully discovered and developed meaningful reserves in areas often considered 'marginal' by the majors. Although most of these discoveries individually are not large, in the aggregate they have made a significant contribution to the nation's reserve and production levels.

"However, with a declining number of quality prospects being pursued by an increasing number of oil companies, many independents are now facing the same problem of declining reserves as most of the majors."

One way to deal with this, Pickens says, is through creation of a royalty trust, a concept the company pioneered in 1979 by creating the Mesa Royalty Trust. The creation of such a trust reduces a company's reserve base that then can be more meaningfully impacted by new reserve additions, according to Pickens. Also, the trust grants each shareholder a direct ownership interest in producing properties, thus providing an income unburdened by corporate taxes. By converting the economic benefits of the properties into a direct income stream, the stock market is more likely to recognize the value of the underlying assets, he believes.

While a royalty trust will not fit all companies, Pickens feels the concept will result in a significant enhancement of shareholders' investment and smaller, more exciting companies that can be meaningfully impacted by new discoveries and give new life to the oil and gas industry.

Pickens also has a dire warning. If the giant multinationals continue their mergers and buyouts of nonindustry-related companies, public sentiment may turn away from the free-market approach advocated by President Reagan. "If you have that kind of situation in 1984, a change in administrations could spell trouble for the industry. By adopting the royalty trust concept, the industry could create thousands of new royalty owners throughout the United States, thus providing increased and broader geographical-based support for the industry."

What businesses must realize, says Pickens, is that getting bigger and bigger is not always the best for stockholders. "We give our vice presidents and managers a great deal of responsibility and authority. They can commit the company to a project without much of the time-consuming approvals required in larger companies with multi-levels of management. I like our system, and I'm proud of the performance of our people."

In talking with Pickens, you sense a competitive edge, a lesson learned through years of running a dynamic independent oil company. You see that competitiveness in all of Mesa's employes, including the activity in the company's physical fitness facility in Amarillo.

"I'm a very competitive person," says Pickens. "If I see a list of companies, I want Mesa to have the best results on the list. If we don't, we strive to be the best." ▲

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STATE OF NEW MEXICO

OFFICE OF

THE SECRETARY OF STATE

Certificate

I, Shirley Hooper, Secretary of State of the State of New Mexico, do hereby certify

that

our records have been reviewed and JJ-CC Limited, a Colorado Limited Partnership has not been registered in the State of New Mexico as a Foreign Limited Partnership.

Given under my hand and the Great Seal of the State of New Mexico, in the City of Santa Fe, the Capital on this 17th *day of* May *A.D.* 1982

Secretary of State

Fx 44

UNSWORN DECLARATION UNDER PENALTY OF PERJURY OF INDIVIDUAL TO SCHEDULES A AND B

I, Celeste C. Grynberg, certify under penalty of perjury that I have read the foregoing schedules, consisting of 39 sheets, and that they are true and correct to the best of my knowledge, information, and belief.

Executed on March 23, 1981

Signature: Celeste C. Grynberg

UNSWORN DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP TO SCHEDULES A AND B

I, _____, [the president *or other officer* or an authorized agent of the corporation] [*or* a member *or* an authorized agent of the partnership] named as debtor in this case, certify under penalty of perjury that I have read the foregoing schedules, consisting of ____ sheets, and that they are true and correct to the best of my knowledge, information, and belief.

Executed on _____

Signature: _____

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 45
Submitted by Mesa
Hearing Date 5-17-82

Admitted

NOTE

These schedules may be used pursuant to § 521(1) of the Bankruptcy Code.

The unsworn declarations at the end of the form are in conformity with 28 U.S.C. § 1746. See Note to Form No. 1.

I hereby attest and certify on May 11, 19 8
that the document affixed hereto is a full, true and correct copy of the original on file in my office and in my legal custody.
Clerk, U.S. Bankruptcy Court
District of Colorado
By: Jean R. Siebert
Clerk

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7513 Exhibit No. 46
Submitted by JENNIFER
Hearing Date 5/17/82
Number

DRILLING ESCROW AGREEMENT

Denver, Colorado _____

SECTION I - DEPOSITS

The undersigned hereby appoint The Colorado National Bank of Denver, as Escrow Agent, and deposit the items set forth below to be held by said Escrow Agent subject to the terms and conditions set forth in Section II (Instructions) and in Section III (General Provisions) hereof.

1. Cash or check deposited for collection in the amount of _____ Dollars ($_____).

2. A copy of a "Certificate of Performance" to be executed by _____ before a notary public and Delivered to the Escrow Agent in accordance with instructions set forth in Section II.

SECTION II - INSTRUCTIONS

The subject matter of this escrow is the Non-Operators' share of approved completion expenditures as further specified in the Authority for Expenditure which is attached and incorporated as an exhibit to this agreement. Escrow Agent shall verbally notify Operator when Escrow Agent has the subject matter in hand and shall confirm such notice by letter to Operator.

With respect to the subject matter of the escrow, the Escrow Agent is directed to distribute the same, or a portion of the same, to Operator, upon receipt from Operator of an affidavit sworn to by Operator itemizing the costs, or portion thereof, actually incurred in the operations for which such expenditures were authorized and supported by Attached paid receipts for those tangible expenditures incurred pursuant to such authorization. The affidavit shall be signed and sworn to by an officer or attorney-in-fact of the Operator. Escrow Agent shall also notify the non-operator(s) in writing on all requests for payment submitted by the Operator.

Escrow Agent shall return any excess in such escrow account to Non-Operator(s) upon receipt of a written instruction to that effect from Operator. The escrow agreement will then be deemed to have terminated.

The Escrow Agent is entitled to rely on the certificate referred to in Section I and Section II for all purposes hereof when the same has been executed by the party named in Section I and a notary public and to assume the genuineness of all signatures thereon; and the undersigned hereby jointly and severally agree to indemnify the Bank against and to hold it harmless from any claims, damages, or suits asserted or filed against it in connection with its reliance upon said certificate.

SECTION III - GENERAL PROVISIONS

1. The Escrow Agent shall have no duty to know or determine the performance or non-performance of any provision of any agreement between the other parties hereto, and the original, or a copy, of any such agreement deposited with the Escrow Agent shall not bind said agent in any manner whatsoever. The Escrow Agent assumes no responsibility for the validity or sufficiency of any documents or papers or payments deposited or called for hereunder except as may be specifically set forth in this agreement in clear and unambiguous language, and the duties and responsibilities of the Escrow Agent are limited to those expressly and specifically stated in this agreement in such language.

2. This agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto, and approved by the Escrow Agent, upon payment of all fees, costs and expenses incident thereto.

3. No assignment, transfer, conveyance or hypothecation of any right, title or interest in and to the subject matter of this Escrow shall be binding upon the Escrow Agent unless written notice thereof shall be served upon the Escrow Agent and all fees, costs and expenses incident thereto shall have been paid and then only upon the Escrow Agent's assent thereto in writing.

4. Any notice required or desired to be given by the Escrow Agent to any party to this Escrow may be given by mailing the same addressed to such party at the address noted herein, or the most recent address of such party shown on the records of the Escrow Agent, or believed by Escrow Agent to be proper, and notice so mailed shall be as effectual as though served upon such party in person at the time of depositing such notice in the mail.

5. The Escrow Agent may receive any payment of performance called for hereunder after the due date thereof unless subsequent to the due date of such payment or performance and prior to the receipt thereof the Escrow Agent shall have been instructed in writing by the proper parties to refuse any such payment or performance.

6. The Escrow Agent shall not be personally liable for any act it may do or omit to do hereunder as such agent while acting in good faith and in the exercise of its own best judgment, and any act done or omitted by it pursuant to the advice of its own attorneys shall be conclusive evidence of such good faith. The Escrow Agent shall have the right at any time to consult with counsel upon any question arising hereunder and shall incur no liability for any delay reasonably required to obtain the advice of counsel.

7. The Escrow Agent is hereby expressly authorized to disregard any and all notices or warnings given by any of the parties hereto, or by any other person, firm or corporation, excepting only orders or process of court, and is hereby expressly authorized to comply with and obey any and all process, orders, judgments or decrees of any court, and in the case the Escrow Agent obeys or complies with any such process, order, judgment or decree of any court it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such process, order, judgment or decree by subsequently reversed, modified, annulled, set aside or vacated, or found to have been issued or entered without jurisdiction.

8. In consideration of the acceptance of this escrow by the Escrow Agent, the undersigned agree, jointly and severally, for themselves, their heirs, legal representatives, successors and assigns, to pay the Escrow Agent its charges and fees hereunder and to indemnify and hold it harmless as to any liability by it incurred to any other person, firm or corporation by reason of its having accepted the same, or in connection herewith, and under such circumstances, or in the event of a dispute, whether or not resulting in litigation, between the parties hereto, or between the parties hereto and the Escrow Agent, to reimburse the Escrow Agent for all its expenses, including, among other things, court costs and reasonable attorneys' fees incurred in connection therewith; and that the Escrow Agent shall have a first and prior lien upon all deposits made hereunder to secure the performance of said agreement of indemnity and the payment of all of its fees, charges and expenses, hereby expressly authorizing the Escrow Agent in the event payment is not received promptly from the undersigned, to deduct such fees, charges and expenses without previous notice from any funds deposited hereunder. Escrow fees or charges, as distinguished from other expenses hereunder, shall be as written above the Escrow Agent's signature at the time of the acceptance hereof, and are intended as compensation for the Escrow Agent's ordinary services as contemplated by this agreement. In the event the conditions of this escrow are not promptly fulfilled, or any dispute arises hereunder, or if for any other reason the Escrow Agent renders services not provided for in this agreement, the parties hereto jointly and severally agree to pay reasonable compensation for such extraordinary services. In the event of any action to recover the Escrow Agent's fees, expenses or charges from any party hereto, the Escrow Agent shall be entitled to reasonable attorneys' fees and costs incurred with respect to any such action. No provision in any attached special instructions by which one or more of the other parties hereto shall undertake to pay such fees, charges and expenses, or any portion thereof, shall, except as between such other parties only, alter their joint and several liability to the Escrow Agent for such fees, charges and expenses.

9. The Escrow Agent shall be under no duty or obligation to ascertain the indentity, authority or rights of the parties (or their agents) executing or delivering or purporting to execute or deliver these instructions or any documents or papers or payments deposited or called for hereunder.

10. The Escrow Agent shall not be liable for the outlawing of any rights under an Statute of Limitations or by reason of laches in respect to the Instructions or any documents or papers deposited.

11. In the event of any dispute between the parties hereto as to the facts of default, the validity or meaning of this agreement or any other fact or matter relating to the transaction between the parties, the Escrow Agent is instructed as follows:

(a) That it shall be under no obligation to act, except under process or order of court, or until it has been adequately indemnified to its full satisfaction, and shall sustain no liability for its failure to act pending such process or court order or indemnification;

(b) That it may in its sole and absolute discretion, deposit the property described herein or so much thereof as remains in its hands with the then Clerk, or acting Clerk, of the District Court of the City and County of Denver, State of Colorado, and interplead the parties hereto, and upon so depositing such property and filing its complaint in interpleader it shall be relieved of all liability under the terms hereof as to the property so deposited and shall be entitled to recover in such interpleader action, from the other parties hereto, its reasonable attorney fees and related costs and expenses incurred in commencing such action and furthermore, the parties hereto for themselves, their heirs, legal representatives, successors and assigns do hereby submit themselves to the jurisdiction of said court and do hereby appoint the then Clerk, or acting Clerk, of said court as their Agent for the Service of all process in connnection with such proceedings. The institution of any such interpleader action shall not impair the rights of the Escrow Agent under paragraph numbered 8, above.

12. If the instruments deposited hereunder do not bear the necessary documentary stamps the Escrow Agent is authorized to deduct an amount from the last payment or other payments received under their agreement sufficient to purchase such stamps as may be required; to affix and cancel the same; and to withhold the amount from the party otherwise entitled thereto.

13. This agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which shall be deemed to be one and the same instrument.

14. The Instructions shall bind and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF the undersigned have hereunto affixed their signatures as of the date first above written.

Mesa Petroleum Co.

Address: Vaughn Bldg. Suite 1000
Midland, TX 79701

BY: _____
Vice President

Jack Grynberg & Assoc.

Address: 1050 17th St., Suite 1950
Denver, CO 80265

BY: _____

Operator: _____

Address: _____

Non-Operators: _____

Address: _____

Number of copies signed _____

Fees charged by Escrow Agent are payable upon acceptance of this agreement as follows:

Base Escrow Fee	$	100.00
Additional Fees	$	-
Total Escrow Fees	$	100.00

Fees to paid by: Non-Operator

ACCEPTED BY

THE COLORADO NATIONAL BANK OF DENVER
Escrow Agent.

Date: February 19, 1982

By: Lynn Waterman
Bank Officer

MESA PETROLEUM CO.

Original to MEC 10-16-81

01705/OPERATIONS
Co./Div./Subsid./Dept.

AFE 81-458

ID 01-05-NM-0138-0014-006-0

Code General Account # _____

Exploratory _____ Development X

LEASE, WELL NAME, AND LOCATION CAMACK FED COM #6
1980' FNL & 660' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4100' FLOWING ABO GAS WELL, INCLUDING PRO
EQUIPMENT.

Sub Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Produce Other
X01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO—DAY WORK	20,000		20,0
— —	(A) DAY WORK 9/6 DAYS At $ 6000/1250 /DAY	54,000	7,500	61,5
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	27,000	10,000	37,0
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	7,000		7,0
	(B) WATER	10,000	3,000	13,0
X06	LOGS, TESTING & MUD LOGGING UNIT	8,000	3,000	11,0
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
X08	PERFORATING, WELL STIMULATION SERVICES		50,000	50,0
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	1,000	16,0
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,0
X11	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,0
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	8,000		8,0
X13	HAULING & FREIGHT	7,000	4,000	11,0
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER	5,000		5,0
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	7,000	3,000	10,0
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)	* 8,000		
X23	MUD ENGINEER DAYS At $ /DAY			
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
X25	GEOLOGICAL CONSULTANT 2 DAYS At $ 250 /DAY	500		5
	Total Intangible & Non-Controllable Costs	$ 197,500	$ 86,500	$ 276,0
X41	BUOYS AND MARKERS	$	$	$
X42	CASING/TUBULARS			
	(A) 900 FT. OF 13 3/8" OD $ 26 /FT.	23,400		23,4
	(B) 1800 FT. OF 8 5/8" OD $ 13 /FT.	23,400		23,4
	(C) 4100 FT. OF 4 1/2" OD $ 6 /FT.		24,600	24,6
	(D) 3575 FT. OF 2 3/8" OD $ 3.75 /FT.		13,400	13,4
	(E) FT. OF " OD $ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE	3,700	4,000	7,7
X44	SUB-SURFACE WELL EQUIPMENT			
X45	SURFACE WELL EQUIPMENT			
X46	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,0
	(B) 210-BBL FIBERGLASS TANK		3,000	3,0
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		3,500	3,5
	Total Tangible Controllable & Non-Controllable Costs	$ 50,500	$ 56,500	$ 107,0
	Total Costs	$ 248,000	$ 143,000	$ 383,0

Prepared By William R. Mueller Title DIV DRLG SPVR Date 10-2-81

Approved Michael P. Winton Title OPR MGR Date 10-2-81

Approved _____ Title _____ Date _____

Approved _____ Title _____ Date _____

Mesa WI _____

Others WI _____

Docket No. 13-82

Dockets Nos. 14-82 and 15-82 are tentatively set for May 26 and June 9, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 12, 1982

9 A.M. - OIL CONSERVATION DIVISION 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 June, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for June, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7540: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Pauly-Anderson-Pritchard, William H. Pauly, and all other interested parties to appear and show cause why the Maloy Well No. 1, located in Unit P, Section 16, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7538: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Francis L. Harvey and all other interested parties to appear and show cause why the Pinkstaff Estate Well No. 2, located in Unit A, Section 29, Township 29 North, Range 10 West, San Juan County, should not be re-entered and plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7566: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Flag-Redfern Oil Co., Principal, National Surety Corporation, and all other interested parties to appear and show cause why four wells, being the Julander No. 1 located in Unit L, Section 34; Julander No. 2 located in Unit I, Section 33; Hargis No. 1 located in Unit G, Section 33; and Hargis No. 2 located in Unit J, Section 33, all in Township 30 North, Range 12 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7560: (Continued from April 28, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Charles H. Heisen, Fidelity and Deposit Company of Maryland, Surety, and all other interested parties to appear and show cause why the Crownpoint Well No. 1, located in Unit F, Section 18, Township 18 North, Range 13 West, McKinley County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7542: (Continued from April 14, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Benson-Montin-Greer Drilling Corporation, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why the following wells: Dustin No. 1, located in Unit K, Section 6, and the Gallegos Canyon Unit No. 2, located in Unit K, Section 35, both in Township 29 North, Range 12 West, and the Segal No. 1, located in Unit K, Section 10, and the Price No. 1, located in Unit N, Section 15, both in Township 31 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with Division-approved plugging programs.

CASE 7567: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Richardson Unit Area, comprising 1,283.35 acres, more or less, of State and Fee lands in Townships 13 and 14 South, Range 36 East.

CASE 7565: (Continued from April 28, 1982, Examiner Hearing)

Application of Delta Drilling Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Mescalero Unit Area, comprising 719.77 acres, more or less, of State, Fee and Federal lands in Townships 9 and 10 South, Range 32 East.

CASE 7568: Application of Petroleum Corp. of Delaware for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Superior Federal Well No. 6 located in Unit N of Section 6, Township 20 South, Range 29 East, East Burton Flat Field, to produce oil from the Strawn formation through tubing and gas from the Morrow formation through the casing-tubing annulus by means of a cross-over assembly.

CASE 7569: Application of Petroleum Corp. of Delaware for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbores of its Parkway West Unit Well No. 3, located in Unit K of Section 29, and Well No. 10, located in Unit G of Section 27, both in Township 19 South, Range 29 East.

CASE 7570: Application of J. Cleo Thompson for three unorthodox oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for three unorthodox well locations, being 660 feet from the North line and 1330 feet from the West line, 660 feet from the North line and 2630 feet from the East line, and 660 feet from the North line and 1310 feet from the East line, all in Section 2, Township 17 South, Range 30 East, Square Lake Pool.

CASE 7516: (Continued from March 31, 1982, Examiner Hearing)

Application of Benson-Montin-Greer for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Canada Ojitos Unit Area, comprising 12,361 acres, more or less, of Jicarilla Apache Indian lands in Township 27 North, Range 1 West.

CASE 7571: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface through the Abo formation underlying the SE/4 of Section 9, the SW/4 of Section 10, the NW/4 of Section 15, all in Township 6 South, Range 26 East, each to form a standard 160-acre spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7551: (Continued from April 14, 1982, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 21, Township 11 South, Range 31 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7572: Application of Anadarko Production Company for a waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Ballard GSA Waterflood Project by drilling and converting ten wells located in Unit N of Section 5, Units N and P of Section 6, Units F, H, J, and P of Section 7, Units F and N of Section 8, and Unit F of Section 17, all in Township 18 South, Range 29 East, Loco Hills Pool.

CASE 7573: Application of Anadarko Production Company for a waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its West Square Lake Waterflood Project by the conversion to water injection of five wells located in Units J and N of Section 9, D and H of Section 10, and J of Section 3, all in Township 17 South, Range 30 East.

CASE 7574: Application of Sun Exploration and Production Company for two non-standard gas proration units and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of two 160-acre non-standard Jalmat gas proration units comprising the NW/4 of Section 21, for its Boren & Greer Com Well No. 2 in Unit [illegible] and the NE/4 of Section 20, for its Boren & Greer Com Well No. 3, to be drilled at an unorthodox location 660 feet from the North line and 940 feet from the East line of said Section 20, all in Township 22 South, Range 36 East. Applicant further seeks rescission of Order No. R-5688.

CASE 7575: Application of Eagle Oil & Gas Co. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for a Wolfcamp-Penn test well to be drilled 1500 feet from the South line and 660 feet from the East line of Section 2, Township 17 South, Range 27 East, the S/2 of said Section 2 to be dedicated to the well.

CASES 7576 and 7577: Application of Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in each of the following cases, seeks an order pooling all mineral interests from the surface through the base of the San Andres formation underlying the lands specified in each case, each to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7576: NE/4 SW/4 Section 6, Township 19 South, Range 38 East

CASE 7577: SE/4 SW/4 Section 6, Township 19 South, Range 38 East

CASE 7578: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the SE/4 of Section 31, Township 19 South, Range 39 East, to form a standard 160-acre gas proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7579: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the N/2 NW/4 of Section 5, Township 20 South, Range 39 East, to form a non-standard 80-acre gas proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7580: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Seven Rivers formation underlying the SW/4 of Section 31, Township 19 South, Range 39 East, to form a standard 160-acre gas proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7581: Application of Estoril Producing Corp. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the South line and 990 feet from the East line of Section 10, Township 23 South, Range 34 East, Antelope Ridge-Morrow Gas Pool, the S/2 of said Section 10 to be dedicated to the well.

CASES 7582 thru 7585: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7582: NW/4 Section 13, Township 6 South, Range 24 East

CASE 7583: NE/4 Section 13, Township 6 South, Range 24 East

CASE 7584: SW/4 Section 13, Township 6 South, Range 24 East

CASE 7585: NW/4 Section 24, Township 6 South, Range 24 East

CASES 7525 thru 7534: (Continued from April 28, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following 10 cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7525: SW/4 Section 3, Township 5 South, Range 24 East

CASE 7526: NW/4 Section 3, Township 5 South, Range 24 East

CASE 7527: SE/4 Section 3, Township 5 South, Range 24 East

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

CASE 7530: NW/4 Section 11, Township 6 South, Range 24 East

CASE 7531: SW/4 Section 11, Township 6 South, Range 24 East

CASE 7532: SE/4 Section 27, Township 6 South, Range 24 East

CASE 7533: SW/4 Section 27, Township 6 South, Range 24 East

CASE 7534: NW/4 Section 34, Township 6 South, Range 24 East

CASE 7515: (Continued from April 14, 1982, Examiner Hearing)

Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12 and 13 West, Township 28 North, Range 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7586: Application of Standard Resources Corp. for designation of a tight formation, Chaves and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Abo formation underlying all or portions of Township 15 South, Ranges 23 through 25 East, Township 19 South, Range 20 East, and Township 20 South, Range 20 East, all in Chaves County; in Eddy County: Township 16 South, Ranges 23 through 26 East, Township 17 South, Ranges 21, 23, 24, and 25 East, and Township 18 South, Ranges 21, 23, 24 and 25 East, Township 19 South, Ranges 21, 23, and 24 East, and Township 20 South, Ranges 21, 23, and 24 East, containing 460,800 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7587: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending vertical and horizontal limits of certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Draper Mill-Wolfcamp Gas Pool. The discovery well is the HNG Oil Company Vaca Draw 16 State Well No. 1 located in Unit E of Section 16, Township 25 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM
Section 16: W/2

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Jabalina-Morrow Gas Pool. The discovery well is the Amoco Production Company Perro Grande Unit Well No. 1 located in Unit J of Section 6, Township 26 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 35 EAST, NMPM
Section 6: E/2

(c) ABOLISH the Diamond Mound-Morrow Gas Pool in Chaves and Eddy Counties, New Mexico, as heretofore classified, defined, and described as:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 35: All

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 31: E/2

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 3: Lots 1 through 16
Section 4: Lots 1 through 16
Section 5: Lots 1 through 16
Section 6: Lots, 1, 2, 7, 8, 9, 10, 15, 16, and S/2

(d) EXTEND the vertical limits of the Diamond Mound-Atoka Gas Pool in Chaves and Eddy Counties, New Mexico, to include the Morrow formation, and redesignate said pool to Diamond Mound-Atoka-Morrow Gas Pool, and extend the horizontal limits of said pool to include acreage from abolished Diamond Mound-Morrow Gas Pool and one additional well as follows:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 35: All

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 31: E/2

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 9: S/2

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 3: Lots 1 through 16
Section 4: Lots 1 through 16
Section 5: Lots 1 through 16
Section 6: Lots 1, 2, 7, 8, 9, 10, 15, 16, and S/2

(e) EXTEND the Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 35: E/2
Section 36: N/2

(f) EXTEND the Crow Flats-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 1: All
Section 12: N/2

(g) EXTEND the South Culebra Bluff-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 10: All
Section 11: W/2
Section 14: W/2
Section 15: W/2
Section 34: W/2

(h) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 17: N/2

(i) EXTEND the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
Section 28: All

(j) EXTEND the Kennedy Farms-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 10: N/2

(k) EXTEND the East LaRica-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 36: S/2

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 31: S/2

(l) EXTEND the Little Box Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 18: E/2

(m) EXTEND the Malaga-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 11: E/2

(n) EXTEND the South Millman-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 16: N/2

(o) EXTEND the East Millman-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 7: NE/4

(p) EXTEND the Millman Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 8: S/2

(q) EXTEND the West Nadine-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 5: SW/4

(r) EXTEND the West Osudo-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
Section 11: S/2
Section 12: S/2

(s) EXTEND the Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 24 EAST, NMPM

Section 24: S/2
Section 25: All
Section 26: E/2
Section 35: W/2 and NE/4
Section 36: N/2

TOWNSHIP 4 SOUTH, RANGE 25 EAST, NMPM
Section 19: SW/4
Section 30: W/2
Section 31: NW/4

TOWNSHIP 5 SOUTH, RANGE 24 EAST, NMPM
Section 2: NW/4
Section 7: All
Section 8: All
Section 9: N/2 and SW/4
Section 16: W/2
Section 17 thru 20: All
Section 21: W/2
Section 28: W/2
Section 29: All
Section 30: All
Section 31: N/2
Section 32: N/2
Section 33: NW/4

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM
Section 1 thru 5: All
Section 6: E/2
Section 7: SW/4 and E/2
Section 8 thru 12: All
Section 14 thru 22: All
Section 23: N/2
Section 27: N/2
Section 28 thru 30: All
Section 31: NE/4
Section 32: N/2
Section 33: All
Section 34: All

TOWNSHIP 6 SOUTH, RANGE 24 EAST, NMPM
Section 2: All
Section 11 thru 14: All
Section 22 thru 28: All
Section 34: E/2
Section 35: All
Section 36: All

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM
Section 4 thru 6: All
Section 7 thru 8: All
Section 9: N/2
Section 17 thru 20: All
Section 29 thru 32: All

TOWNSHIP 7 SOUTH, RANGE 24 EAST, NMPM
Section 1: All
Section 2: All
Section 3: E/2
Section 9 thru 15: All
Section 22 thru 27: All
Section 34 thru 36: All

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM
Section 6: W/2
Section 7: S/2
Section 13: SW/4
Section 14: S/2
Section 15: S/2
Section 18 and 19: All
Section 20: S/2
Section 22 thru 27: All
Section 29 thru 32: All
Section 34 thru 36: All

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM
Section 5: All
Section 6: All
Section 7 thru 10: All
Section 11: W/2
Section 15 thru 17: All
Section 18: N/2
Section 19 thru 22: All
Section 28 thru 32: All

TOWNSHIP 8 SOUTH, RANGE 24 EAST, NMPM
Section 1 through 3: All
Section 10: E/2
Section 11: All
Section 12: All

TOWNSHIP 8 SOUTH, RANGE 25 EAST, NMPM
Section 1 through 12: All
Section 13 through 16: N/2

TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM
Section 6: W/2

(t) EXTEND the West Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 22 EAST, NMPM
Section 23: SE/4
Section 24: S/2 and NE/4
Section 25 through 27: All
Section 28: E/2

TOWNSHIP 8 SOUTH, RANGE 23 EAST, NMPM
Section 3 through 5: All
Section 6: N/2
Section 8 through 10: N/2
Section 17: W/2
Section 18: SE/4
Section 19: All
Section 20: W/2
Section 29: W/2
Section 30: All
Section 31: All
Section 32: W/2

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TOWNSHIP 9 SOUTH, RANGE 23 EAST, NMPM
Section 3: W/2
Section 4: All
Section 5: All
Section 6: E/2
Section 8: All

(u) EXTEND the East Red Lake-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: E/2 NE/4 and NE/4 SE/4

(v) EXTEND the Sand Ranch-Morrow Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM
Section 26: All

(w) EXTEND the Sawyer-San Andres Associated Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM
Section 4: SW/4

(x) EXTEND the Tom-Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM
Section 7: All

(y) EXTEND the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 2: W/2
Section 7: N/2

(z) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 18: N/2 SE/4 and SE/4 SE/4

(aa) EXTEND the South Vacuum-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 16: SE/4

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Docket No. 14-82

DOCKET: COMMISSION HEARING - MONDAY - MAY 17, 1982

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205 - STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO.

CASE 7522: (DE NOVO)

Application of Santa Fe Exploration Co. for an unorthodox gas well location, Eddy County, New Mexico Applicant, in the above-styled cause, seeks approval of an unorthodox location 660 feet from the North and West lines of Section 14, Township 20 South, Range 25 East, Permo-Penn, Strawn, Atoka and Morrow formations, the N/2 of said Section 14 to be dedicated to the well.

Upon application of Chama Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7476: (DE NOVO)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Mesa Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7513: (DE NOVO)

Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Mesa Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF MESA PETROLEUM COMPANY FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO

CASE 7513

APPLICATION FOR HEARING DE NOVO

Comes now MESA PETROLEUM COMPANY, by through its undersigned attorneys, and states that it is a party adversely affected by Order No. R-6930 which was entered in the above-referenced case on April 5, 1982 and, pursuant to Oil Conservation Division Rule 1220, hereby makes written application for this case to be heard de novo before the Commission.

Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By William F. Carr

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

Certificate of Service

I hereby certify that a true copy of the foregoing Application for Hearing De Novo was hand delivered to Francis J. Matthew, attorney for Jack J. Grynberg on this 6th day of April, 1982.

William F. Carr

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7513 DE NOVO
Order No. R-6930-A

APPLICATION OF MESA PETROLEUM COMPANY
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 May 17, 1982, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of June, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Mesa Petroleum Company, seeks an order pooling all mineral interests, whatever they may be, from the surface down through the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico to form a standard 160 acre gas [redacted] unit.

(3) That the matter came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner ~~Daniel S.~~ RLS Nutter and, pursuant to this hearing, Order No. R-6930 was issued on April 5, 1982, which ~~denied~~ granted Mesa's application,

(4) That on April 6, 1982, application for Hearing De Novo was made by Mesa Petroleum Company, and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo on May 17, 1982.

(6) That the applicant has the right to drill and proposes to drill a well at standard locations on ~~each~~ the unit.

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

(8) 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.

~~(9) That the applicant is the owner of the single greatest interest in the proposed proration unit.~~

9(~~10~~) That the applicant should be designated the operator of the subject well and unit.

10(~~11~~) 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.

11(~~12~~) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the wells.

12(~~13~~) 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.

13(~~14~~) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

14(~~15~~) That $~~2500.00~~ 3700.00 per month while drilling and $~~250.00~~ 370.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

15(~~16~~) That all proceeds from production from the subject well 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.

16(~~17~~) 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 ~~July~~ October 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

~~(18) That the application of Mesa Petroleum Company in Case No. 7513 should be denied.~~

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Abo formation underlying a 160-acre gas spacing unit, being the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, are hereby pooled and are to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of ~~July~~ October, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of ~~July~~ October, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That ~~Jack O'Grynberg~~ Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall

furnish the Division and each known working interest owner in the 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 Division 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 Division and the Division 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 Division 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 who 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, 200 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 $~~2500.00~~ 3700.00 per month while drilling and $~~250.00~~ 370.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 interest's 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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

~~(13) That that portion of this application which seeks the pooling of mineral interests underlying the NE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, is hereby dismissed.~~

13 (~~14~~) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.