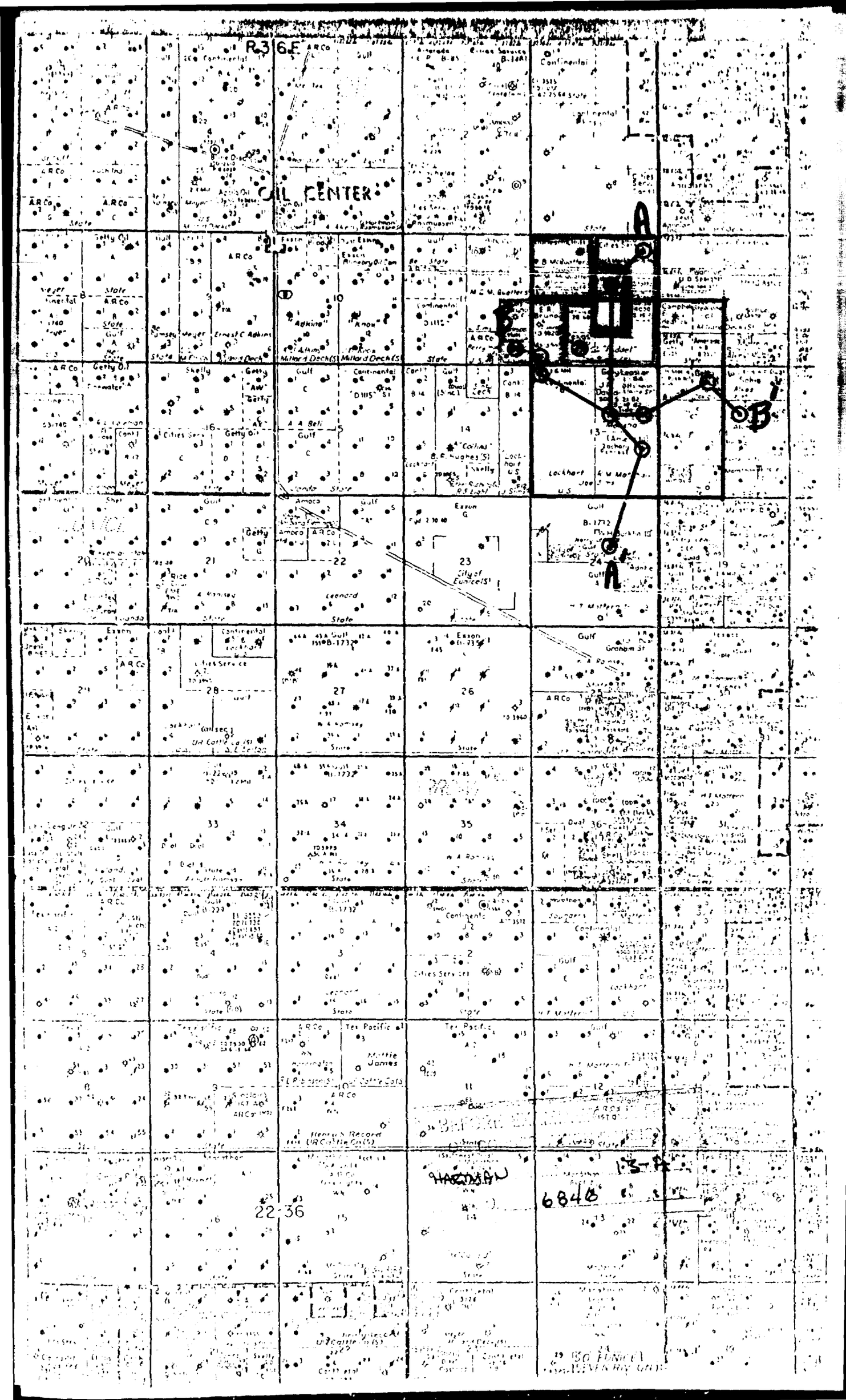
Case No. 6846

Application, Transcipts,

Small Exhibits, Etc.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CAMPBELL AND BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
PAUL R. CALDWELL

RECEIVED
MAR 14 1980
OIL CONSERVATION DIVISION
SANTA FE

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

March 14, 1980

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Case 6846: Application of Doyle Hartman for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Ramey:

This letter is to advise you that the applications filed on behalf of Doyle Hartman which were consolidated into the above-referenced case failed to list as a working interest owner Arco Oil and Gas Company. Arco owns a 6.25% working interest in each of the two units which are the subject matter of Mr. Hartman's compulsory pooling application. I, therefore, request that you treat this letter as an amendment to Mr. Hartman's application, thereby including Arco Oil and Gas Company among those whose interests we are seeking to force pool.

Your attention to this matter is appreciate.

Very truly yours,

William F. Carr

William F. Carr

WFC:lr

cc: Mr. Doyle Hartman

Dockets Nos. 9-80 and 10-80 are tentatively set for April 9 and 23, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 26, 1980

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:

CASE 6838: Application of Amax Chemical Corporation for the amendment of Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-111-A to extend the boundaries of the Potash-Oil Area by the inclusion of certain lands in Sections 11, 12, and 13, Township 19 South, Range 30 East, and Sections 7 and 18, Township 19 South, Range 31 East.

CASE 6839: Application of Kimbell Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Otero-Chacra and South Blanco-Pictured Cliffs production in the wellbore of its Salazar Well No. 4-26 to be located in Unit D of Section 26, Township 25 North, Range 6 West.

CASE 6840: Application of Union Texas Petroleum for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Pictured Cliffs production in the wellbore of its Johnston Federal Well No. 11Y located in Unit N of Section 7, Township 31 North, Range 9 West.

CASE 6841: Application of CIG Exploration, Inc. for two non-standard gas proration units, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two non-standard gas proration units in Township 16 South, Range 28 East, the first being 219.6 acres comprising Lots 1 thru 8 of Section 1 and the second being 219.92 acres comprising Lots 1 thru 8 of Section 2, for the Wolfcamp, Pennsylvanian, and Mississippian formations, each unit to be dedicated to a well to be drilled at a standard location thereon.

CASE 6842: Application of ARCO Oil and Gas Company for an unorthodox gas well location, simultaneous dedication, and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its W. C. Roach Well No. 6, 660 feet from the North line and 1980 feet from the West line of Section 21, Township 20 South, Range 37 East, Eumont Gas Pool, to be simultaneously dedicated with its W. C. Roach Well No. 1 in Unit D to the W/2 of said Section 21. Also sought are findings that the proposed well is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing unit well.

CASE 6843: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, Penasco Draw Field, each 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. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6844: Application of Arrowhead Oil Corporation for two exceptions to Order No. R-111-A and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing-cementing rules of Order No. R-111-A to complete its Creek Federal Well No. 3 at an unorthodox location 250 feet from the North line and 2350 feet from the East line and its Creek Federal Well No. 4 to be drilled in Unit G, both in Section 23, Township 18 South, Range 30 East, by setting surface casing at a depth of approximately 600 feet and production casing at total depth. The production casing would have cement circulated back to the potash zone in the salt section.

CASE 6845: Application of Marathon Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 800 feet from the North line and 200 feet from the East line of Section 30, Township 21 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, all of Section 30 or that portion thereof which may be reasonably presumed productive of gas from said pool to be dedicated to the well.

CASE 6846: Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 1330 feet from the North line and 2310 feet from the East line of said Section 13. 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. Also to be considered will be the designtion of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6834: (Continued and Readvertised)

Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its SEMU Berger Well No. 107 at an unorthodox location 2615 feet from the South and East lines of Section 19, Township 20 South, Range 38 East, to produce oil from the Blinebry Oil and Gas and Drinkard Pools.

CASE 6837: (Continued from March 12, 1980, Examiner Hearing)

Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 West, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6847: Application of Tenneco Oil Company for dual completions and downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete, in such a manner as to produce gas from the Dakota formation and commingled Chacra and Mesaverde production through parallel strings of tubing, ten proposed wells to be located as follows: in Township 29 North, Range 10 West: Unit C, Section 19; Unit N, Section 19; Unit A, Section 30; and Unit D, Section 30; in Township 29 North, Range 11 West: Unit G, Section 24; Unit O, Section 24; Unit A, Section 25; Unit B, Section 25; Unit H, Section 25; and Unit P, Section 25.

CASE 6818: (Continued from March 12, 1980, Examiner Hearing)

Application of Tenneco Oil Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East.

CASE 6849: (This is the same matter as was previously designated Case No. 6813.)

Application of Petroleum Development Corporation to amend Order No. R-6196, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Order No. R-6196 which authorized re-entry of a well at an unorthodox location in the Lusk-Morrow Gas Pool to be dedicated to the N/2 of Section 13, Township 19 South, Range 31 East. Applicant now seeks approval for a new revised location 750 feet from the North line and 660 feet from the West line of said Section 13.

CASE 6848: Application of Petroleum Development Corporation for pool contraction and creation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Querecho Plains-Bone Spring Pool to comprise the Upper Bone Spring formation only, from 8390 feet to 8660 feet on the log of its McKay West Federal Well No. 1 located in Unit F of Section 34, Township 18 South, Range 32 East, and the creation of the Querecho Plains-Lower Bone Spring Pool to comprise said formation from 8680 feet to the base of the Bone Spring underlying the NW/4 of said Section 34.

CASE 6826: (Continued from March 12, 1980, Examiner Hearing)

Application of Tahoe Oil and Cattle Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Penrose Skelly Pool underlying the SE/4 SE/4 of Section 25, Township 21 South, Range 36 East, to be dedicated to its Bromlee Well No. 1 located thereon. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting said well.

CAMPBELL AND BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
PAUL R. CALDWELL

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

March 12, 1980

RECEIVED
OIL CONSERVATION DIVISION
SANTA FE

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

Re: Application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-Standard Proration Unit, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Doyle Hartman in the above-referenced matter.

The applicant requests that this matter be readvertised to include the Queen, Penrose and Grayburg formations and be included on the docket for the examiner hearing scheduled to be held on April 9, 1980.

Very truly yours,

William F. Carr

William F. Carr

WFC:lr

Enclosures

cc: Mr. Doyle Hartman

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case _____

APPLICATION

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

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

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

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

a.	Flour Oil & Gas Corporation	1/16
b.	Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan	1/16

c. Texaro Oil Company 1/40

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

e. Edith G. Socolow and A. Walter Socolow, individually and as Trustees under Agreement dated November 24, 1976 28/360

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case _____

APPLICATION

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

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

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

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

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d.	Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased	28/120
e.	Edith G. Socolow and A. Walter Socolow, individually and as Trustees under Agreement dated November 24, 1976	28/360

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case _____

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

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LAWYERS

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March 12, 1980

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

Re: Application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-Standard Proration Unit, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Doyle Hartman in the above-referenced matter.

The applicant requests that this matter be readvertised to include the Queen, Penrose and Grayburg formations and be included on the docket for the examiner hearing scheduled to be held on April 9, 1980.

Very truly yours,

William F. Carr

WFC:lr

Enclosures

cc: Mr. Doyle Hartman

RECEIVED
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 8446

APPLICATION

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

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

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

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

a. Fluor Oil & Gas Corporation 1/16 X

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

c. Texaro Oil Company 1/40 used

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

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

now has leases on these WI owners per letter of Mar 24

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

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

MAR 2
OIL CONSERVATION DIVISION
SANTA FE

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

Case 6846

APPLICATION

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By William F. Carr

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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
26 March 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for two compulsory poolings, Two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

CASE 6846

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: Call next Case 6846.

MR. PADILLA: Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

MR. STAMETS: Applicant in this case has requested that it be continued to the April 9th Examiner Hearing and it shall be.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

REPORTER'S CERTIFICATE

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 hearing transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6846, heard by me on 3-26 1980.

Richard L. Stamets, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
26 March 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for two compulsory poolings, Two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

CASE 6846

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
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Phone (505) 455-7409

MR. STAMETS: Call next Case 6846.

MR. PADILLA: Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

MR. STAMETS: Applicant in this case has requested that it be continued to the April 9th Examiner Hearing and it shall be.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

REPORTER'S CERTIFICATE

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 hearing transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. ____, heard by me on ____, 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Dockets Nos. 12-80 and 13-80 are tentatively set for April 23 and May 7, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 9, 1980

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

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

CASE 6850: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Jack F. Grimm, N. B. Hunt, George R. Brown, Am-Arctic, Ltd., The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Mobil 32 Well No. 1 located in Unit D of Section 32, Township 25 South, Range 1 East, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6851: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS as promulgated by Division Order No. R-5878 and amended by R-5878-A. The proposed amendments would make said SPECIAL RULES conform to FERC Order No. 65 which promulgated final regulations implementing filing requirements of the Natural Gas Policy Act of 1978.

CASE 6852: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider special rules and procedures for the designation of "tight formations" or "tight sands" as outlined in the FERC interim rules and regulations issued February 20, 1980, relating to Section 107(b) of the Natural Gas Policy Act of 1978.

CASE 6853: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha Cha-Gallup Pool underlying the N/2 NE/4 of Section 18, Township 29 North, Range 14 West, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6854: Application of Jack A. Cole for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Apache Hills Well No. 6, 1325 feet from the North line and 1843 feet from the West line of Section 17, Township 23 North, Range 3 West, Ballard-Pictured Cliffs Pool, the NW/4 of said Section 17 to be dedicated to the well.

CASE 6841: (Continued from March 26, 1980, Examiner Hearing)

Application of CIG Exploration, Inc. for two non-standard gas proration units, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two non-standard gas proration units in Township 16 South, Range 28 East, the first being 219.6 acres comprising Lots 1 thru 8 of Section 1 and the second being 219.92 acres comprising Lots 1 thru 8 of Section 2, for the Wolfcamp, Pennsylvanian, and Mississippian formations, each unit to be dedicated to a well to be drilled at a standard location thereon.

CASE 6855: Application of Dome Petroleum Corporation for an unorthodox well location, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Santa Fe 3 Well No. 1 to be drilled 1220 feet from the North line and 900 feet from the West line of Section 3, Township 21 North, Range 10 West.

CASE 6856: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry, Tubb-Drinkard, and Fusselman production in the wellbore of its C. C. Fristoe "B" Federal NCT-2 Well No. 6 located in Unit H of Section 34, Township 24 South, Range 37 East, Justis Field.

CASE 6857: Application of Holly Energy, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 14 Well No. 1, a Morrow test to be drilled 660 feet from the South line and 990 feet from the East line of Section 14, Township 18 South, Range 28 East, the S/2 of said Section 14 to be dedicated to the well.

CASE 6843: (Continued from March 26, 1980, Examiner Hearing)

Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, Penasco Draw Field, each 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. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6858: Application of H. L. Brown, Jr. for gas well commingling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Bluitt-Wolfcamp gas and condensate production from ten federal wells located as follows: Units K and P of Section 33 and L of 34, Township 7 South, Range 37 East; Units D and L of Section 3, C and J of 4, I of 5, C of 9 and G of 10; and one fee well in D of 10, all in Township 8 South, Range 37 East. Applicant would separate and meter the gas and condensate production from each well, then recombine the well's stream and commingle all wells into a small gasoline plant. Allocation of gas and condensate to each well would be on the basis of wellhead meter readings and allocation of gasoline plant production would be on the basis of gas production and BTU content at each well.

CASE 6859: Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6860: Application of Flag-Redfern Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located in Unit P of Section 3, Township 19 South, Range 31 East.

CASE 6861: Application of Zia Energy, Inc. for pool creation, special pool rules, and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres oil pool for its State "C" Well No. 1 located in Unit F of Section 17, Township 22 South, Range 37 East, and special rules therefor, including a provision for a limiting gas-oil ratio of 10,000 to 1. Applicant further seeks a new onshore reservoir determination for said State "C" Well No. 1.

CASE 6837: (Continued from March 26, 1980, Examiner Hearing)

Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 West, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6862: Application of ARCO Oil and Gas Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 157 "D" Well No. 11 drilled 2123 feet from the South line and 1644 feet from the East line of Section 12, Township 22 South, Range 36 East, Drinkard Pool, the NW/4 SE/4 of said Section 12 to be dedicated to the well.

CASE 6863: Application of Bass Enterprises Production Co. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Big Eddy Unit Well No. 72 located in Unit R of Section 3, Township 21 South, Range 28 East, to produce undesignated Atoka and Morrow gas thru parallel strings of tubing.

CASE 6864: Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Smith Ranch Well No. 11, to be drilled 1980 feet from the North line and 660 feet from the West line of Section 11, Township 20 South, Range 33 East, Teas-Penn Gas Pool, the N/2 of said Section 11 to be dedicated to the well.

Docket No. 9-80

CASE 6846: (Amended)

In the matter of Case No. 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the North line and 2310 feet from the East line of Section 13, Township 21 South, Range 36 East, Lea County.

CASE 6846: (Continued from March 26, 1980, Examiner Hearing)

Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13. 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. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6865: Application of Getty Oil Company to reopen Case No. 6508, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to reopen Case No. 6608 for consideration of the establishment of maximum efficient rates of withdrawal from the Grama Ridge-Wolfcamp Gas Pool.

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Docket No. 10-80

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 16, 1980

8:45 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

ALLOWABLE: (1) Consideration of the allowable production of gas for May, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for May, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

****

Docket No. 11-80

DOCKET: COMMISSION HEARING - WEDNESDAY - APRIL 16, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6609: (DE NOVO) (Continued from March 11, 1980, Commission Hearing)

Application of Napeco Inc. for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn oil pool for its Benson Deep Unit Well No. 1 located in Unit O of Section 33, Township 18 South, Range 30 East, and special rules therefor, including 160-acre spacing and standard well locations.

Upon application of Yates Petroleum Corporation and Napeco Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220. Applicants allege this is not an "oil" pool but is a "volatile" oil pool.

CAMPBELL AND BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
PAUL R. CALDWELL

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

March 6, 1980

Case 6846

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

Re: Application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-Standard Proration Unit, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Doyle Hartman in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on March 26, 1980.

Very truly yours,

William F. Carr

WFC:lr

Enclosures

cc: Mr. Doyle Hartman

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

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

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

a. Fluor Oil & Gas Corporation 1/16

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

c. Texaro Oil Company 1/40

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

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

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

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

a.	Fluor Oil & Gas Corporation	1/16
b.	Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan	1/16

c. Texaro Oil Company 1/40

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

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LAWYERS

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WILLIAM F. CARR
PAUL R. CALDWELL

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

March 7, 1980

Case 6846

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

Re: Application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-Standard Proration Unit, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Doyle Hartman in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on March 26, 1980.

Very truly yours,

William F. Carr

WFC:lr

Enclosures

cc: Mr. Doyle Hartman

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

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

a. Fluor Oil & Gas Corporation 1/16

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

c. Texaro Oil Company 1/40

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

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

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

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

a. Fluor Oil & Gas Corporation 1/16

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

c.	Texaro Oil Company	1/40
d.	Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased	28/120
e.	Edith G. Socolow and A. Walter Socolow	28/360

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

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

a. Fluor Oil & Gas Corporation 1/16

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

c.	Texaro Oil Company	1/40
d.	Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased	28/120
e.	Edith G. Socolow and A. Walter Socolow	28/360

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To Called in by Bill Carr
2/29/80

BEST AVAILABLE COPY

Hoyle Hartman
Compulsory Pooling, Non-
Standard Proration Unit,
Unorthodox Location

80-acre
Eumont Gas Pool

N/2 NE/4
1330/N + 2310/E
13-T21S R36E
Penrose formation

OIL CONSERVATION COMMISSION-SANTA FE

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To Called in by Bill Carr
2/29/80

Doyle Hartman

Compulsory Pooling, Non-Standard Proration Unit, Unorthodox Well Location

80-acre
Eumont Gas Pool

S/2 NE/4
1650/N + 2310/E 13-T21S-R36E
Penrose formation

OIL CONSERVATION COMMISSION-SANTA FE

DRAFT

dr/

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. 6846

Order No. R-6333

APPLICATION OF DOYLE HARTMAN FOR TWO COMPULSORY POOLINGS, TWO NON-STANDARD GAS PRORATION UNITS, AND TWO UNORTHODOX WELL LOCATIONS, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this ______ day of April, 19 80, 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 *in this case* the applicant, Doyle Hartman, *applied for* ~~seeks~~ an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, T-21-S, ~~underlying the~~ R-36-E, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 ~~of Section , Township , Range~~ feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be ~~NMPM,~~ dedicated to a well to be drilled at an unorthodox ~~County, New~~ location 330 feet from the North line and 2310 feet from the East line of said ~~Mexico.~~ Section 13.

(3) That the applicant has the right to drill and proposes to drill ~~a well~~ *on the aforesaid lands.*

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

(5) That at the hearing the applicant was permitted to amend each of the above-described unorthodox locations to a new position less unorthodox than originally requested and less likely to impair correlative rights than the original locations; and that said amended unorthodox locations would be 1650 feet from the North line and 1980 feet from the East line of Section 13, and 330 feet from the North line and 1980 feet from the East line of Section 13, respectively.

(6) That there is no necessity for the formation of two 80-acre non-standard proration units in the NE/4 of Section 13, nor for an order pooling all mineral interests in the Eumont Gas Pool underlying each of the proposed 80-acre units, inasmuch as all ownership throughout the NE/4 of said Section 13 is identical throughout, and the purposes of conservation would be served more adequately by the approval of a single 160-acre non-standard unit comprising said lands and an order pooling all mineral interests underlying the NE/4 of said Section 13.

(7) That there is an old Eumont Gas well which has not been plugged and abandoned on said lands, being the Getty Oil Company Marshall Well No. 1 located in Unit G of Section 13, and the NE/4 of Section 13 is dedicated to this temporarily abandoned abandoned well.

(8) That because of the aforesaid old well, if the applicant is to obtain an NGPA gas well category determination as a new onshore production well for either or both of the wells proposed in this case, it will be necessary to obtain findings as to the necessity for either or both of said wells after they have been drilled.

(9) That the application for two 80-acre non-standard gas proration units and two compulsory poolings should be denied and an order entered approving one 160-acre non-standard gas proration unit comprising the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, and pooling all mineral interests in the Eumont Gas Pool thereunder, said unit to be dedicated to two wells to be drilled at unorthodox locations, one being 1650 feet from the North line and 1980 feet from the East line of said Section 13 and the other being 330 feet from the North line and 1980 feet from the East line of Section 13, provided however, that the well proposed to be drilled at a point 1650 feet from the North line and 1980 feet from the East line should be drilled first, and the second well should not be drilled until a reasonable period of time has elapsed in which to evaluate the production characteristics of the first well.

(10) That such an order would avoid the drilling of unnecessary wells, would protect correlative rights, and would 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.

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

(12) That with respect to each well individually, 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.

(13) That with respect to each well, any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) That with respect tc each well, 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.

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

while drilling and $375.00 while producing

4

(16) That $3000.00 per month should be fixed as reasonable charges for supervision (combined fixed rates) for each well; 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(18) That upon the failure of the operator of said pooled unit to commence drilling of the first well herein authorized to which said unit is dedicated on or before July 15, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That the application of Dayle Hartman to pool all mineral interests, whatever they may be, in the Eumont Gas Pool ~~formation~~ underlying ~~the~~ two 80-acre ~~two 80-acre~~ non-standard gas proration units, the first being the S/2 NE/4 of Section 13, ~~of Section~~, Township 21 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13 ~~County, New Mexico~~ and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be ~~hereby pooled to form a standard~~ acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from East line of said Section 13 is hereby denied.

BEST AVAILABLE COPY

(2) That all mineral interests, whatever they may be, in the Eumont Gas Pool underlying the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 160-acre non-standard gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of July, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Eumont Gas Pool. ~~formation;~~

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of July, 1980, Order (1) of this Order shall be null and void and of no effect whatsoever unless operator obtains a time extension from the Division.

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.

(3) That Doyle Hartman is hereby designated the operator of the subject well and unit.

(4) 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.

(5) 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.

(6) 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.

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

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

(8) 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.

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

(10) That $3000.00 per month while drilling and $375.00 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.

(11) That upon completion of the well authorized in Order No. (2) above, and after a reasonable period of time in which to evaluate its production characteristics and reserves, the applicant is authorized to drill a second well on the pooled lands, said well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from the East line of Section 13, and to simultaneously dedicate both wells to the spacing and proration with the option to produce the unit allowable from either well in any proportion.

PROVIDED HOWEVER, that within 30 days prior to commencing the second well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of the second well's estimated costs, and

PROVIDED FURTHER, that the provisions of Orders Nos. (5) through (10) above shall apply to the second such well drilled on the unit, in the same manner as they apply to the first well and as though the second well were the only well on the unit.

PROVIDED FURTHER, that within ten days after receipt of such estimate of well costs, any ~~operator~~ working interest owner in the proration unit who objects to the commencement of the second well on the grounds of an insufficient evaluation of the first well may lodge such objection with the operator and the Division Director, whereupon the Division Director shall arbitrate the differences or, if necessary, set the matter for hearing.

(12) 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.

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

(14) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Lea 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.

(15) 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.

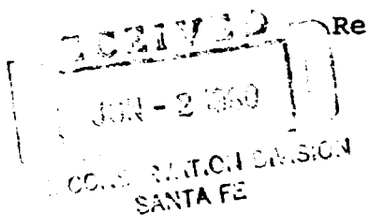
James H. Isbell
OIL PROPERTIES
727 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701

AREA CODE 915/684-3933

May 28, 1980

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey
Director



Re: Case No. 6846
Order No. R-6333
NE/4 Section 13
T-21-S, R-36-E, N.M.P.M.
Lea County, New Mexico
Gutman #1 and #2 Wells

Gentlemen:

This is to confirm our telephone conference of Wednesday, May 28, 1980, relative to the captioned matter and your verbal response to certain questions raised by my letter of May 13, 1980. In this connection, you have advised that it was the intention of the Oil Conservation Division in its captioned order that a reasonable period of time to evaluate the #2 well (the first well drilled) would be given prior to drilling the second well. I am advised by Mr. Hartman's offices that the well was hooked up Tuesday, May 27, and to date there has been no period for evaluation. As you recall, I also advised you by my May 13 letter that to date we have been unable to agree on the terms of an operating agreement although I have sent to Mr. Hartman an executed agreement and my attorney has attempted to negotiate on my behalf in an effort to obtain a compromise.

I am enclosing a copy of a letter from Mr. Hartman dated May 22, 1980, stating that "we have been advised by our attorney that although some parties have paid their invoiced share of the development costs, in the event they have not signed the operating agreement by the deadline date of May 31, 1980, they will still be considered non-consenting parties. If this happens, each non-consenting party's prepayment will be refunded." In this connection, you have advised me that this is not the case. I have also been advised by counsel that the force-pooling order does not become applicable simply

because Mr. Hartman's form of operating agreement has not been executed. For the record, I wish to state that I do intend to participate in the #1 well if, after a reasonable period of time, the production data indicates that it would be economically and geologically advisable to drill the second well. I have signed an AFE and have paid my share of the costs for the #1 well. I have requested copies of invoices for costs attributable to the #1 well from Mr. Hartman and, to date, I have received no invoices.

With the above matters in mind, it appears that the only reasonable way to clarify these questions would be for me to file an action on behalf of myself and others before the Oil Conservation Division requesting a determination of that body as to whether Mr. Hartman is in compliance with the above referenced order. In this connection, my attorney will be in contact with the Division; however, please advise me if my understanding of the situation is incorrect.

Very truly yours,

James H. Isbell

JHI:lh

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

Mr. Conrad Coffield, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
1000 First National Bank Tower
Midland, Texas 79701

Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87501

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

(915) 684-4011

May 22, 1980

CERTIFIED MAIL

All Non-Consenting Parties
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Re: NE/4 Section 13, T-21-S,
R-36-E, Lea County, N.M.

Gentlemen:

Reference is made to our recent complusory pooling of all unpooled interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico (NMOCD Order No. R-6333).

On May 1, 1980 we mailed each party by registered mail a final request for prepayment and also asked that each party who wished to voluntarily join in the drilling of the first well return a signed copy of the AFE and Detail Well Estimate for the well, along with a signed copy of the Operating Agreement covering the NE/4 Section 13 as furnished to you on April 1, 1980, and a check for each party's invoiced share of the estimated development cost. We have been advised by our attorney that although some parties have paid their invoiced share of the development costs, in the event they have not signed the Operating Agreement by the deadline date of May 31, 1980, they will still be considered non-consenting parties. If this happens, each non-consenting party's prepayment will be refunded.

We would appreciate your prompt attention in this matter since there are only nine days remaining before the deadline.

Very truly yours,

Doyle Hartman

Doyle Hartman

DH/mh

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

AREA CODE 915/684-3933

April 10, 1980

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

Re: Gutman Nos. 1 and 2 Wells
Lea County, New Mexico

Dear Sir:

I am enclosing herewith an executed original and copy of your proposed operating agreement (containing certain revisions) relating to the subject well. If it meets with your approval, please execute the original, returning it to me and retaining the copy for your files.

Upon receipt of your drilling well prognosis and proposed spud date, I will be happy to discuss an arrangement for the payment of drilling costs with you.

Very truly yours,

James H. Isbell

JHI:llh

Enclosures

Delivered 4/10/80

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved Doyle Hartman Title _____ Date 4/10/80

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT—1956

Non-Federal Lands

OPERATING AGREEMENT

DATED

March 27, 1980,

FOR UNIT AREA IN Northeast Quarter (NE/4) Section 13, T-21-S, R-36-E,

Lea COUNTY, STATE OF New Mexico

Gutman No. 1 and 2
NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM A.A.P.L. NO. 610
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

A.A.P.L. FORM 610

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A.A.P.L. FORM 610

OPERATING AGREEMENT

THIS AGREEMENT, entered into this 27th day of March, 1980, between DOYLE HARTMAN hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

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

(1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.

(2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.

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

(5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

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

(7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.

(8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Title Examination: Title is presently being examined and a copy of the opinion will be furnished on request. Cost of title examination will be charged to the Joint Account.

~~There shall be no examination of title to leases, or to oil and gas interests, except that title to the lease~~ covering the land upon which the exploratory well is to be drilled in accordance with Section 7, shall be examined on a complete abstract record by Operator's attorney, and the title to both the oil and gas lease and to the fee title of the lessors must be approved by the examining attorney, and accepted by all parties. A copy of the examining attorney's opinion shall be sent to each party immediately after the opinion is written, and also, each party shall be given, as they are written, a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy the examining attorney's requirements shall be made by the party owning the lease covering the drillsite.

If title to the proposed drillsite is not approved by the examining attorney or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall select a new drillsite for the first exploratory well; provided, if the parties are unable to agree upon another drillsite, this agreement shall in that case, come to an end and all parties shall then forfeit their rights and be relieved of obligations hereunder. If a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be approved or accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not approved or accepted, other drillsites shall be successively selected and title examined, until a drillsite is chosen

"Individual Loss"
Revised 1967

which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the lease covering the lands upon which such well is to be located has been examined by Operator's attorney, and (2) the title has been approved by the examining attorney and the title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Failure of Title:

Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and

(1) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

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

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

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

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

C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

~~3. UNLEASED OIL AND GAS INTERESTS~~

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

4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eigthh (⅛) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

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

6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

7. TEST WELL(S) *

On or before the 30th day of May, 1980, Operator shall commence the drilling of a well for oil and gas in the following location: N/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico; with the second of the two test wells to be commenced no later than 120 days after the first of the two test wells (subject to the provision of paragraph 10 hereinbelow) at a location in the S/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

and shall thereafter continue the drilling of the well with due diligence to a depth of 4200 feet or to a depth that is sufficient to test the productive interval of the Penrose and/or Grayburg formation(s).

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall ~~make reasonable tests~~ thoroughly log, but not core or DST 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.~~ evaluate

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first ~~secure~~ make a reasonable effort to secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ~~six percent (6%)~~ twenty percent(20%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

* Test wells for this purpose is defined as two 4200' wells, one being located on the N/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico, and the second being located on the S/2 NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

9. OPERATOR'S LIEN

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

10. TERM OF AGREEMENT

This agreement shall remain in full force and effect until the first test well hereinabove provided for in Section 7 is completed as a commercial producer and only as long thereafter as there is (a) production from the area and depths allocated to the proration unit surrounding the first test well or (b) there is a well capable of production from such area and depths or (c) drilling or workover operations are being conducted on the first test well provided for in Section 7 with no cessation of operations; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from such area and depths, then at the end of ninety (90) days after the abandonment of the first test well, this agreement shall terminate or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue until such well or wells shall have been drilled and completed. If commercial production in paying quantities does not result from the first test well, this agreement shall terminate at the end of ninety (90) days after abandonment of such well. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand and No/100---------- Dollars ($ 10,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $10,000.00

12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(B) 300% ~~200%~~ of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and 300% ~~200%~~ of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

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

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production which it takes or sells and shall hold the other parties free from liability therefor. Any extra expenditures incurred in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

15. DRILLING CONTRACTS

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

16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

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

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

(3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

~~18. PREFERENTIAL RIGHT TO PURCHASE~~

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

19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of each sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the successor of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

20. MAINTENANCE OF UNIT OWNERSHIP

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

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

(2) an equal undivided interest in all leases and equipment and production in the Unit Area.

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

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

21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

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

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

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

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

24. SURRENDER OF LEASES

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

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

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

25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

27. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

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

28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand ($1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

29. FORCE MAJEURE

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

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

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

30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

(A) If any party hereto hereafter shall create any overriding royalty, production payment, or other burden against its working interest production, and if any party or parties shall conduct nonconsent operations pursuant to any provision of this agreement and, as a result, become entitled to receive the working interest production otherwise belonging to the nonparticipating party, the party or parties entitled to receive the working interest production of the nonparticipating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.

(B) All related costs incurred in initially complying with both processing and other requirements of the Federal Energy Regulatory Commission and/or provisions of The Natural Gas Policy Act of 1978 shall be charged to the Joint Account. This charge shall be in addition to the regular overhead charge, only insofar as to costs incurred in initially complying with such rules and regulations.

(C) Notwithstanding the provision of Paragraphs 11 and 12 hereof to the contrary, consent by a party to the drilling or deepening of a well shall not be deemed consent to the attempt to complete the well or to the setting of production string casing therein. When any well drilled or deepended pursuant to the terms of this agreement has reached its authorized depth, Operator shall promptly give notice to nonoperators as to whether such well should be plugged and abandoned as a dry hole or casing be set in an attempt to complete the well as a producer. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday and Sunday) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to comply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If one or more but less than all the parties elect to set pipe and attempt a completion, the provisions of Section 12 hereof shall apply to the operations thereafter conducted by less than all parties and to costs incurred in such operations. If all the parties elect to plug and abandon said well, Operator shall plug and abandon same at the expense of all parties.

(D) Change of Operator

If, at anytime commencing one year or more after oil and gas are found in commercial quantities on said Unit Area, any Nonoperator regularly engaged in the operation of similar oil and gas properties considers the cost of operating the Unit Area to be excessive and is willing to operate the same for a period of one year at a cost less than the cost of operating under the direct control of Operator, such Nonoperator shall deliver to Operator a written statement detailing the items of expense contributing to the alleged excessive costs proposing that such Nonoperator assume such operations and specifying the proposed economies. Within thirty (30) days of such statement, Operator shall elect in writing delivered to such Nonoperator to either (a) surrender operations to the proposing Nonoperator for a period of one year upon the terms contained in Nonoperator's proposal or (b) to agree to operate the Unit Area for such period of one year at a cost consistent with the economies proposed by Nonoperator. If Operator elects to surrender operations, then such proposing Nonoperator forthwith shall become Operator for a minimum period of one year as fully as though such Nonoperator had been herein designated Operator under the terms hereof as modified by its proposed economies.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

OPERATOR

DOYLE HARTMAN

NON-OPERATORS

DOYLE HARTMAN, TURSTEE

JAMES E. BURR

LARRY NERMYR

JACK FLETCHER

RICHARD W. STUMP

ATTEST:

ARCO OIL AND GAS COMPANY

GARY LEASCHER AND WIFE, CYNTHIA D. LEASCHER

MICHAEL SULLIVAN AND WIFE, GAIL SULLIVAN

JAMES H. ISBELL AND WIFE, LINDA

EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico between DOYLE HARTMAN as Operator and Doyle Hartman, Trustee, James E. Burr et al as Non-Operators.

I. a) Land Subject to Agreement

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

b) Depth Limitations

From the surface to 4200 feet.

c) Drilling (Proration) Unit for Initial Tests

N/2 NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico (80 acres)

S/2 NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico (80 acres)

II. Percentages of Interests and Addresses of Parties

Operator:

Doyle Hartman — 38.76737 %
508 C & K Petroleum Building
Midland, Texas 79701
(915-684-4011)

Non-Operators:

See Page 14-A.

EXHIBIT "B"

There is no Exhibit "B".

Non-Operators

Doyle Hartman, Trustee P. O. Box 10426 Midland, Texas 79702	14.09723 %
James E. Burr 2505 Emerson Dr. Midland, Texas 79701	0.88107
Larry Nermyr 2438 Whitmire Blvd. Apartment 9-E Midland, Texas 79701	0.88107
Jack Fletcher Route 1, Box 133-C Midland, Texas 79701	0.88107
Richard W. Stump 2309 Gulf Midland, Texas 79701	0.88108
ARCo Oil and Gas Company P. O. Box 1610 Midland, Texas 79702	6.25000
Cary Leascher and wife, Cynthia D. Leascher P. O. Box 3734 Midland, Texas 79701	3.12500
Michael Sullivan and wife, Gail Sullivan 2505 Stephens Road Boulder, Colorado 80303	3.12500
James H. Isbell and wife, Linda C. Isbell 727 Midland Tower Building Midland, Texas 79701	31.11111

EXHIBIT "C"

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico between Doyle Hartman, as Operator, and Doyle Hartman, Trustee, James E. Burr et as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

2. Statement and Billings *

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

3. Advances and Payments by Non-Operators

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

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

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

*All statements provided for herein (including those set forth in Paragraph II, DIRECT CHARGES, sub-paragraphs 1 through 12) shall be accompanied by photostatic copies of all subcontractor invoices for services rendered or equipment purchased in the drilling, completion, or producing of the wells provided for herein.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

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

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

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

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

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

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

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

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

5. Transportation

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

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

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

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

6. Services

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

7. Equipment and Facilities Furnished by Operator

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

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

8. Damages and Losses to Joint Property

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

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is ~~considered to be~~ incurred by ~~the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section 1, Paragraph 3.~~ including the cost of force pooling proceedings conducted before the New Mexico Oil Conservation Division is considered to be covered by overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section 1, Paragraph 3.

10. Taxes

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

11. Insurance

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

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

(X) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 2,500.00
Producing Well Rate $ 250.00

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

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April beginning April 1, 1981 each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

COPIES

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

~~2. Overhead - Major Construction~~ **If applicable, will be negotiated.**

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

~~A. _____% of total costs if such costs are more than $_____ but less than $_____; plus~~

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

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

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

3. Amendment of Rates

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

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

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition A)

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

(2) Line Pipe

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

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

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

B. Good Used Material (Condition B)

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

C. Other Used Material (Condition C and D)

(1) Condition C

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

(2) Condition D

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

D. Obsolete Material

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

E. Pricing Conditions

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

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

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D"

Attached to and made a part of the Operating Agreement dated March 27, 1980 and covering NE/4 Section 13, T-21-S, R-36-E Lea County, New Mexico between DOYLE HARTMAN as Operator and Doyle Hartman, Trustee, James E. Burr et al as Non-Operators.

Operator, at all times while operations are conducted hereunder, shall carry, and require its contractors to carry insurance to indemnify, protect and hold the parties hereto harmless as follows;

1. Insurance which shall comply with the Workmen's Compensation, Employers Liability and Occupational Disease laws of the State in which operations hereunder are conducted;

2. Comprehensive general liability insurance with limits of not less than:

   A. Bodily Injury:

      $100,000 per person and $300,000 for each occurrence and,

   B. Property Damage:

      $100,000 for each occurrence and $300,000 in the aggregate.

3. Automobile liability insurance with limits of not less than:

   A. $100,000 per person and $300,000 per accident pertaining to bodily injury to, or death of persons; and,

   B. $100,000 per accident pertaining to loss of, or damage to, property.

Upon successful completion of first well, all premiums paid on such insurance shall be charged to the joint account. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance shall be charged to the joint account.

Operator shall not be liable to Non-Operator (s) for loss suffered on account of the insufficiency of insurance carried, or of the insuror with whom carried, nor shall Operator be liable to Non-Operator (s) for any loss accruing by reason of Operator's inability to provide or maintain the insurance above mentioned; provided, however, that if at any time during the life of this agreement Operator is unable to obtain or maintain such insurance, Operator shall promptly notify Non-Operator (s) in writing of such fact.

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

(915) 684-4011

CERTIFIED MAIL

All Non-Consenting Parties
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Re: Final Request for Prepayment
Gutman No. 1 and No. 2
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Please find enclosed two copies of an AFE and Detail Well Estimate for my proposed Gutman No. 1 and Gutman No. 2 plus a final request for prepayment of the estimated drilling and completion costs for the two wells. On April 30, 1980 the New Mexico Oil Conservation Division entered a favorable order concerning my application before the NMOCD (6846) wherein I had requested approval for a non-standard Eumont gas proration unit for the two proposed wells, two non-standard locations, and compulsory pooling of all non-consenting parties in the NE/4 Section 13. The effective date of the NMOCD order is April 30, 1980.

As provided for in the pooling statutes of the State of New Mexico, you now have thirty days from the date of this letter to voluntarily join in the drilling of the proposed Gutman No. 1 and No. 2 or have the compulsory pooling order rendered by the NMOCD become final as to your interest. If you now wish to voluntarily join in the proposed development work, please return to my office at your earliest convenience one signed copy of the enclosed AFE and Detail Well Estimate for each well, a signed copy of the Operating Agreement covering the NE/4 Section 13 as furnished to you on April 1, 1980, plus a check for your invoiced share of the estimated development cost.

If the second of the two proposed wells (Gutman No. 1) is not spudded within thirty days from today due to an extended evaluation period for the first well (Gutman No. 2), a revised AFE for the Gutman No. 1 will be furnished just prior to the spudding of the well. However, it is anticipated that an extended evaluation period for the Gutman No. 2 will not be necessary, and the Gutman No. 1 will probably be spudded shortly after completion of the Gutman No. 2, which is now drilling at a total depth of 1899 feet.

Very truly yours,

Doyle Hartman

DH/mh
Enclosures as above

cc: Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87501

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

DOYLE HARTMAN
OIL
SUITE 508
CARRETHERS BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 1980

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

INVOICE NO. 800390002

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

AT DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

DOYLE HARTMAN
OIL
SUITE 19
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 19 80

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

INVOICE NO. 800390003

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

DOYLE HARTMAN

MIDLAND, TEXAS 79701

INVOICE

DATE March 31 1980

Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

INVOICE NO. 800390001

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.		
Estimated Drilling Cost		TOTAL DUE
$566,400	X 3.12500	$17,700.00

DOYLE HARTMAN
OIL
SUITE 500
PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 1980

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

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

AT DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

PS Form 3811, Jan. 1979

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

1. The following service is requested (check one.)
   - [X] Show to whom and date delivered..... 55¢
   - [ ] Show to whom, date and address of delivery..... ¢
   - [ ] RESTRICTED DELIVERY
     Show to whom and date delivered..... ¢
     [ ] RESTRICTED DELIVERY.
     Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
   Arco Oil and Gas Company
   P. O. Box 1610
   Midland, Texas 79702

3. ARTICLE DESCRIPTION:
   REGISTERED NO. | CERTIFIED NO. 112808 | INSURED NO.

(Always obtain signature of addressee or agent)

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

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

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

☆GPO : 1979 288-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

No. 112808

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

SENT TO: Arco Oil & Gas Co
STREET AND NO.: PO Box 1610
P.O., STATE AND ZIP CODE: Midland Tx 79702

POSTAGE	$.22
CERTIFIED FEE	.80
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY, RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$1.57
POSTMARK OR DATE	5-21-80

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
RETURN RECEIPT SERVICE

PS Form 3800, Apr. 1976

DOYLE
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C & K PETR
MIDLAND

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

Attention: Mr. Curt Krehbiel

CERTIFIED
No. 112808
MAIL

No. 112804

RECEIPT FOR CERTIFIED MAIL

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

SENT TO
Gary Leascher
STREET AND NO.
PO Box 3734
P.O. STATE AND ZIP CODE
Midland, Tx 79701

POSTAGE	$ .28
CERTIFIED FEE	.50
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$ 1.63

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112804
MAIL

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

1. The following service is requested (check one.)
☒ Show to whom and date delivered..... 55¢
☐ Show to whom, date and address of delivery..... ¢
☐ RESTRICTED DELIVERY
Show to whom and date delivered..... ¢
Show to whom, date, and address of delivery $ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Gary Leascher
P. O. Box 3734
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112804 | INSURED NO.

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

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

DATE OF DELIVERY

POSTMARK

CLERK'S INITIALS

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

DOYL

C & K PE
MIDLAN

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

DOYLE
a
SL
C & K PETR
MIDLAND

No. 112805

RECEIPT FOR CERTIFIED MAIL

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

SENT TO
Michael Sullivan
STREET AND NO.
2505 Stephens Rd
P.O., STATE AND ZIP CODE
Boulder, Co 80303

POSTAGE	$.28
CERTIFIED FEE	.50 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED, WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY, WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$1.63

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

POSTMARK OR DATE
5-01-80

PS Form 3800, Apr. 1976

CERTIFIED
No. 112805
MAIL

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

1. The following service is requested (check one.) 55¢
   - ☒ Show to whom and date delivered ..... ¢
   - ☐ Show to whom, date and address of delivery ..... ¢
   - ☐ RESTRICTED DELIVERY
     Show to whom and date delivered ..... ¢
   - ☐ RESTRICTED DELIVERY
     Show to whom, date, and address of delivery $ .....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112805 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

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

☆GPO : 1978 288 848

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

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

DOYLE
O
S
C & K PETI
MIDLAND

PS Form 3800, Apr. 1971

No. 112807

RECEIPT FOR CERTIFIED MAIL

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

SENT TO: James H. Isbell
STREET AND NO.: 727 Midland Twr.
P.O., STATE AND ZIP CODE: Midland, Tx 797d

POSTAGE	$ .20
CERTIFIED FEE	80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$1.03
POSTMARK OR DATE	5-01-80

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

CERTIFIED
No. 112807
MAIL

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

PS Form 3811, Jan. 1978

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

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered.....55 ¢
   - ☐ Show to whom, date and address of delivery.....¢
   - ☐ RESTRICTED DELIVERY. Show to whom and date delivered.....¢
   - ☐ RESTRICTED DELIVERY. Show to whom, date, and address of delivery $ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
James H. Isbell
727 Midland Tower
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112807 | INSURED NO.

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

(If always obtain signature of addressee or agent)

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK

☆ GPO : 1979 288-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1978

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

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered..... 55 ¢
   - ☐ Show to whom, date and address of delivery..... ¢
   - ☐ RESTRICTED DELIVERY
     Show to whom and date delivered..... ¢
   - ☐ RESTRICTED DELIVERY.
     Show to whom, date, and address of delivery.$ ____
     (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
   Betty G. and Jack Guttag
   16 Sutton Place
   NY, NY 10022

3. ARTICLE DESCRIPTION:
   REGISTERED NO. 112802 | CERTIFIED NO. | INSURED NO.

(Always obtain signature of addressee or agent)

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

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

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

☆GPO: 1979 288 848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

No. 112802

RECEIPT FOR CERTIFIED MAIL

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

SENT TO: B. & J. Guttag
STREET AND NO.: 16 Sutton Place
P.O., STATE AND ZIP CODE: New York, NY 10022

POSTAGE	$ .15
CERTIFIED FEE	.80
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
RETURN RECEIPT SERVICE — RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	$1.50

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

POSTMARK OR DATE

5-01-80

PS Form 3800, Apr. 1976

CERTIFIED MAIL
No. 112802

DOYLE
C
SI
C & K PETF
MIDLAND

Betty G. and Jack Guttag, Co-Executors
of the Estate of Dorothy Gutman
16 Sutton Place
New York, New York 10022

No. 112806

RECEIPT FOR CERTIFIED MAIL

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

SENT TO
Edith + Walter Socolow
STREET AND NO.
45 E. 82nd St
P.O. STATE AND ZIP CODE
NY NY 10028

POSTAGE	$1.75
CERTIFIED FEE	.50 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED	.55 ¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$2.30
POSTMARK OR DATE	

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

5-21-80

PS Form 3800, Apr. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

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

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....55 ¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

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

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112806 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

DATE OF DELIVERY

POSTMARK

4. ADDRESS (Complete only if requested)

5. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

☆GPO: 1979 288 848

DOYLE
O
SI
C & K PETI
MIDLANC

CERTIFIED
No. 112806
MAIL

Edith G. and A. Walter Socolow
45 E. 82nd Street
New York, New York 10028

DOYL

C & K PE
MIDLAN

No. 112803

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(See Reverse)

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Charles Gutman
STREET AND NO.
51 E. 42nd St.
P.O. STATE AND ZIP CODE
NY, NY 10017

POSTAGE	$ .15
CERTIFIED FEE	.80
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RESTRICTED DELIVERY	
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RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
RETURN RECEIPT SERVICE — RESTRICTED DELIVERY	
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CERTIFIED
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Charles Gutman
51 E. 42nd Street
New York, New York 10017

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 112803 | INSURED NO.

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SIGNATURE ☐Addressee ☐Authorized agent

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☆GPO: 1979 289-848

Mr. Charles Gutman, Co-Executor
of the Estate of Dorothy Gutman, Deceased
51 E. 42nd St.
New York, New York 10017

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

(915) 684-4011

May 9, 1980

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey
Director

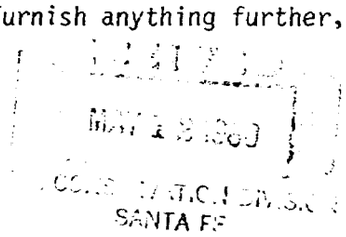
Re: Gutman No. 2
1650 FNL & 1980 FEL (G)
Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

In accordance with NMOCD Order No. R6333 concerning force-pooling of all unconsolidated mineral interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico, please find enclosed a copy of our letter mailed May 1, 1980 to all parties who were force-pooled, enclosing AFE's, Operating Agreements, and final requests for prepayment.

As of this date, Arco Oil and Gas Company has agreed to voluntarily join in the drilling of the Gutman No. 2 (which is now logging at a total depth of 4213'), but none of the other force-pooled parties has responded to our request. They have, however, been notified daily of the drilling progress of the well.

If I can furnish anything further, please let me know.



Very truly yours,

DOYLE HARTMAN

Michelle Hembree

Michelle Hembree
Administrative Assistant

/mh

Enclosures as above

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

James H. Isbell
OIL PROPERTIES
727 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701
AREA CODE 915/684-3933

RECEIVED
MAY 15 1980
OIL CONSERVATION DIVISION
SANTA FE

May 13, 1980

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey, Director

Re: Case No. 6846
Order No. R-6333
NE/4 Section 13
T-21-S, R-36-E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

In connection with the captioned matter, I enclose herewith a photostatic copy of my check to Mr. Doyle Hartman in the amount of $88,044.41 representing payment for estimated drilling and completion costs for the Gutman #2 well located in the S/2 of the captioned lands. I am also enclosing herewith a copy of a letter from myself to Mr. Hartman evidencing my efforts to reach a compromise agreement concerning an operating agreement covering the subject lands. My attorney, Mr. Conrad Coffield, of Hinkle, Cox, Eaton, Coffield & Hensley, has also attempted to negotiate on my behalf for a compromise operating agreement. To date, these efforts have not been successful. It, therefore, appears that I will not have the benefit of protection of an operating agreement.

I am also enclosing herewith a copy of an undated letter to all nonconsenting parties which in essence is a final request for prepayment. As I read this letter, it appears to request prepayment for both the wells No. 1 and No. 2. This is not in accordance with my reading of your captioned order.

With the above matters in mind, I wish to formally request the Commission to notify me as to whether prepayment for the #1 well is to be made prior to a determination of whether the #2 well is a commercial success. Further, in order to

evaluate whether the #2 well is a commercial success, it will be necessary for me to obtain photostatic copies of invoices so that a reasonable cost figure for the #1 well can be estimated.

It is my position that there is no necessity for prepayment of drilling costs on the #1 well until it is determined that it would be "reasonable" to drill such well. Secondly, it is impossible to determine whether the #1 well would be economically successful until the reasonable costs of the #2 well has been determined. Without access to actual drilling costs, there is no way to calculate economics.

I am formally requesting a clarification of these matters in plenty of time to allow me to make a decision without encountering the possibility of being force pooled as to the second well (the Gutman #1 located in the N/2 NE/4 of the captioned acreage).

Very truly yours,

James H. Isbell

JHI:llh

Enclosures

cc: Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87501

JAMES H. ISBELL
OIL & GAS ACCOUNT
727 MIDLAND TOWER 684-3933
MIDLAND, TEXAS 79701

827

88-388
1163(2)

May 12, 1980

Pay to the order of Doyle Hartman $88,044.41

EIGHTY-EIGHT THOUSAND FORTY-FOUR AND 41/100---------- Dollars

THE FIRST NATIONAL BANK OF MIDLAND
MIDLAND, TEXAS 79702

JAMES H. ISBELL
OIL & GAS ACCOUNT

For Gutman #2 Lea County

⑈000827⑈ ⑆116303882⑆ 072 455 6⑈

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

AREA CODE 915/684-3933

April 10, 1980

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

Re: Gutman Nos. 1 and 2 Wells
Lea County, New Mexico

Dear Sir:

I am enclosing herewith an executed original and copy of your proposed operating agreement (containing certain revisions) relating to the subject well. If it meets with your approval, please execute the original, returning it to me and retaining the copy for your files.

Upon receipt of your drilling well prognosis and proposed spud date, I will be happy to discuss an arrangement for the payment of drilling costs with you.

Very truly yours,

James H. Isbell

JHI:llh

Enclosures

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

(915) 684-4011

CERTIFIED MAIL

All Non-Consenting Parties
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Re: Final Request for Prepayment
Gutman No. 1 and No. 2
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Please find enclosed two copies of an AFE and Detail Well Estimate for my proposed Gutman No. 1 and Gutman No. 2 plus a final request for prepayment of the estimated drilling and completion costs for the two wells. On April 30, 1980 the New Mexico Oil Conservation Division entered a favorable order concerning my application before the NMOCD (6846) wherein I had requested approval for a non-standard Eumont gas proration unit for the two proposed wells, two non-standard locations, and compulsory pooling of all non-consenting parties in the NE/4 Section 13. The effective date of the NMOCD order is April 30, 1980.

As provided for in the pooling statutes of the State of New Mexico, you now have thirty days from the date of this letter to voluntarily join in the drilling of the proposed Gutman No. 1 and No. 2 or have the compulsory pooling order rendered by the NMOCD become final as to your interest. If you now wish to voluntarily join in the proposed development work, please return to my office at your earliest convenience one signed copy of the enclosed AFE and Detail Well Estimate for each well, a signed copy of the Operating Agreement covering the NE/4 Section 13 as furnished to you on April 1, 1980, plus a check for your invoiced share of the estimated development cost.

If the second of the two proposed wells (Gutman No. 1) is not spudded within thirty days from today due to an extended evaluation period for the first well (Gutman No. 2), a revised AFE for the Gutman No. 1 will be furnished just prior to the spudding of the well. However, it is anticipated that an extended evaluation period for the Gutman No. 2 will not be necessary, and the Gutman No. 1 will probably be spudded shortly after completion of the Gutman No. 2, which is now drilling at a total depth of 1899 feet.

Very truly yours,

Doyle Hartman

DH/mh
Enclosures as above

cc: Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87501

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. 6846
Order No. R-6333

APPLICATION OF DOYLE HARTMAN FOR TWO COMPULSORY POOLINGS, TWO NON-STANDARD GAS PRORATION UNITS, AND TWO UNORTHODOX WELL LOCATIONS, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1980, 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 in this case the applicant, Doyle Hartman, applied for an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

(3) That the applicant has the right to drill and proposes to drill on the aforesaid lands.

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

(5) That at the hearing the applicant was permitted to amend each of the above-described unorthodox locations to a new position less unorthodox than originally requested and less likely to impair correlative rights than the original locations; and that said amended unorthodox locations would be 1650 feet from the North line and 1980 feet from the East line of Section 13, and 330 feet from the North line and 1980 feet from the East line of Section 13, respectively.

(6) That there is no necessity for the formation of two 80-acre non-standard proration units in the NE/4 of Section 13, nor for an order pooling all mineral interests in the Eumont Gas Pool underlying each of the proposed 80-acre units, inasmuch as all ownership throughout the NE/4 of said Section 13 is identical throughout, and the purposes of conservation would be served more adequately by the approval of a single 160-acre non-standard unit comprising said lands and an order pooling all mineral interests underlying the NE/4 of said Section 13.

(7) That there is an old Eumont Gas well which has not been plugged and abandoned on said lands, being the Getty Oil Company Marshall Well No. 1 located in Unit G of Section 13, and the NE/4 of Section 13 is dedicated to this temporarily abandoned well.

(8) That because of the aforesaid old well, if the applicant is to obtain an NGPA gas well category determination as a new onshore production well for either or both of the wells proposed in this case, it will be necessary to obtain findings as to the necessity for either or both of said wells after they have been drilled.

(9) That the application for two 80-acre non-standard gas proration units and two compulsory poolings should be denied and an order entered approving one 160-acre non-standard gas proration unit comprising the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, and pooling all mineral interests in the Eumont Gas Pool thereunder, said unit to be dedicated to two wells to be drilled at unorthodox locations, one being 1650 feet from the North line and 1980 feet from the East line of said Section 13 and the other being 330 feet from the North line and 1980 feet from the East line of Section 13, provided however, that the well proposed to be drilled at a point 1650 feet from the North line and 1980 feet from the East line should be drilled first, and the second well should not be drilled until a reasonable period of time has elapsed in which to evaluate the production characteristics of the first well.

(10) That such an order would avoid the drilling of unnecessary wells, would protect correlative rights, and would 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.

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

(12) That with respect to each well individually, 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.

(13) That with respect to each well, any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) That with respect to each well, 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.

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

(16) That $3000.00 per month while drilling and $375.00 while producing should be fixed as reasonable charges for supervision (combined fixed rates) for each well; 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(18) That upon the failure of the operator of said pooled unit to commence drilling of the first well herein authorized to which said unit is dedicated on or before July 15, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That the application of Doyle Hartman to pool all mineral interests, whatever they may be, in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13 and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from the East line of said Section 13 is hereby denied.

(2) That all mineral interests, whatever they may be, in the Eumont Gas Pool underlying the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 160-acre non-standard gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of July, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Eumont Gas Pool.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of July, 1980, 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.

(3) That Doyle Hartman is hereby designated the operator of the subject well and unit.

(4) 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.

(5) 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.

(6) 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.

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

(8) 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.

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

(10) That $3000.00 per month while drilling and $375.00 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.

(11) That upon completion of the well authorized in Order No. (2) above, and after a reasonable period of time in which to evaluate its production characteristics and reserves, the applicant is authorized to drill a second well on the pooled lands, said well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from the East line of Section 13, and to simultaneously dedicate both wells to the spacing and proration unit with the option to produce the unit allowable from either well in any proportion.

PROVIDED HOWEVER, that within 30 days prior to commencing the second well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of the second well's estimated costs, and

PROVIDED FURTHER, that the provisions of Orders Nos. (5) through (10) above shall apply to the second such well drilled on the unit, in the same manner as they apply to the first well and as though the second well were the only well on the unit.

PROVIDED FURTHER, that within ten days after receipt of such estimate of well costs, any working interest owner in the proration unit who objects to the commencement of the second well on the grounds of an insufficient evaluation of the first well may lodge such objection with the operator and the Division Director, whereupon the Division Director shall arbitrate the differences or, if necessary, set the matter for hearing.

(12) 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.

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

(14) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Lea 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.

(15) 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

fd/

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

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

Re: CASE NO. 6846
ORDER NO. R-6333

Applicant:

Doyle Hartman

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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:	
Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.	CASE 6846
And	
In the matter of Case No. 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the north line and 2310 feet from the east line of Section 13, Township 21 South, Range 36 East, Lea County.	CASE 6846 Amended

---

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A P P E A R A N C E S

For the Oil Conservation Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

WILLIAM P. AYCOCK

Direct Examination by Mr. Carr 4

Cross Examination by Mr. Nutter 35

E X H I B I T S

Applicant Exhibit One, Plat 7

Applicant Exhibit Two, Plat 12

Applicant Exhibit Three, Cross Section 14

Applicant Exhibit Four, Cross Section 15

Applicant Exhibit Five, Tabulation 17

Applicant Exhibit Six, Tabulation 18

Applicant Exhibit Seven, C-102s & C-101s 20

Applicant Exhibit Eight, Title Opinion 20

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Applicant Exhibit Twelve, Summary 21

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Applicant Exhibit Thirteen-A, Documents 28

Applicant Exhibit Fourteen, Chart 30

Applicant Exhibit Fifteen, Letters 32

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. NUTTER: We will call next Case Numbers 6846, two cases here, the original case and the amended case.

MR. PADILLA: In the matter of Case Number 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the north line and 2310 feet from the east line of Section 13, Township 21 South, Range 36 East, Lea County; and application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

MR. CARR: May it please the Examiner, I am William F. Carr, Campbell and Black, P. A., appearing on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

WILLIAM P. AYCOCK

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

DIRECT EXAMINATION

BY MR. CARR:

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. CARR: Initially, Mr. Examiner, I would note that Conoco had expressed objection to the location of the wells as advertised. We have agreed with Continental to move the wells to a more standard location and we request permission to go forward with the case now with the two wells located as follows: One 330 feet from the north line, 1980 from the east line; the other, 1650 from the north line and 1980 from the east line.

The net affect of this change is to move the wells 660 feet from the offsetting property.

MR. NUTTER: Okay. Now, the first well which was to be drilled 330 from the north and 2310 from the east, will now be drilled what?

MR. CARR: 330 from the north and 1980 from the east.

MR. NUTTER: And the other well was to be drilled 1650 from the north and 2310 from the east, and it will be drilled what?

MR. CARR: 1650 from the north and 1980 from the east line.

MR. NUTTER: So while they're still not orthodox locations, they are less unorthodox than they were.

MR. CARR: That is correct. They have been moved directly to the east 330 feet away from the Continental property.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. NUTTER: Okay, we'll consider the application amended to that affect, then.

Q. Will you state your name and place of residence?

A. William P. Aycock, Midland, Texas.

Q. By whom are you employed and in what capacity?

A. By Doyle Hartman in connection with the application under Case Number 6846.

Q. Have you previously testified before this Commission, had your credentials accepted and made a matter of record?

A. Yes, sir, I have.

Q. Are you familiar with the application in this case?

A. Yes, sir, I am.

Q. Were you previously qualified as a petroleum engineer?

A. Yes, sir, I have been.

MR. CARR: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q. Mr. Aycock, will you briefly state what Mr. Hartman is seeking with this application?

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. Mr. Hartman is seeking two non-standard proration units, gas proration units, for the property that is described as the northeast quarter of Section 13, Township 21 South, Range 36 East, in Lea County, New Mexico, which is within the boundaries of the Eumont Pool.

He further seeks compulsory pooling for these two non-standard gas proration units, and he seeks the consideration for the costs of drilling and completing the wells and allocation of the cost, as well as operating charges and cost of supervision.

Also, he requests in his application that he be designated as the operator of the wells and a charge for risk involved in drilling these wells.

Q. Mr. Aycock, will you refer to what has been marked for identification as Mr. Hartman's Exhibit Number One and review the information contained thereon?

A. Exhibit Number One is a well and ownership plat of the 9-section block that includes Section 13, Township 21 South, Range 36 East, and shows the existing and former nearby Eumont wells and the proposed locations.

I would call the Examiner's attention to the fact that the locations that are shown are actually marked at the locations that they were originally applied for and not as this amended application has been accepted.

MR. NUTTER: And each of these locations

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moves 330 --

A. Yes, sir.

MR. NUTTER: -- feet to the east.

A. It makes them 660 feet immediately east of the west line of the northeast quarter.

It's also shown on the Exhibit Number One are the cross section traces that will be subsequently presented as exhibits.

Q. Now, Mr. Aycock, are the wells marked in red, are those Eumont completions?

A. They either are or were. Some of them are no longer active.

Q. Are the Eumont wells that offset the two proposed units what you would characterize as good wells, or were they good wells?

A. They were at one time, but in general, the production rates are quite low and the decline rates are also quite low at the present time.

Q. And the two wells indicated in the northeast quarter of this section by the red dots are presently abandoned?

A. Yes, sir. They were originally drilled and completed by Getty Oil Company, which has abandoned the lease and which has furnished Mr. Hartman an appropriate document.

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Q. Why is Mr. Hartman proceeding with both of these projects at one time?

A. There basically are two reasons. Number one, it is Mr. Hartman's opinion, based upon the studies that he has done and those that I have assisted him in doing, that two wells will be required to drain the remaining Eumont gas reserves from beneath the property; the fact that he has some of the numerous oil and gas leases that cover the property, which will be presented in detail at a later time during this testimony. There are two of those leases that expire in May of 1980. There is also a problem that concerns some of the other interests that are not controlled by Mr. Hartman, in that he has requested the other interests to either join or farmout or do something, and at this time has received no reply to his request. In the absence of an affirmative reply, Mr. Hartman must consider that there is a disagreement that presumably would come under the forced pooling statute here, and if he were to drill only one well, these oil and gas leases, several of them, as will be further explained later, contain clauses in them that require horizontal and vertical release of the acreage not dedicated to a producing well at the expiration of the primary term.

Were he to drill one well and then come back and drill another, he would have to have his rig scheduling so that the second well could be spudded across

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the expiration date of the two oil and gas leases involved, or he would have to -- have had to have advertised as a 160-acre location or now amend and ask that it be re-advertised for another hearing, in which case it would be required that he come back to this Commission for an infill finding for the second well.

Because certain of the parties that control leases that are not -- or a portion of this property that is not controlled by Mr. Hartman, are people from out-of-state, who are not professional oil and gas people, and who cannot, apparently cannot make up their minds whether they wish to join or not. Mr. Hartman feels that he cannot undertake the additional financial risk of financing not only his portion of the wells but some additional portion of those that apparently cannot make up their minds without the protection of the forced pooling statute would offer him.

In addition to that, he understands that there is some internal friction among certain of the parties and that it is possible that legal action could be taken among them to -- that would influence the ownership here and cause him problems in being able to drill and operate the wells in an orderly manner.

Mr. Hartman comes before this Commission as a last straw situation. He's been working on this for

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over a year in attempting to put this thing together, and he's now reached the end of his rope on his oil and gas leases and he's forced to come here and request forced pooling in order that he can proceed with orderly development of the property prior to the expiration of two of the oil and gas leases that he controls.

MR. NUTTER: Okay, Mr. Aycock, you've been referring to a whole bunch of people, or lessees, or lessors, or something under these properties. Can you straighten me out on just who they are?

A. Yes, sir.

MR. NUTTER: The application was filed there were working interest owners A, B, C, D, and E.

A. Yes, sir, we have --

MR. NUTTER: And each one of those was listed on the application as owning a certain percentage of the -- of the north half of the northeast quarter and the south half of the northeast quarter.

A. Yes, sir, we have exhibits that will do that, Mr. Nutter. If you would prefer us to take those out of the order we planned to present them and go into that at this time, we'll be glad to do it.

MR. NUTTER: Well, you were talking about it so I was just curious as to what the status was, but if you're going to cover that, go ahead and cover it when you

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want.

A. Yes, sir, we have several exhibits that will cover that, I think, in very adequate detail. I trust it will, anyway.

MR. NUTTER: Okay.

Q. Mr. Aycock, if Mr. Hartman were to drill the first well and it should not be a successful endeavor, will he still proceed and drill the second well?

A. It's Mr. Hartman's intention to drill both wells regardless of the outcome of the first well.

Q. So these are definitely separate projects?

A. As far as he is concerned, they are.

Q. Will you please refer to what has been marked for identification as Exhibit Two and summarize the information contained thereon?

A. Exhibit Two is a structure map on the top of the Penrose Sand, which lies within the interval that is designated as the Eumont Pool, showing the same 9 -- 10 section -- excuse me, 9 section block in which Section 13, Township 21 South, Range 36 East is the middle section. It shows the same wells as were displayed on Exhibit Number One, and shows how the structural contours indicate that the lease in question is at a juncture of two local structural anomalies. It is our opinion, based upon the studies that we have conducted, that this can and usually does in

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this area result in a greater variability of the zones that are included within the Eumont Pool designation than would be expected if you were located more nearly on the crest of any of these anomalies, where the rate of dip is somewhat steeper than it is in the vicinity of the lease in question.

Q. By moving the wells as we have done here this afternoon to the east, do you believe you will still obtain a good structural position?

A. Yes, sir, I think that within the precision of the data available to us, you can say that it would be equally as good as the locations at which they were originally requested.

Q. In your opinion, due to the irregular nature of the sands that you indicated you anticipate in this area, do sound engineering principles dictate developing this acreage with two wells?

A. Yes, sir, I think they do and I think it's Mr. Hartman's stated intention and desire to drill both of the wells.

As the Commission is aware, the availability of drilling rigs is still a problem, and because of the leasehold problems that I've previously alluded to and discussed in some detail, if he were to drill the first one well and come back to drill the second one later, it would require him to establish a legally acceptable form

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of activity across the expiration dates of two oil and gas leases, and then try to get the drilling rig back at some later time.

Since it's his intention to drill the two wells in any event, he would prefer to go ahead and drill them while he's there rather than to delay and incur additional expense in attempting to establish a legally acceptable form of activity that would perpetuate these leases.

It is absolutely necessary, if the leases are going to be perpetuated, that he be drilling or or about the 25th of this month.

Q. Mr. Aycock, will you now refer to what has been marked for identification as Exhibit Three and review this for the Examiner?

A. Cross Section A-A', the trace of which was indicated on both Exhibits One and Two, illustrates the entire interval that is included in the Eumont Pool designation, and the practices of the operators in how they have completed, when the wells were completed, and what the results were.

In general, I think the indications are that the initial gas flow rates were quite a bit higher than they are at the present time, and this is because, of course, the pressure was in most cases, was considerably higher at the time of these completions than it is at the

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present time.

You'll notice that all but one of the wells on this cross section were drilled and completed in the mid-50's. One of them was drilled and completed in 1937.

So none of this activity is recent.

Q. Will you now refer to Exhibit Number Four, your B-B' cross section, and review that exhibit for Mr. Nutter?

A. Exhibit Number Four is the west/east cross section, B-B', the trace of which was also previously indicated on both Exhibits One and Two.

It illustrates similar data for the wells included on this cross section. The Examiner will note that there are three of these wells for which no logs were available, so schematic logs were constructed in order to illustrate the structural configuration and where the wells were completed.

On this cross section you will note that the lefthand well was completed in 19 -- late 1978. The other wells, three of -- the other wells were completed in the '30s; one was completed in the '40s; and the last two were completed in the '50s, so only one well on this cross section is -- constitutes recent activity.

Q. Now, what conclusions can you draw about

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the characteristics of the formation?

A. Well, it is apparent from the practices of the operators in the area that the preference has been for completing in the Penrose portion of those zones that are included within the Eumont Field designation in most cases; however, this is probably due to the fact that the quality is quite a bit higher and it is my opinion, based on what has been done here, that there have not been sufficient attention paid to the lower permeability in the zones above the Penrose zone and below the Penrose, within the Grayburg, Grayburg or Skelly Penrose, however you would care to label it.

MR. NUTTER: Well, now, Mr. Aycock, this second cross section, this B-B', has both of the wells which are shown --

A. Yes, sir.

MR. NUTTER: -- on your first exhibit in the south 80-acre unit.

A. Yes, sir.

MR. NUTTER: One, it looks like, had a cum production of 375-million, and the other one had 535-million cubic feet.

A. Yes, sir.

MR. NUTTER: The first one it says T&A requested. The other one it says P&A. Do you know whether

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that first well, which is the No. 3, has been plugged and abandoned temporarily?

A. I am not in possession of formal plugging documents, if such exist, Mr. Nutter. That's the best I can find.

MR. NUTTER: That they just requested temporary abandonment.

A. Yes, sir.

MR. NUTTER: But you did ascertain that the other well has been plugged and abandoned.

A. Yes, sir. Yes, sir, that's correct.

MR. NUTTER: Okay, and neither one of those wells had very good cumulative production --

A. That's correct.

MR. NUTTER: Compared to most of the wells in the area.

A. That's very correct.

Q. Will you now refer to what has been marked Exhibit Number Five and review the data contained thereon?

A. Exhibit Number Five, Mr. Nutter, is a tabulation of information, pertinent information, for the 12 wells that are included on the previous exhibits. Included are the location of each, the completion date, the initial calculated absolute open flow potential, the comple-

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tion interval; the cumulative gas production as of January 1st, 1980; the estimated original gas in place where sufficient pressure information are available to allow that estimate to be made; the estimated ultimate gas recovery from extrapolation of the stabilized decline rates that are present on most of the wells: the estimated gas recovery factor; and the latest shut-in wellhead pressure that we can find that's been reported; and the date of that -- the year in which that report was made.

I think, as you pointed out, Mr. Nutter, that the -- except for the one very new well, the recoveries on these too are abnormally low for those in this immediate vicinity.

Based on Mr. Hartman's previous experience in the area and the observation that apparently insufficient attention has been paid in the past to the zones other than the Penrose, it is our hope that the two projected wells will obtain quite a bit better results than the two on this property that have been previously produced and abandoned.

Q. Will you now refer to Exhibit Number Six and review these for the Examiner?

A. Exhibit Number Six are tabulations of gas production history, including the reported shut-in wellhead pressures; graphs of the log of gas production as a function of time; and the ratio between calculated subsurface pressure

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and consistent compressibility factor as a function of cumulative gas recovery, which form the basis of the estimates of original gas in place where that information is available for each of those wells that are included on the previous exhibits and have been discussed.

MR. NUTTER: The wells that you were talking about being on Exhibit Number Five, are they the wells that are colored on Exhibit Number Two and Number One? Or do they include other wells?

A. They include other wells as well as those, Mr. Nutter.

MR. NUTTER: Those wells are only the cross section wells that are colored.

A. Yes, sir, these include all of those that I could find that I felt were close enough to be pertinent and yield data that might be on interest to either Mr. Hartman or to this Commission.

MR. NUTTER: Are all the wells that are on the cross sections --

A. Yes, sir.

MR. NUTTER: -- included on Exhibit --

A. They are if they were Eumont wells. In some cases they were not -- they were not Eumont wells and I don't think they're included. I'd have to -- I'd have to stop and check it to be sure, but I believe that -- what I

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did was take the same area and look for the Eumont completions, current, or former Eumont completions.

MR. NUTTER: Okay.

A. We did not adhere to that in an attempt to illustrate the structural situation in all cases.

MR. NUTTER: Okay.

Q. Mr. Aycock, I direct your attention to what has been marked Exhibit Number Seven and ask that you identify this for the Examiner.

A. Exhibit Number Seven are the revised C-101s and C-102s for the two proposed locations and --

Q. Have these been filed with the Commission?

A. These have been filed with the Commission and they are consistent with the amended application, which the Commission has previously accepted in this case: i.e., the locations for both wells are now 660 feet from the west line of the northeast quarter.

Q. Mr. Aycock, I direct your attention to what has been marked Exhibit Number Eight and ask that you identify this for Mr. Nutter.

A. Mr. Nutter, Exhibit Eight, and the following exhibits, address themselves to the questions that you had about the ownership of the various tracts and what the status was.

Exhibit Number Eight is a title opinion

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dated March 4th, 1980, by Tevis Herd, who is a member of the law firm of Cotton, Bledsoe, Tighe, and Dawson in Midland, which sets out the interests in the various leases, as far as can be ascertained.

Mr. Hartman's application in this matter indicated that he controlled 53 percent of the -- approximately 53 percent of the mineral interests under this 160-acre tract. He has informed Mr. Carr and I that he now believes that he controls slightly over 56 percent of the mineral interests underneath this tract.

Those tracts about which there is apparently some, I won't say contention, but lack of agreement at this point, are indicated and checked on the pages one and two of this title opinion.

The J. C. McIntyre lease, indicated as Leascher and Sullivan; the ARCO lease, indicated at the top of page two; the Edith C. Socolow and A. Walter Socolow lease, indicated as Isbell in parenthesis; and the Dorothy Gutman lease, indicated in parenthesis as Isbell. To our knowledge those four interests are those that -- about which either a lack of agreement or a disagreement exists at this time.

Q. Mr. Aycock, would you now refer to Exhibits Nine through Twelve and summarize the data contained in each of those exhibits for Mr. Nutter?

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A. Exhibits Nine through Twelve are compulsory pooling correspondence summaries for each of the four interests that are indicated on the title opinion, which was Exhibit Eight.

I'll be glad to go into them in any degree of detail that the Examiner might require.

The first one refers to the Leascher and Sullivan interest. You'll notice that the acreage is described, the name of the parties, the interest, whether or not an interest -- whether or not an offer was made to lease or farmout from Mr. Hartman to the parties, the dates on which contact was made by Mr. Hartman with these parties, what -- when the dates were that offers to participate were furnished to these parties, including a copy of an authorization of expenditure, for expenditure, and the date on which an operating agreement was furnished to each of the parties, and the indication of when the notice of compulsory poolin hearing were indicated to each of the parties, and behind the front sheet are the documents that explain in detail each of these categories that we've discussed, one through four, on the front page.

Exhibit Nine applies to the Leascher and Sullivan interest. Exhibit Ten applies to the ARCO interest. Exhibit Eleven applies to the Edith G. Socolow and A. Walter Socolow interest, indicated as the next to last, with Isbell

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in parenthesis, and Exhibit Twelve applies to the Gutman - Guttag interest, which is indicated also as Dorothy Gutman, a widow, with Isbell in parenthesis on Exhibit Eight, the title opinion.

If the Examiner has questions, we'll be glad to go into all of those. I think the documentation is fairly complete and the -- I think it can be established that numerous contacts have been made with all of these parties by Hartman at one time or another in an attempt to work out something with them, and he told me this morning that he was still willing to work out anything within reason; that if any of the parties to it, if it would put them in a -- cause a financial hardship for them to participate in this, he would be willing to make any sort of a fair business arrangement with them that would remove that hardship from them in preference to force pooling, if that were possible.

We have indications from ARCO that they are -- originally -- apparently there was some misunderstanding as to the timing that was involved, and ARCO has now indicated to Mr. Hartman that they are able and willing to work out their differences so that they can participate in the activity here. Their original objection was based upon the commitment to drill two wells rather than one, and when Mr. Hartman explained to them what his situation was, they agreed to review it and discuss it with him in

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further detail.

In addition to that fact, of course, ARCO was not aware that the other participants, whether they are voluntary or force pooled, are they to be working interests, many of them are out-of-state people who are not professional oil and gas people, and it would simply be, with the prime interest rate at 20 percent, and apparently going to exceed that shortly, it would not be possible for Hartman to finance these other interests and have to go through long-winded collection procedures. It would not be a prudent business decision for him to proceed without the protection, either -- either agreement or the protection of the force pooling statute that will assure him that there will be revenues to cover these expenses.

Q. Mr. Aycock, was an AFE included with this correspondence?

A. Yes, sir, I believe each of those correspondence packages includes an AFE.

Q. And do the figures set forth on these AFE's conform with Mr. Hartman's actual costs?

A. The figures that are set forth there are actually for two wells that were drilled in the Jalmat area, and they illustrate that the spectrum of costs that Mr. Hartman has experienced. The AFE that he actually furnished them was adjusted to a 4200-foot well depth, but the ex-

perience on which it was based was wells that are approximately 34 to 3600 feet in depth.

It also takes account of the fact that since the most recent Hartman experience, which took place in March of this year, there have been -- there has been an increase in the footage rate for drilling this type of well, and of course, I know the Commission's aware that we had a fifteen percent increase in tubular goods prices in February of this year, also.

MR. NUTTER: Now this AFE you're talking about, it's attached inside these --

A. Yes, sir.

MR. CARR: And it should be dated March 11.

MR. NUTTER: And it shows the total cost of a producing well of $283,200?

A. Yes, sir.

MR. NUTTER: And a dry hole of $131,700.

A. Yes, sir.

Q. Now, Mr. Aycock, if the cost, the actual costs incurred in drilling these wells differ from those figures set forth on the AFE, how is this dealt with?

A. Mr. Hartman has agreed, and has put in writing with all of the prospective people, that these cost estimates are the best that he can do at this time, and that

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the final costs will be or an actual -- that will be rendered will be on an actual cost basis. If the costs are less than this, then refunds will be made to each of the parties; if the costs are greater than this, then, of course, each party will be billed for their proportionate part.

Q. Will you please refer to what has been marked for identification as Hartman's Exhibit Number Thirteen?

A. Hartman's Exhibit Number Thirteen is a -- the front page is a summary of the oil and gas leases that are committed to Doyle Hartman at this time.

I call attention -- the Commission's attention to the fact that the Fluor Oil and Gas Corporation lease expires on June 8th, 1980; the General Crude Oil Company lease expires on May 10th, 1980, and there are -- in both of those leases, plus the Pickens lease, which does not expire for two years, and the Texaro lease, which does not expire for almost another year, all contain the Pugh clause that requires release, both horizontal and vertically, at the end of the primary term for those interests not dedicated to a producing well at that point in time. The only way of perpetuation would be operations. As I previously stated, it is our opinion that were we to do that, to drill one well and then come -- we'd come back and then we'd have to request an infill finding from this Commission.

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We feel like it would be more prudent, with the situation the way it is, simply to ask for the two wells and protect the entire lease at this point, as we would prefer. Each of the leases is somewhat self-explanatory. I'll be glad to go into whatever detail the Commission may require. There's full documentation here.

Q. Mr. Aycock, what is the standard spacing for the Eumont Gas Pool?

A. Let me read the -- from the Eumont Gas Pool Rules, on the Eyram, July, 1960 Byram, page 46, Rule 5-A says, a standard gas proration unit in the Eumont Gas Pool shall be 640 acres.

Q. Generally speaking, in fact, how is the pool developed?

A. The pool is developed on -- the assignments to the wells vary all the way from 40 acres up to 640; most of them are 320 acres or less.

Q. For proration purposes, what is the base of a standard unit?

A. I believe that at the present time the Commission is using 160-acre unit as the basis for allocation of the available gas market among the wells.

Q. And this is a prorated pool?

A. Yes, sir, it is.

Q. So the fewer the acres in the unit, the

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smaller the allowable.

A. That's correct.

Q. Would you please refer to what has been marked for identification as Hartman's Exhibit Thirteen-A and just briefly state what that shows?

A. Exhibit Thirteen-A is a copy of a standard land map on a 1-inch equals 4000-foot scale, which shows the traces of the cross sections that were Exhibits Three and Four, the lease in question, and shows the proration units which are assigned to the immediately adjacent Eumont wells.

I think the Commission will notice that we have everything from 80 acres up to 320 acres. We have two 320-acre units that are assigned, one of which is a regular 320-acres, and the other, which is a most irregular shaped 320-acre proration unit.

Q. Now, Mr. Aycock, I notice that the name of Mr. Isbell appears written in on the title opinion, and so I would like to ask you a couple of questions related to this.

Does the pooling application that you are proposing today affect acreage currently leased by Mr. Isbell?

A. Yes, sir, it does.

Q. And has he joined with Mr. Hartman in the drilling of the well?

A. Not at this time.

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Q. In regard to his acreage, are there particular problems which cause you concern as you proceed with this matter?

A. Well, it is our understanding that the oil and gas lease which Mr. Isbell took from the estate of Dorothy Gutman was executed by only two of the co-executors and not all three of them.

Q. At this time would you -- I think it would be helpful to refer to what has been marked Exhibit Number Fourteen.

A. Exhibit Number Fourteen is the Gutman Family Mineral Ownership under the northeast quarter of Section 13, Township 21 South, Range 36 East, labeled for identification as Exhibit Fourteen, Mr. Nutter, and this is an attempt to make something that is quite confusing, hopefully, somewhat less confusing.

The two leases that are indicated under Isbell are outlined in red, I believe, on your copy. One of them is under the middle branch, which goes through Benjamin Gutman, deceased, Dorothy Gutman, deceased, Dorothy Gutman Estate, Co-executors Charles Gutman, BettyG. Guttag, and Jack Guttag.

The other one is the Edith G. Socolow and A. Walter Socolow as trustees, which comes through the righthand branch, which is labeled Louis Gutman, deceased,

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and comes on down to a trust agreement, which is filed of record, but at the time Mr. Hartman had the records checked in Lea County, the Rodanjo Trust, there had not been any documents. It is referred to but there had not been any documents, nor have there been any probate filed of record in Lea County. We simply know that it apparently exists because of its mention in one of the other documents.

Until the apparent title deficiency, which establishes the complete chain of title under the -- between the trust agreement and the Rodanjo Trust is established, and can be established, with complete filings that have been put of record in Lea County, then Mr. Hartman doesn't know exactly who he may be dealing with, either as a co-working interest owner, a pooled interest owner, or whoever.

MR. NUTTER: Well, now you don't mean what you say here, I don't think, Mr. Aycock.

It says not -- referring to this Rodanjo Trust, not filed of record until 3-17-80. You mean not filed of record as of.

A. Yes, sir.

MR. NUTTER: It wasn't filed on that date.

A. That's right.

MR. NUTTER: So it's as of.

A. I don't believe that there are complete filings anywhere that establish the succession of title past

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this trust agreement. If there are, Mr. Hartman's title attorney has not been able to be privy to them and does not have them in his possession.

Q. Now, Mr. Aycock, isn't the point of this exhibit simply that even if you could get everyone to voluntarily come in, there are certain things in terms of the title that might trigger a situation where after the well is spudded you would wind up with some interest not committed?

A. I think the only -- the only protection that -- as I said earlier, Mr. Nutter, we didn't come up here lightly to burden you with this thing. We came when there appeared that there was no alternative, either lose the oil and gas leases or come request the Commission to accept it as being applicable under the forced pooling statute, as protection. Hartman is willing to take the risks that are associated with the entire venture and go forward with it under any reasonable approach, either under the forced pooling or under a voluntary arrangement, either way is fine with him. Obviously he'd rather do it under a voluntary communitization type thing than he had to do it under a situation where we have to force pool them. But the fact that the leases are expiring, the fact that the rig availability will be a problem, and combined with the fact that both of the expiring leases contain the Pugh clause that necessitates release of acreage not assigned to producing

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wells at the expiration of the primary terms, he felt that the only way he could proceed as a prudent operator was to come here and request this Commission to take action.

Q. Mr. Aycock, will you now refer to what has been marked for identification as Hartman Exhibit Number Fifteen and explain to Mr. Nutter what this is?

A. Hartman Exhibit Number Fifteen is a copy of the letters that were furnished each of the parties to this hearing by Mr. Carr by certified mail; included are copies of the return receipts that show that they were each received.

I might call the Examiner's attention to the fact that the interests that are not controlled by Hartman, and which are of concern to him, which we've just previously discussed, in addition in those summary packages of correspondence which we've furnished you as our -- as those Exhibits Nine, Ten, Eleven, and Twelve, also contain -- will show proof that Hartman personally, in addition to Mr. Carr, furnished all of those parties notice of the hearing and there are also copies of the return receipts showing that they were received.

So all of the parties have been notified at least once and some have been notified twice about this hearing.

Q. Mr. Aycock, are you prepared to make a

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recommendation to the Examiner as to the risk factor which should be assessed against those who do not participate in the drilling of the well?

A. Yes, sir, I think based upon the -- upon the demonstrated facts and the Commission's own observation that the recoveries from the previously existing wells located on this tract were below average for the area, that the maximum risk factor that is allowed under the statute, 200 percent, should be applicable to this situation.

Q. Have you made an estimate of the overhead and administrative costs which would be incurred while drilling and producing these wells, if in fact you do obtain --

A. Yes, sir, and --

Q. -- wells capable of production?

A. Mr. Hartman submitted a model form operating agreement to each of the potential participants, as was indicated on the -- in the summaries of correspondence that have been furnished, and in that connection the overhead rates for drilling wells was specified as $3000 per month and the producing well rate was classified as $375 per month.

Q. Now do these figures conform with Mr. Hartman's actual costs?

A. No, they do not. They recover about

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2/3rds of what Mr. Hartman can, as nearly as he can ascertain what his true costs are in this connection.

Q. Do you recommend that these figures be incorporated into any order which results from this hearing?

A. Yes, sir, I do.

Q. And does Mr. Hartman request to be named the operator?

A. Yes, sir, he does. That's included in his application.

Q. When will a rig become available for the drilling of these wells?

A. Between April 15th and April 25th, depending upon the outcome of this hearing and when the Commission can act.

Q. And so you are requesting that the order that results from this hearing be expedited?

A. Yes, sir, I am.

Q. In your opinion will granting this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, sir, I do. I think that the low productivity of the surrounding wells indicates that a large portion, if not all of the gas that remains -- remaining gas that underlies the tract in question in the Eumont zones, would probably not be recovered at all, and it would cer-

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tainly not accrue to the benefit of the mineral owners under this tract were these two wells not to be drilled.

Q. Were Exhibits One through Fifteen either prepared by you or have you reviewed them and can you testify as to their accuracy?

A. Yes, sir, I have. They were prepared, part of them were prepared by me; part of them were prepared by Mr. Hartman's staff under my supervision.

MR. CARR: At this time, Mr. Examiner, we would offer Applicant's Exhibits One through Fifteen.

MR. NUTTER: Exhibits One through Fifteen will be admitted in evidence.

MR. CARR: I have nothing further on direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. Aycock, back to the owners.

A. Yes, sir.

Q. The application stated that Fluor Oil and Gas Corporation owned 1/16th. Has Fluor consented to the drilling of the wells?

A. Yes, sir, that's one of the leases that is shown under the tabulation as now controlled by Hartman. It's the second lease on the -- on Exhibit Thirteen.

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It expires on June 8th, 1980.

Q. Okay, this is a list of the ones that are committed, then.

A. Yes, sir.

Q. Okay. Gary Leascher and Cynthia Leascher, and Michael Sullivan and Gail Sullivan are listed as owning 1/16th. Are they committed?

A. No, sir, they are not. Mr. Hartman, as indicated on Exhibit Nine, Mr. Hartman has been in correspondence with them since the 28th of February of this year in reference to this interest. Mr. Hartman or Mr. Davidson, who is his business associate.

Q. Okay. The application lists Texaro Oil Company as owning 1/40th of the 160.

A. Yes, sir, that's the final lease indicated on Exhibit Thirteen as now committed to Mr. Hartman.

Q. Are these leases, this Texaro and the Fluor leases, did they assign those leases to Hartman or did they join in the drilling of the wells?

A. No, they assigned the leases to Hartman.

Q. So he's the working interest owner, then.

A. Yes, sir.

Q. In their stead?

A. Yes, sir, that's correct.

Q. Okay, then the application lists under D,

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Betty Guttag and Jack Guttag and Charles Guttag.

A. Yes, sir.

Q. Individually and as co-executors under the will of Dorothy Gutman, deceased.

A. Yes, sir.

Q. Okay, that's the middle column on Exhibit Fourteen.

A. Yes, sir, and that's covered under Exhibit Twelve, the detailed correspondence that applies to that interest is covered completely under Exhibit Twelve.

Q. Is it leased?

A. No, sir. It's not leased and it's not committed. Mr. Hartman has indicated his willingness to do either or both, whatever they prefer. He's offered to lease under the same terms as other people have offered him, including the professional oil and gas people, or he's indicated to have them join, whichever way they'd prefer to do.

Q. Okay. Then E is Edith Socolow and A. Socolow, A. Walter Socolow.

A. Yes, sir.

Q. Now is that one leased?

A. No, sir, the same situation prevails there. He's had no answer.

Q. That's the righthand column of the Exhibit Fourteen.

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A. Yes, sir, and that's covered under Exhibit Eleven, which is the complete correspondence summary of everything that pertains to that interest, as far as Mr. Hartman is concerned.

Q. Now, are D and E on the application, do they own varying shares separately or do they together own 28/120ths and it never has been split up?

Your Exhibit Fourteen would indicate that the righthand column and the center column of the family tree each own 23 percent.

A. Let me look, Mr. Nutter, just a minute, please. Let me find that.

The filings, the application, the indicated interests would be superceded by Exhibit Fourteen, which is the latest information that we have.

Q. Okay. Now, I have a correspondence from James Isbell, dated March 24th, in which he says he's obtained oil and gas leases of working interest owners D and E, who would be Betty, Jack, and Charles Guttag, and Edith and A. Walter Socolow, and that he intends to join in the drilling of the wells.

A. That was Mr. Hartman's impression, too, but as of this date he has received -- not received the return of any of the -- the assigned AFE or any of the correspondence that he directed to Mr. Isbell in an attempt to get

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him to join as he had indicated that he would.

Q. When did he send it to Mr. Isbell?

A. Well, let's look back on the --

Q. And when did Isbell obtain these leases, do you know?

A. The lease that we have seen that's of record is dated March 17th, 1980. It includes only two of the co-executors. It includes Betty G. Guttag and Jack Guttag, and does not include Charles Gutman as a lessee.

Q. You mean Charles Guttag.

A. No, Charles Gutman is the proper name. Mrs. Guttag is his sister. Her name is Betty Guttag Gutman -- Betty Gutman Guttag, and his name is Charles Gutman.

Q. Oh, the application must be in error then because it says Betty G. Guttag and Jack Guttag and Charles Guttag, individually, and as co-executors under the will of Dorothy Gutman.

A. It is -- it is --

Q. And it should be Charles Gutman.

A. It should be Charles Gutman, as indicated on Exhibit Fourteen.

Q. Okay. And Isbell got a lease from whom?

A. He got a lease from --

Q. Betty Guttag?

A. Betty Guttag and Jack Guttag, her hus-

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band, who are two of the three co-executors of the --

Q. But he doesn't have one from Charlie Gutman.

A. Charles Gutman, that's correct, and Mr. Hartman's information is that Mr. Gutman is -- Charles Gutman is somewhat upset about this matter and is considering appropriate action; whether or not he will do it is of no concern to Hartman, but what concerns him is if he gets in and starts drilling a well thinking he has a lease and it turns out that he doesn't have a lease, then what does he do.

Q. Yeah, so if there's a chance Isbell's lease doesn't include all the interests --

A. That's correct. It depends -- I don't know what the laws having to do with estates and successions in the State of New York are, and Mr. Hartman doesn't either, but he doesn't want to have to get into it if he can avoid it, if at all possible.

Mr. Isbell has been -- has been notified between March 31st, on March 31st and April 1st of this year, has been furnished AFE's, operating agreements, and notice of compulsory pooling.

Q. Now which one is --

A. That's Exhibit Twelve.

Q. Exhibit Twelve?

A. Yes, sir.

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Q. Exhibit Twelve.

A. You'll notice on the correspondence summary on the face of Exhibit Twelve, under number two, it says furnished offer to participate with copy of corresponding AFE.

Q. Right.

A. Down here it says 4-1-80, James H. Isbell as possible lessee, and has an asterisk. Down at the bottom it says lease from Betty and Jack Guttag as independent co-executors under the will of Dorothy Gutman, deceased, now being legally contested in the State of New York by Charles Gutman, also a co-executor and 50 percent beneficiary under the will of Dorothy Gutman.

That's the best information that Mr. Hartman has been able to obtain.

Q. Okay. And what is being legally contested, the lease?

A. The fact that only two of the -- that the lease was executed by only two of the co-executors, not all three.

Q. Okay. So Charlie Gutman is contesting the lease that Betty and Jack gave Isbell.

A. Yes, sir, that's correct.

Q. Okay. Now, on the AFE you stated that this represents Mr. Hartman's experience --

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A. Yes, sir.

Q. -- drilling Jalmat wells and it's --

A. Adjusted to a 4200 foot depth.

Q. -- adjusted to the 4200 foot depth for the Eumont.

A. That's correct, sir.

Q. And figures are given there, I think it was $283,000 for a --

A. Yes, sir.

Q. -- producer.

A. As you're probably aware, Mr. Nutter, Mr. Hartman does several things that all operators don't do. Like he attempts to cement the production casing all the way back to the surface, if at all possible. He believes this is prudent for both the preservation of the wellbore and the prevention of any untoward subsurface fluid migration. That adds slightly to the cost, but he also believes that it has enabled him to achieve, not only greater success in what he's done with regard to stimulation, but greater protection for himself, for the mineral owners, and for anybody else that might be affected by inter-zone fluid migration.

Q. I notice he's got $7000 for legal and regulatory fees on there, too.

A. Well, Mr. Carr and I have to eat, too.

Q. He gets involved in these things.

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MR. NUTTER: Does anyone have any questions of Mr. Aycock? He may be excused.

Do you have anything further, Mr. Carr?

MR. CARR: Nothing further, Mr. Nutter.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6846?

We'll take the case under advisement.

Oh, yes, sir?

MR. LEASCHER: It's just that Mr. Sullivan and myself are here and we --

MR. NUTTER: State your name, please.

MR. LEASCHER: Gary Leascher, and we have tried to work with Mr. Hartman on this thing and our main objection and for not signing the operating agreement that he sent us was the two wells at the same time on one operating agreement. And I just want to make a point of that, and that's all. I mean I'm not an attorney and I've got --

MR. NUTTER: In other words, he's got both wells covered under one operating agreement.

MR. LEASCHER: Well, and we want some time after the first well, and I don't know that it is our fault that he took leases that have Pugh clauses and that he took --

MR. SULLIVAN: Short term leases.

MR. LEASCHER: And, you know, why we are responsible for that.

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MR. NUTTER: And you feel that you should have separate operating agreements --

MR. LEASCHER: Well, for each well.

MR. NUTTER: -- for the two wells? Well, --

MR. LEASCHER: I mean after the first one is completed, or if it is completed, we have the right or option then to decide what you're going to do on the second one, or in the first one being dry. I mean if the first one is dry.

MR. NUTTER: Your ownership is identical through the two units, isn't it?

MR. LEASCHER: Yes. And I have four more years on my lease and I think Mr. Hartman, I can appreciate his side of the thing, but I don't have to do that. I mean it's not my fault that he has those Pugh clauses and things in there that force him to hurry this thing through, and I tried to work with him on this, again except for this -- that one point of the -- I'd like separate operating agreements.

MR. NUTTER: And just like to see more time between the two wells --

MR. LEASCHER: Yes.

MR. NUTTER: -- to consider -- to evaluate the first before proceeding with the second.

MR. LEASCHER: That's right. And I think

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his costs are extremely high. By checking with other operators in Midland, he's got $1650 for drilling cost rate and I checked last week with Cactus Oil and they say it's $1300 right now, and that's just one part of it, and wants us to put up all our money up front for two wells and there might be 120 days in between the first and the second, according to the operating agreement, and we're tying up all our money for 120 days.

MR. NUTTER: Is that 120 days after completion of the first prior to commencement of the second?

MR. LEASCHER: He never said. It's kind of ambiguous.

MR. NUTTER: Do you know, Mr. Aycock, what the score is on --

MR. AYCOCK: The score is that if he can get the rig to drill the second well, he wants to drill it as soon as possible. He would prefer to go to it immediately, but he can't guarantee that he'll be able to do that. The drilling contractor has other --

MR. LEASCHER: The reason he wants to do that is because he's got Pugh clauses on -- and I didn't receive my operating agreement until April the 4th, which was last Thursday.

MR. NUTTER: And he was wanting you to put up your money -- your share of the money for both wells?

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MR. LEASCHER: Yes.

MR. NUTTER: How about that, Mr. Carr?

MR. CARR: Well, I'll tell you, Mr. Nutter, it looks to me like what we have here is a situation where if we look at the statutes we're proceeding under, we obviously have a situation where voluntary agreement has not been reached. In terms of whether you could get two separate operating agreements, I have no information on that, but it does appear that there's a 30-day period even after the order comes down within which negotiations can take place before the actual pooling provisions trigger, and that during that period of time I think these problems are matters which very likely can be resolved. But I don't have any particular information on why they're in one operating agreement as opposed to two.

MR. NUTTER: It would appear it might be more reasonable, although Mr. Hartman wants to proceed immediately like that with the drilling of the second well, despite -- regardless of the outcome of the first well.

MR. CARR: That's correct.

MR. NUTTER: It might be more prudent for someone else to want to take a look and see if they're willing to participate in the second well.

Yes, sir.

MR. LUBKE: Royce Lubke, ARCO Oil and

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Gas Company.

Our first correspondence with Mr. Davidson at that time was May of last year, and in June of 1979 we did approve the drilling of a well in that northeast quarter, and we have evidence of that from a letter here from G. Payne Akins (sic) our joint interest superintendent, and since that time, as far as I know, we haven't received much correspondence from Mr. Hartman or Mr. Davidson until we received these two AFE's for that northeast section, northeast quarter section, on March 12th, 1980. And we do intend to participate on the well, but we would also like to see the results of the first well prior to drilling the second well.

MR. NUTTER: Prior to commencement of the second well.

MR. LUBKE: So essentially we do object to drilling one well right after the other, and there's some items in there in the joint interest agreement which we don't like.

MR. NUTTER: You mean some monetary values?

MR. LUBKE: No, just the fact that it's one well right after the other.

MR. NUTTER: Oh, I see.

MR. LUBKE: We feel like the wells should be drilled up there and we're willing to go along with it,

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but, well, we also feel like we've kind of been left in the dark here for some amount of time; caught us kind of off guard.

MR. NUTTER: Now, Mr. Aycock --

MR. LUBKE: I do have an approved AFE from our District Manager as of last June to drill the well up there.

MR. NUTTER: Well, now, Mr. Aycock, if the whole 160 acres were dedicated to the well, this would inconvenience Hartman to the extent that he'd have to have an infill finding for the second well.

MR. AYCOCK: Well, worse than that, Mr. Nutter, he'd have to re-advertise it, I think, and come back here before you. By the time we could do that, our leases would probably be in worse jeopardy than they are now.

MR. NUTTER: Well, if you had the first -- if you had the first well drilled, if you had the first well drilled, the entire 160 would be participating and all interests would be covered, wouldn't they?

MR. AYCOCK: Yes, sir, they would, and then we'd have to -- I think we'd have to come back to you and request an infill on the second one.

MR. NUTTER: You'd have to have an infill.

MR. AYCOCK: Yes, sir. We would prefer to avoid that, and the problem with Hartman is not, I don't

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think with ARCO we have any -- we have any difficulty, but he doesn't know who he's dealing with and what their financial capabilities are and whether they're going to be able to pay, and with credit controls in force and interest rates in excess of 20 percent, and as a consequence, all the suppliers are virtually demanding settlement in full of accounts within 30 days. They have to because their profit margin won't allow them to carry. And Hartman is concerned that he'll get into a situation where some of the people will choose not to pay and he'll be left without either owning the interest; he'll be faced with materialmen's suits, or workmen's suits, or liens, as an option to him paying the bills for the whole thing, and that's not a prudent business situation from his standpoint.

He wants to know that he's protected and that either he's got the interest or that the people involved can and will pay their bills on time. And as far as requesting the money in advance, I do some of the same type of work myself, and unless the people have a history with me and I know they can and will pay, I do exactly the same thing. We don't turn a tap till the money is in the bank.

MR. LEASCHER: Is that for two wells?

MR. AYCOCK: You better believe it. I've turned a deal for four and we didn't turn a tap till they were all in the bank for all four of them. That came out

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REPORTER'S CERTIFICATE

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 C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6816, heard by me on 4/9 1980.

Examiner
Oil Conservation Division

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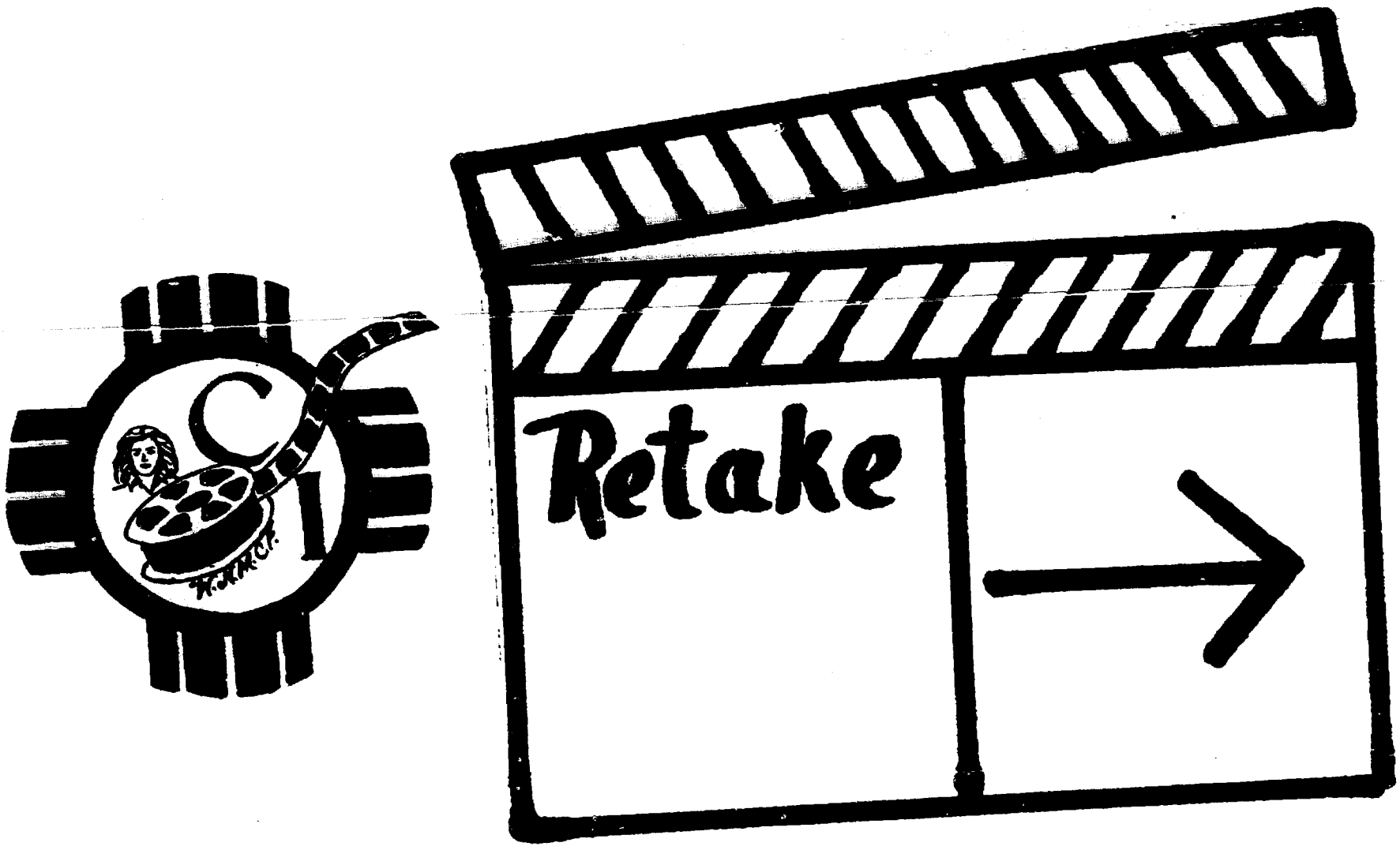
THE FOLLOWING DOCUMENTS WERE NOT FILMED DUE TO:

A PUBLICATION IN PENDING



to in excess of $800,000 bucks. We did it in December.

MR. NUTTER: Well, of course, the compulsory pooling statute contemplates a person not participating and putting up his money.

MR. AYCOCK: Right.

MR. NUTTER: You're going to have to carry him in that instance, aren't you?

MR. AYCOCK: But we also -- he's willing to take the risk if he knows that whatever interest comes he will get -- he will get a reasonable payoff for taking the risk and he will get the production income, but if he winds up with -- we go into this thing and we don't have it all straightened out, and people say yeah, I'm going to go, and then we get down to division order time, Hartman's got 100 percent of the bills and only part of the interest, and that's not a prudent business situation.

I don't know the Socolows and the Gutmans and he doesn't either, and his attorney advises him that he'd be running a dire risk to get into this thing without some protection, and the only kind of protection that's available is to come before this Commission and request the application of the forced pooling statute.

MR. NUTTER: Well, I can see -- I can see the logic of that forced pooling. It's just this progression from one well to the next without some time to evaluate. I

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think Mr. Leascher has a valid point there.

MR. AYCOCK: Well, if he could have obtained longer term leases he would have been delighted to, but he did the best he could and that was all he could get, and he's willing to drill them, he personally with his 56 percent interest is willing to stand up and drill two wells bang-bang, and if the others don't, then that constitutes -- I guess that constitutes a disagreement between them.

MR. LEASCHER: If we had any amount of time. I'm just talking about putting it all up front.

MR. AYCOCK: As you're aware, Mr. Nutter, kind of the same situation occurred in that -- in the other controversy that we had in the Eumont Pool with Texaco several months ago, where Hartman was forced to drill a second well before the second one was properly evaluated, and it turned out there it was a dry hole, and he's still willing to go ahead and drill two here and accept that risk. And you know, if the -- if people don't want to join, then he's willing to accept the additional risk if there's any kind of a business incentive for him to do so, and go ahead. He's willing to lease; he's willing to farm out; he's willing to purchase; he's willing to do anything that's reasonable to get the thing done.

MR. SULLIVAN: He's never made a farm out attempt with me.

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MR. AYCOCK: Well, you'll have to discuss that with him.

MR. NUTTER: Does anyone have anything further in Case Number 6846?

Take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

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 C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6846, heard by me on 4/9, 1980.

Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:	
Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.	CASE 6846
And	
In the matter of Case No. 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the north line and 2310 feet from the east line of Section 13, Township 21 South, Range 36 East, Lea County.	CASE 6846 Amended

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

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I N D E X

WILLIAM P. AYCOCK

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Applicant Exhibit Two, Plat 12

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Applicant Exhibit Five, Tabulation 17

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MR. NUTTER: We will call next Case Numbers 6846, two cases here, the original case and the amended case.

MR. PADILLA: In the matter of Case Number 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the north line and 2310 feet from the east line of Section 13, Township 21 South, Range 36 East, Lea County; and application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico.

MR. CARR: May it please the Examiner, I am William F. Carr, Campbell and Black, P. A., appearing on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

WILLIAM P. AYCOCK

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

DIRECT EXAMINATION

BY MR. CARR:

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MR. CARR: Initially, Mr. Examiner, I would note that Conoco had expressed objection to the location of the wells as advertised. We have agreed with Continental to move the wells to a more standard location and we request permission to go forward with the case now with the two wells located as follows: One 330 feet from the north line, 1980 from the east line; the other, 1650 from the north line and 1980 from the east line.

The net affect of this change is to move the wells 660 feet from the offsetting property.

MR. NUTTER: Okay. Now, the first well which was to be drilled 330 from the north and 2310 from the east, will now be drilled what?

MR. CARR: 330 from the north and 1980 from the east.

MR. NUTTER: And the other well was to be drilled 1650 from the north and 2310 from the east, and it will be drilled what?

MR. CARR: 1650 from the north and 1980 from the east line.

MR. NUTTER: So while they're still not orthodox locations, they are less unorthodox than they were.

MR. CARR: That is correct. They have been moved directly to the east 330 feet away from the continental property.

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MR. NUTTER: Okay, we'll consider the application amended to that affect, then.

Q Will you state your name and place of residence?

A William P. Aycock, Midland, Texas.

Q By whom are you employed and in what capacity?

A By Doyle Hartman in connection with the application under Case Number 6846.

Q Have you previously testified before this Commission, had your credentials accepted and made a matter of record?

A Yes, sir, I have.

Q Are you familiar with the application in this case?

A Yes, sir, I am.

Q Were you previously qualified as a petroleum engineer?

A Yes, sir, I have been.

MR. CARR: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Aycock, will you briefly state what Mr. Hartman is seeking with this application?

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A. Mr. Hartman is seeking two non-standard proration units, gas proration units, for the property that is described as the northeast quarter of Section 13, Township 21 South, Range 36 East, in Lea County, New Mexico, which is within the boundaries of the Eumont Pool.

He further seeks compulsory pooling for these two non-standard gas proration units, and he seeks the consideration for the costs of drilling and completing the wells and allocation of the cost, as well as operating charges and cost of supervision.

Also, he requests in his application that he be designated as the operator of the wells and a charge for risk involved in drilling these wells.

Q. Mr. Aycock, will you refer to what has been marked for identification as Mr. Hartman's Exhibit Number One and review the information contained thereon?

A. Exhibit Number One is a well and ownership plat of the 9-section block that includes Section 13, Township 21 South, Range 36 East, and shows the existing and former nearby Eumont wells and the proposed locations.

I would call the Examiner's attention to the fact that the locations that are shown are actually marked at the locations that they were originally applied for and not as this amended application has been accepted.

MR. HINKLE: And each of those locations

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moves 330 --

A. Yes, sir.

MR. NUTTER: -- feet to the east.

A. It makes them 660 feet immediately east of the west line of the northeast quarter.

It's also shown on the Exhibit Number One are the cross section traces that will be subsequently presented as exhibits.

Q. Now, Mr. Aycock, are the wells marked in red, are those Dumont completions?

A. They either are or were. Some of them are no longer active.

Q. Are the Dumont wells that offset the two proposed units what you would characterize as good wells, or were they good wells?

A. They were at one time, but in general, the production rates are quite low and the decline rates are also quite low at the present time.

Q. And the two wells indicated in the northeast quarter of this section by the red dots are presently abandoned?

A. Yes, sir. They were originally drilled and completed by Gerby Oil Company, which has abandoned the lease and which has furnished Mr. Hartman an appropriate document.

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Q Why is Mr. Hartman proceeding with both of these projects at one time?

A. There basically are two reasons. Number one, it is Mr. Hartman's opinion, based upon the studies that he has done and those that I have assisted him in doing, that two wells will be required to drain the remaining Eumont gas reserves from beneath the property; the fact that he has some of the numerous oil and gas leases that cover the property, which will be presented in detail at a later time during this testimony. There are two of those leases that expire in May of 1980. There is also a problem that concerns some of the other interests that are not controlled by Mr. Hartman, in that he has requested the other interests to either join or farmout or do something, and at this time has received no reply to his request. In the absence of an affirmative reply, Mr. Hartman must consider that there is a disagreement that presumably would come under the forced pooling statute here, and if he were to drill only one well, these oil and gas leases, several of them, as will be further explained later, contain clauses in them that require horizontal and vertical release of the acreage not dedicated to a producing well at the expiration of the primary term. [illegible] back and drill another, he would have to have his rig scheduling so that the second well could be spudded across

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the expiration date of the two oil and gas leases involved, or he would have to -- have had to have advertised as a 160-acre location or now amend and ask that it be re-advertised for another hearing, in which case it would be required that he come back to this Commission for an infill finding for the second well.

Because certain of the parties that control leases that are not -- or a portion of this property that is not controlled by Mr. Hartman, are people from out-of-state, who are not professional oil and gas people, and who cannot, apparently cannot make up their minds whether they wish to join or not. Mr. Hartman feels that he cannot undertake the additional financial risk of financing not only his portion of the wells but some additional portion of those that apparently cannot make up their minds without the protection of the forced pooling statute would offer him.

In addition to that, he understands that there is some internal friction among certain of the parties and that it is possible that legal action could be taken among them to -- that would influence the ownership here and cause him problems in being able to drill and operate the wells in an orderly manner.

Mr. Hartman comes before this Commission as a last minute situation. He's been working on this for

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over a year in attempting to put this thing together, and he's now reached the end of his rope on his oil and gas leases and he's forced to come here and request forced pooling in order that he can proceed with orderly development of the property prior to the expiration of two of the oil and gas leases that he controls.

MR. NUTTER: Okay, Mr. Aycock, you've been referring to a whole bunch of people, or lessees, or lessors, or something under these properties. Can you straighten me out on just who they are?

A. Yes, sir.

MR. NUTTER: The application was filed there were working interest owners A, B, C, D, and E.

A. Yes, sir, we have --

MR. NUTTER: And each one of those was listed on the application as owning a certain percentage of the -- of the north half of the northeast quarter and the south half of the northeast quarter.

A. Yes, sir, we have exhibits that will do that, Mr. Nutter. If you would prefer us to take those out of the order we planned to present them and go into that at this time, we'll be glad to do it.

MR. NUTTER: Well, you were talking about it so I was just curious as to what the status was, but if you're going to cover that, go ahead and cover it when you

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want.

A. Yes, sir, we have several exhibits that will cover that, I think, in very adequate detail. I trust it will, anyway.

MR. NUTTER: Okay.

Q. Mr. Aycock, if Mr. Hartman were to drill the first well and it should not be a successful endeavor, will he still proceed and drill the second well?

A. It's Mr. Hartman's intention to drill both wells regardless of the outcome of the first well.

Q. So these are definitely separate projects?

A. As far as he is concerned, they are.

Q. Will you please refer to what has been marked for identification as Exhibit Two and summarize the information contained thereon?

A. Exhibit Two is a structure map on the top of the Penrose Sand, which lies within the interval that is designated as the Eumont Pool, showing the same 9 -- 10 section -- excuse me, 9 section block in which Section 13, Township 21 South, Range 36 East is the middle section. It shows the same wells as were displayed on Exhibit Number One, and shows how the structural contours indicate that the lease in question is at a juncture of two local structural anomalies. It is our opinion, based upon the studies that we have conducted, that this can and usually does in

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this area result in a greater variability of the zones that are included within the Dumont Pool designation than would be expected if you were located more nearly on the crest of any of these anomalies, where the rate of dip is somewhat steeper than it is in the vicinity of the lease in question.

Q. By moving the wells as we have done here this afternoon to the east, do you believe you will still obtain a good structural position?

A. Yes, sir, I think that within the precision of the data available to us, you can say that it would be equally as good as the locations at which they were originally requested.

Q. In your opinion, due to the irregular nature of the sands that you indicated you anticipate in this area, do sound engineering principles dictate developing this acreage with two wells?

A. Yes, sir, I think they do and I think it's Mr. Hartman's stated intention and desire to drill both of the wells.

As the Commission is aware, the availability of drilling rigs is still a problem, and because of the leasehold problems that I've previously alluded to and discussed in some detail, if he were to drill the first one well and come back to drill the second one later, it would require him to establish a legally acceptable force

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of activity across the expiration dates of two oil and gas leases, and then try to get the drilling rig back at some later time.

Since it's his intention to drill the two wells in any event, he would prefer to go ahead and drill them while he's there rather than to delay and incur additional expense in attempting to establish a legally acceptable form of activity that would perpetuate these leases.

It is absolutely necessary, if the leases are going to be perpetuated, that he be drilling or or about the 25th of this month.

Q. Mr. Aycock, will you now refer to what has been marked for identification as Exhibit Three and review this for the Examiner?

A. Cross Section A-A', the trace of which was indicated on both Exhibits One and Two, illustrates the entire interval that is included in the Eumont Pool designation, and the practices of the operators in how they have completed, when the wells were completed, and what the results were.

In gene[illegible], I think the indications are that the initial gas flow rates were quite a bit higher when they are at the present time, and this is because, of course, the pressure was in most cases, was considerably higher at the time of their completions than it is at the

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present time.

You'll notice that all but one of the wells on this cross section were drilled and completed in the mid-50's. One of them was drilled and completed in 1937.

So none of this activity is recent.

Q. Will you now refer to Exhibit Number Four, your B-B' cross section, and review that exhibit for Mr. Nutter?

A. Exhibit Number Four is the west/east cross section, B-B', the trace of which was also previously indicated on both Exhibits One and Two.

It illustrates similar data for the wells included on this cross section. The Examiner will note that there are three of these wells for which no logs were available, so schematic logs were constructed in order to illustrate the structural configuration and where the wells were completed.

On this cross section you will note that the lefthand well was completed in 19 -- late 1973. The other wells, three of -- the other wells were completed in the '50s; one was completed in the '40s; and the last two were completed in the '50s, so only one well on this cross section [illegible] constitutes current activity.

Q. Now, what conclusions can you draw about

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the characteristics of the formation?

A Well, it is apparent from the practices of the operators in the area that the preference has been for completing in the Penrose portion of those zones that are included within the Eumont Field designation in most cases; however, this is probably due to the fact that the quality is quite a bit higher and it is my opinion, based on what has been done here, that there have not been sufficient attention paid to the lower permeability in the zones above the Penrose zone and below the Penrose, within the Grayburg, Grayburg or Skelly Penrose, however you would care to label it.

MR. HUTTER: Well, now, Mr. Aycock, this second cross section, this B-B', has both of the wells which are shown --

A Yes, sir.

MR. HUTTER: -- on your first exhibit in the south 80-acre unit.

A Yes, sir.

MR. HUTTER: One, it looks like, had a cum production of 375-million, and the other one had 535-million cubic feet.

A Yes, sir.

MR. HUTTER: The first one it says TXA requested. The other one it says MSA. Do you know whether

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that first well, which is Fire No. 3, has been plugged and abandoned temporarily?

A. I am not in possession of formal plugging documents, if such exist, Mr. Nutter. That's the best I can find.

MR. NUTTER: That they just requested temporary abandonment.

A. Yes, sir.

MR. NUTTER: But you did ascertain that the other well has been plugged and abandoned.

A. Yes, sir. Yes, sir, that's correct.

MR. NUTTER: Okay, and neither one of those wells had very good cumulative production --

A. That's correct.

MR. NUTTER: Compared to most of the wells in the area.

A. That's very correct.

Q. Will you now refer to what has been marked Exhibit Number Five and review the data contained thereon?

A. Exhibit Number Five, Mr. Nutter, is a tabulation of information, pertinent information, for the 32 wells that are included on the previous exhibits. Included are the location of each, the completion date, the initial potential test flow potential, the comple-

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tion interval; the cumulative gas production as of January 1st, 1980; the estimated original gas in place where sufficient pressure information are available to allow that estimate to be made; the estimated ultimate gas recovery from extrapolation of the stabilized decline rates that are present on most of the wells; the estimated gas recovery factor; and the latest shut-in wellhead pressure that we can find that's been reported; and the date of that -- the year in which that report was made.

I think, as you pointed out, Mr. Nutter, that the -- except for the one very new well, the recoveries on these too are abnormally low for those in this immediate vicinity.

Based on Mr. Hartman's previous experience in the area and the observation that apparently insufficient attention has been paid in the past to the zones other than the Penrose, it is our hope that the two projected wells will obtain quite a bit better results than the two on this property that have been previously produced and abandoned.

Q. Will you now refer to Exhibit Number Six and review these for the Examiner?

A. Exhibit Number Six are tabulations of gas production history, pressures and reported shut-in wellhead pressures; graphs of the log of gas production as a function of time; and the ratio between estimated subsurface pressure

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and consistent compressibility factor as a function of cumulative gas recovery, which form the basis of the estimates of original gas in place where that information is available for each of those wells that are included on the previous exhibits and have been discussed.

MR. NUTTER: The wells that you were talking about being on Exhibit Number Five, are they the wells that are colored on Exhibit Number Two and Number One? Or do they include other wells?

A They include other wells as well as those, Mr. Nutter.

MR. NUTTER: Those wells are only the cross section wells that are colored.

A Yes, sir, these include all of those that I could find that I felt were close enough to be pertinent and yield data that might be on interest to either Mr. Hartman or to this Commission.

MR. NUTTER: Are all the wells that are on the cross sections --

A Yes, sir.

MR. NUTTER: -- included on Exhibit --

A They are if they were Dumont wells. In some cases they were not -- they were not Dumont wells and I don't think they're included. I'd have to -- I'd have to stop and check it to be sure, but I believe that -- what I

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did was take the same area and look for the Dumont completions, current, or former Dumont completions.

MR. NUTTER: Okay.

A. We did not adhere to that in an attempt to illustrate the structural situation in all cases.

MR. NUTTER: Okay.

Q. Mr. Aycock, I direct your attention to what has been marked Exhibit Number Seven and ask that you identify this for the Examiner.

A. Exhibit Number Seven are the revised C-101s and C-102s for the two proposed locations and --

Q. Have these been filed with the Commission?

A. These have been filed with the Commission and they are consistent with the amended application, which the Commission has previously accepted in this case; i.e., the locations for both wells are now 660 feet from the west line of the northeast quarter.

Q. Mr. Aycock, I direct your attention to what has been marked Exhibit Number Eight and ask that you identify this for Mr. Nutter.

A. Mr. Nutter, Exhibit Eight, and the following exhibits, address themselves to the questions that you had about the ownership of the various tracts and the pooling.

Exhibit Number Eight is a tabulation

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dated March 4th, 1980, by Tevis Ford, who is a member of the law firm of Cotton, Bledsoe, Tighe, and Dawson in Midland, which sets out the interests in the various leases, as far as can be ascertained.

Mr. Hartman's application in this matter indicated that he controlled 53 percent of the -- approximately 53 percent of the mineral interests under this 160-acre tract. He has informed Mr. Carr and I that he now believes that he controls slightly over 56 percent of the mineral interests underneath this tract.

Those tracts about which there is apparently some, I won't say contention, but lack of agreement at this point, are indicated and checked on the pages one and two of this title opinion.

The J. C. McIntyre lease, indicated as Leascher and Sullivan; the ARCO lease, indicated at the top of page two; the Edith G. Socolow and A. Walter Socolow lease, indicated as Isbell in parenthesis; and the Dorothy Gutman lease, indicated in parenthesis as Isbell. To our knowledge those four interests are those that -- about which either a lack of agreement or a disagreement exists at this time.

Q. Mr. Ard, would you now refer to Exhibits Nine through Twelve and summarize the data contained in each of those exhibits for Mr. Stamets?

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A. Exhibits Nine through Twelve are compulsory pooling correspondence summaries for each of the four interests that are indicated on the title opinion, which was Exhibit Eight.

I'll be glad to go into them in any degree of detail that the Examiner might require.

The first one refers to the Leascher and Sullivan interest. You'll notice that the acreage is described, the name of the parties, the interest, whether or not an interest -- whether or not an offer was made to lease or farmout from Mr. Hartman to the parties, the dates on which contact was made by Mr. Hartman with these parties, what -- when the dates were that offers to participate were furnished to these parties, including a copy of an authorization of expenditure, for expenditure, and the date on which an operating agreement was furnished to each of the parties, and the indication of when the notice of compulsory poolin hearing were indicated to each of the parties, and behind the front sheet are the documents that explain in detail each of these categories that we've discussed, one through four, on the front page.

Exhibit Nine applies to the Leascher and Sullivan interest. Exhibit Ten applies to the ARCO interest, Exhibit Eleven applies to the Edith C. Doolen and A. Walter Doolen interest, indicated on the next to last, with Abell

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in parenthesis, and Exhibit Twelve applies to the Gutman - Guttag interest, which is indicated also as Dorothy Gutman, a widow, with Isbell in parenthesis on Exhibit Eight, the title opinion.

If the Examiner has questions, we'll be glad to go into all of those. I think the documentation is fairly complete and the -- I think it can be established that numerous contacts have been made with all of these parties by Hartman at one time or another in an attempt to work out something with them, and he told me this morning that he was still willing to work out anything within reason; that if any of the parties to it, if it would put them in a -- cause a financial hardship for them to participate in this, he would be willing to make any sort of a fair business arrangement with them that could remove that hardship from them in preference to force pooling, if that were possible.

We have indications from ARCO that they are -- originally -- apparently there was some misunderstanding as to the timing that was involved, and ARCO has now indicated to Mr. Hartman that they are able and willing to work out their differences so that they can participate in the activity area. Their original objection was based upon the condition [illegible] and when [illegible], and when Mr. Hartman got back to him that his situation was, they agreed [illegible] to participate with it. In

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further detail.

In addition to that fact, of course, ARCO was not aware that the other participants, whether they are voluntary or force pooled, are they to be working interests, many of them are out-of-state people who are not professional oil and gas people, and it would simply be, with the prime interest rate at 20 percent, and apparently going to exceed that shortly, it would not be possible for Hartman to finance these other interests and have to go through long-winded collection procedures. It would not be a prudent business decision for him to proceed without the protection, either -- either agreement or the protection of the force pooling statute that will assure him that there will be revenues to cover those expenses.

Q. Mr. Aycock, was an AFE included with this correspondence?

A. Yes, sir, I believe each of those correspondence packages includes an AFE.

Q. And do the figures set forth on these AFE's conform with Mr. Hartman's actual costs?

A. The figures that are set forth there are actually for two wells that were drilled in the Jalmat area, and they [illegible] the [illegible] that Mr. Hartman has [illegible]. The AFE that is actually furnished there is [illegible] with [illegible], but the ex-

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perience on which it was based was wells that are approximately 34 to 3600 feet in depth.

It also takes account of the fact that since the most recent Hartman experience, which took place in March of this year, there have been -- there has been an increase in the footage rate for drilling this type of well, and of course, I know the Commission's aware that we had a fifteen percent increase in tubular goods prices in February of this year, also.

MR. HUTTER: Now this AFE you're talking about, it's attached inside these --

A. Yes, sir.

MR. CARR: And it should be dated March 11.

MR. HUTTER: And it shows the total cost of a producing well of $283,200?

A. Yes, sir.

MR. HUTTER: And a dry hole of $131,700.

A. Yes, sir.

Q. Now, Mr. Aycock, if the cost, the actual costs incurred in drilling these wells differ from those figures set forth on the AFE, how is this dealt with?

A. [illegible] dealing with all of the [illegible] that these cost [illegible]

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the final costs will be on an actual -- that will be rendered will be on an actual cost basis. If the costs are less than this, then refunds will be made to each of the parties; if the costs are greater than this, then, of course, each party will be billed for their proportionate part.

Q. Will you please refer to what has been marked for identification as Hartman's Exhibit Number Thirteen?

A. Hartman's Exhibit Number Thirteen is a -- the front page is a summary of the oil and gas leases that are committed to Doyle Hartman at this time.

I call attention -- the Commission's attention to the fact that the Fluor Oil and Gas Corporation lease expires on June 8th, 1990; the General Crude Oil Company lease expires on May 10th, 1990, and there are -- in both of those leases, plus the Pickens lease, which does not expire for two years, and the Tamaro lease, which does not expire for almost another year, all contain the Pugh clause that requires release, both horizontal and vertically, at the end of the primary term for those interests not dedicated to a producing well at that point in time. The only way of perpetuation would be operations. As I previously stated, it is our opinion that we are ready to drill our well and then once we've got that -- and then we'd have to request an infill drilling into this formation.

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We feel like it would be more prudent, with the situation the way it is, simply to ask for the two wells and protect the entire lease at this point, as we would prefer. Each of the leases is somewhat self-explanatory. I'll be glad to go into whatever detail the Commission may require. There's full documentation here.

Q Mr. Aycock, what is the standard spacing for the Eumont Gas Pool?

A Let me read the -- from the Eumont Gas Pool Rules, on the Byram, July, 1960 Byram, page 46, Rule 5-A says, a standard gas proration unit in the Eumont Gas Pool shall be 640 acres.

Q Generally speaking, in fact, how is the pool developed?

A The pool is developed on -- the assignments to the wells vary all the way from 40 acres up to 640; most of them are 320 acres or less.

Q For proration purposes, what is the base of a standard unit?

A I believe that at the present time the Commission is using 160-acre units as the basis for allocation of the available gas [illegible] among the wells.

Q [illegible]

Q [illegible]

A [illegible] unit, the

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smaller the allowable.

A. That's correct.

Q. Would you please refer to what has been marked for identification as Hartman's Exhibit Thirteen-A and just briefly state what that shows?

A. Exhibit Thirteen-A is a copy of a standard land map on a 1-inch equals 4000-foot scale, which shows the tracks of the cross sections that were Exhibits Three and Four the lease in question, and shows the proration units which are assigned to the immediately adjacent Dumont wells.

I think the Commission will notice that we have everything from 80 acres up to 320 acres. We have two 320-acre units that are assigned, one of which is a regular 320-acres, and the other, which is a most irregular shaped 320-acre proration unit.

Q. Now, Mr. Aycock, I notice that the name of Mr. Isbell appears written in on the title opinion, and so I would like to ask you a couple of questions related to this.

Does the pooling application that you are proposing today affect acreage currently leased by Mr. Isbell?

A. Yes, sir, it does.

Q. And is the subject of his [illegible] the drilling of this well?

A. Yes, it does.

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Q In regard to his acreage, are there particular problems which cause you concern as you proceed with this matter?

A Well, it is our understanding that the oil and gas lease which Mr. Isbell took from the estate of Dorothy Gutman was executed by only two of the co-executors and not all three of them.

Q At this time would you -- I think it would be helpful to refer to what has been marked Exhibit Number Fourteen.

A Exhibit Number Fourteen is the Gutman Family Mineral Ownership under the northeast quarter of Section 13, Township 21 South, Range 36 East, labeled for identification as Exhibit Fourteen, Mr. Nutter, and this is an attempt to make something that is quite confusing, hopefully, somewhat less confusing.

The two leases that are indicated under Isbell are outlined in red, I believe, on your copy. One of them is under the middle branch, which goes through Leopold Gutman, deceased, Dorothy Gutman, deceased, Dorothy Gutman Estate, Executors Charles Gutman, BettyG. Guttag, and [illegible] Gutman.

The other lease is Betty G. Goodlow [illegible] which comes through the right-hand branch, which is labeled Louis Gutman, deceased,

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and comes on down to a trust agreement, which is filed of record, but at the time Mr. Hartman had the records checked in Lea County, the Rodanjo Trust, there had not been any documents. It is referred to but there had not been any documents, nor have there been any probate filed of record in Lea County. We simply know that it apparently exists because of its mention in one of the other documents.

Until the apparent title deficiency, which establishes the complete chain of title under the -- between the trust agreement and the Rodanjo Trust is established, and can be established, with complete filings that have been put of record in Lea County, then Mr. Hartman doesn't know exactly who he may be dealing with, either as a co-working interest owner, a pooled interest owner, or whoever.

MR. NUTTER: Well, now you don't mean what you say here, I don't think, Mr. Aycock.

It says not -- referring to this Rodanjo Trust, not filed of record until 3-17-80. You mean not filed of record as of.

A. Yes, sir.

MR. NUTTER: It wasn't filed on that date, that's right.

A. -- as of.

I don't believe that there are complete chains anywhere that establish the succession of title past

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[illegible] agreement. [illegible], Mr. Carr's title attorney has not been able to be privy to them and does not have them in his possession.

Q. Now, Mr. Aycock, isn't the point of this exhibit simply that even if you could get everyone to voluntarily come in, there are certain things in terms of the title that might trigger a situation where after the well is spudded you would wind up with more interest not committed?

A. I think the only -- the only protection that -- as I said earlier, Mr. Hutter, we didn't come up here lightly to burden you with this thing. We care when there appeared that there was no alternative, either lose the oil and gas leases or come request the Commission to accept it as being applicable under the forced pooling statute, as protection. Mewbourne is willing to take the risks that are associated with the entire venture and go forward with it under any reasonable approach, either under the forced pooling or under a voluntary arrangement, either way is fine with him. Obviously he'd rather do it under a voluntary communitization type thing than he had to do it under a situation where we have to force pool them. But the fact that the [illegible], the fact that the rig availability [illegible] the last thing [illegible] that [illegible]

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[illegible] the expiration of the [illegible] term, he felt that the only way he could prevent [illegible] operator was to come here and request this Commission to take action.

Q. Mr. Carr, will you now refer to what has been marked for identification as Hartman Exhibit Number Fifteen and explain to Mr. Hutter what this is?

A. Hartman Exhibit Number Fifteen is a copy of the letters that were furnished each of the parties to this hearing by Mr. Carr's certified mail; included are copies of the return receipts that show that they were each received.

I might call the Examiner's attention to the fact that the interests that are not controlled by Hartman, and which are of concern to him, which we've just previously discussed, in addition in those summary packages of correspondence which we've furnished you as our -- as those Exhibits Nine, Ten, Eleven, and Twelve, also contain -- will show proof that Hartman personally, in addition to Mr. Carr, furnished all of these parties notice of the hearing and there are also copies of the return receipts showing that they were received.

[illegible] the Examiner's attention to [illegible]

recommendation to the Division as to the risk factor which should be assessed against those who do not participate in the drilling of the well?

A Yes, sir, I think based upon the -- upon the demonstrated facts and the Commission's own observation that the recoveries from the previously existing wells located on this tract were below average for the area, that the maximum risk factor that is allowed under the statute, 200 percent, should be applicable to this situation.

Q Have you made an estimate of the overhead and administrative costs which would be incurred while drilling and producing these wells, if in fact you do obtain --

A Yes, sir, and --

Q -- wells capable of production?

A Mr. Hartman submitted a model form operating agreement to each of the potential participants, as was indicated on the -- in the summaries of correspondence that have been furnished, and in that connection the overhead rates for drilling wells was specified as $3200 per month and the producing well rate was specified as $275 per month.

Q [illegible] Mr. [illegible] typical rates?

A [illegible]

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2/3rds of what Mr. Hartman can, as nearly as he can ascertain, what his true costs are in this connection.

Q Do you recommend that these figures be incorporated into any order which results from this hearing?

A Yes, sir, I do.

Q And does Mr. Hartman request to be named the operator?

A Yes, sir, he does. That's included in his application.

Q When will a rig become available for the drilling of these wells?

A Between April 15th and April 25th, depending upon the outcome of this hearing and when the Commission can act.

Q And so you are requesting that the order that results from this hearing be expedited?

A Yes, sir, I am.

Q In your opinion will granting this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, sir, I do. I think that the low productivity of the surrounding wells indicates that a large [illegible] gas that underlies the tract in question in the Grayburg zones, will probably not be produced at all, and it would con-

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[illegible] not accrue to the benefit of the mineral owners under this tract unless the well is not to be drilled.

Q. Were Exhibits One through Fifteen either prepared by you or have you reviewed them and can you testify as to their accuracy?

A. Yes, sir, I have. They were prepared, part of them were prepared by me; part of them were prepared by Mr. Hartman's staff under my supervision.

MR. CARR: At this time, Mr. Examiner, we would offer Applicant's Exhibits One through Fifteen.

MR. NUTTER: Exhibits One through Fifteen will be admitted in evidence.

MR. CARR: I have nothing further on direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. Pyeatt, back to the owners.

A. Yes, sir.

Q. The application stated that Fluor Oil and Gas Corporation owned 1/16th. Has Fluor consented to the drilling of the well?

[illegible] the [illegible] as you explained by Hartman.

[illegible]

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it expired on June 1th, 1980.

Q Okay, this is a list of the ones that are committed, then.

A Yes, sir.

Q Okay. Gary Leascher and Cynthia Leascher, and Michael Sullivan and Gail Sullivan are listed as owning 1/16th. Are they committed?

A No, sir, they are not. Mr. Hartman, as indicated on Exhibit Nine, Mr. Hartman has been in correspondence with them since the 20th of February of this year in reference to this interest. Mr. Hartman or Mr. Davidson, who is his business associate.

Q Okay. The application lists Texaro Oil Company as owning 1/10th of the 160.

A Yes, sir, that's the final lease indicated on Exhibit Thirteen as now committed to Mr. Hartman.

Q The three leases, this Texaro and the Fluor leases, did they assign those leases to Hartman or did they join in the drilling of the wells?

A No, they assigned the leases to Hartman.

Q So he's the working interest owner, then.

A Yes, sir.

Q [illegible]

A Yes, sir, that's correct.

Q Okay. Was the application filed on Form C-

A Yes, sir.

Betty Guttag and Jack Guttag and Charles Guttag.

A Yes, sir.

Q Individually and as co-executors under the will of Dorothy Gutman, deceased.

A Yes, sir.

Q Okay, that's the middle column on Exhibit Fourteen.

A Yes, sir, and that's covered under Exhibit Twelve, the detailed correspondence that applies to that interest is covered completely under Exhibit Twelve.

Q Is it leased?

A No, sir. It's not leased and it's not committed. Mr. Hartman has indicated his willingness to do either or both, whatever they prefer. He's offered to lease under the same terms as other people have offered him, including the professional oil and gas people, or he's indicated to have them join, whichever way they'd prefer to do.

Q Okay. Then E is Edith Socolow and A. Socolow, A. Walter Socolow.

A Yes, sir.

Q Now is that one leased?

A No, sir, the same situation prevails there. He's had no answer.

Q That's the right-hand column of the Exhibit Fourteen.

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A. Yes, sir, and that's covered under Exhibit Eleven, which is the complete correspondence summary of everything that pertains to that interest, as far as Mr. Hartman is concerned.

Q. Now, are D and E on the application, do they own varying shares separately or do they together own 28/120ths and it never has been split up?

Your Exhibit Fourteen would indicate that the righthand column and the center column of the family tree each own 23 percent.

A. Let me look, Mr. Nutter, just a minute, please. Let me find that.

The filings, the application, the indicated interests would be superceded by Exhibit Fourteen, which is the latest information that we have.

Q. Okay. Now, I have a correspondence from James Isbell, dated March 24th, in which he says he's obtained oil and gas leases of working interest owners D and E, who would be Betty, Jack, and Charles Cuttag, and Edith and A. Walter Socolow, and that he intends to join in the drilling of the wells.

A. That was Mr. Hartman's impression, too, but as of this date he has received -- not received the execution of any of the -- the assignment AFE or any of the correspondence that he directed to Mr. Isbell in an attempt to get

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him to join as he had indicated that he would.

Q. When did he send it to Mr. Isbell?

A. Well, let's look back on the --

Q. And when did Isbell obtain these leases, do you know?

A. The lease that we have seen that's of record is dated March 17th, 1980. It includes only two of the co-executors. It includes Betty G. Guttag and Jack Guttag, and does not include Charles Gutman as a lessee.

Q. You mean Charles Guttag.

A. No, Charles Gutman is the proper name. Mrs. Guttag is his sister. Her name is Betty Guttag Gutman -- Betty Gutman Guttag, and his name is Charles Gutman.

Q. Oh, the application must be in error then because it says Betty G. Guttag and Jack Guttag and Charles Guttag, individually, and as co-executors under the will of Dorothy Gutman.

A. It is -- it is --

Q. And it should be Charles Gutman.

A. It should be Charles Gutman, as indicated on Exhibit Fourteen.

Q. Okay. And Isbell got a lease from whom?

A. He got a lease from --

Q. Betty Guttag?

A. Betty Guttag and Jack Guttag, her hus-

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band, who are two of the three co-executors of the --

Q But he doesn't have one from Charlie Gutman.

A Charles Gutman, that's correct, and Mr. Hartman's information is that Mr. Gutman is -- Charles Gutman is somewhat upset about this matter and is considering appropriate action; whether or not he will do it is of no concern to Hartman, but what concerns him is if he gets in and starts drilling a well thinking he has a lease and it turns out that he doesn't have a lease, then what does he do.

Q Yeah, so if there's a chance Isbell's lease doesn't include all the interests --

A That's correct. It depends -- I don't know what the laws having to do with estates and successions in the State of New York are, and Mr. Hartman doesn't either, but he doesn't want to have to get into it if he can avoid it, if at all possible.

Mr. Isbell has been -- has been notified between March 31st, on March 31st and April 1st of this year, has been furnished AFE's, operating agreements, and notice of compulsory pooling.

Q Now which one is --

A That's Exhibit Twelve.

Q Exhibit Twelve?

A Yes, sir.

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Q Exhibit Twelve.

A You'll notice on the correspondence summary on the face of Exhibit Twelve, under number two, it says furnished offer to participate with copy of corresponding AFE.

Q Right.

A Down here it says 4-1-80, James H. Isbell as possible lessee, and has an asterisk. Down at the bottom it says lease from Betty and Jack Guttag as independent co-executors under the will of Dorothy Gutman, deceased, now being legally contested in the State of New York by Charles Gutman, also a co-executor and 50 percent beneficiary under the will of Dorothy Gutman.

That's the best information that Mr. Hartman has been able to obtain.

Q Okay. And what is being legally contested, the lease?

A The fact that only two of the -- that the lease was executed by only two of the co-executors, not all three.

Q Okay. So Charlie Gutman is contesting the lease that Betty and Jack gave Isbell.

A Yes, sir, that's correct.

Q Okay. Now, on the AFE you stated that this represents Mr. Hartman's experience --

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A Yes, sir.

Q -- drilling Jalmat wells and it's --

A Adjusted to a 4200 foot depth.

Q -- adjusted to the 4200 foot depth for the Eumont.

A That's correct, sir.

Q And figures are given there, I think it was $283,000 for a --

A Yes, sir.

Q -- producer.

A As you're probably aware, Mr. Nutter, Mr. Hartman does several things that all operators don't do. Like he attempts to cement the production casing all the way back to the surface, if at all possible. He believes this is prudent for both the preservation of the wellbore and the prevention of any untoward subsurface fluid migration. That adds slightly to the cost, but he also believes that it has enabled him to achieve, not only greater success in what he's done with regard to stimulation, but greater protection for himself, for the mineral owners, and for anybody else that might be affected by inter-zone fluid migration.

Q I notice he's got $7000 for legal and regulatory fees on there, too.

A Well, Mr. Carr and I have to eat, too.

Q He gets involved in those things.

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MR. NUTTER: Does anyone have any questions of Mr. Aycock? He may be excused.

Do you have anything further, Mr. Carr?

MR CARR: Nothing further, Mr. Hutter.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6846?

We'll take the case under advisement.

Oh, yes, sir?

MR. LEASCHER: It's just that Mr. Sullivan and myself are here and we --

MR NUTTER: State your name, please.

MR. LEASCHER: Gary Leascher, and we have tried to work with Mr. Hartman on this thing and our main objection and for not signing the operating agreement that he sent us was the two wells at the same time on one operating agreement. And I just want to make a point of that, and that's all. I mean I'm not an attorney and I've got --

MR. NUTTER: In other words, he's got both wells covered under one operating agreement.

MR. LEASCHER: Well, and we want some time after the first well, and I don't know that it is our fault that he took leases that have Pugh clauses and that he took --

MR. SULLIVAN: Short term leases.

MR. LEASCHER: And, you know, why we are responsible for that.

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MR. NUTTER: And you feel that you should have separate operating agreements --

MR. LEASCHER: Well, for each well.

MR. NUTTER: -- for the two wells? Well, --

MR. LEASCHER: I mean after the first one is completed, or if it is completed, we have the right or option then to decide what you're going to do on the second one, or in the first one being dry. I mean if the first one is dry.

MR. NUTTER: Your ownership is identical through the two units, isn't it?

MR. LEASCHER: Yes. And I have four more years on my lease and I think Mr. Hartman, I can appreciate his side of the thing, but I don't have to do that. I mean it's not my fault that he has those Pugh clauses and things in there that force him to hurry this thing through, and I tried to work with him on this, again except for this -- that one point of the -- I'd like separate operating agreements.

MR. NUTTER: And just like to see more time between the two wells --

MR. LEASCHER: Yes.

MR. NUTTER: -- to consider -- to evaluate the first before proceeding with the second.

MR. LEASCHER: That's right, and I think

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his costs are extremely high. By checking with other operators in Midland, he's got $1650 for drilling cost rate and I checked last week with Cactus Oil and they say it's $1300 right now, and that's just one part of it, and wants us to put up all our money up front for two wells and there might be 120 days in between the first and the second, according to the operating agreement, and we're tying up all our money for 120 days.

MR. NUTTER: Is that 120 days after completion of the first prior to commencement of the second?

MR. LEASCHER: He never said. It's kind of ambiguous.

MR. NUTTER: Do you know, Mr. Aycock, what the score is on --

MR. AYCOCK: The score is that if he can get the rig to drill the second well, he wants to drill it as soon as possible. He would prefer to go to it immediately, but he can't guarantee that he'll be able to do that. The drilling contractor has other --

MR. LEASCHER: The reason he wants to do that is because he's got Pugh clauses on -- and I didn't receive my operating agreement until April the 4th, which was last Friday.

MR. NUTTER: And he was wanting you to put up your money -- your share of the money for both wells?

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MR. LEASCHER: Yes.

MR. NUTTER: How about that, Mr. Carr?

MR. CARR: Well, I'll tell you, Mr. Nutter, it looks to me like what we have here is a situation where if we look at the statutes we're proceeding under, we obviously have a situation where voluntary agreement has not been reached. In terms of whether you could get two separate operating agreements, I have no information on that, but it does appear that there's a 30-day period even after the order comes down within which negotiations can take place before the actual pooling provisions trigger, and that during that period of time I think these problems are matters which very likely can be resolved. But I don't have any particular information on why they're in one operating agreement as opposed to two.

MR. NUTTER: It would appear it might be more reasonable, although Mr. Hartman wants to proceed immediately like that with the drilling of the second well, despite -- regardless of the outcome of the first well.

MR. CARR: That's correct.

MR. NUTTER: It might be more prudent for someone else to want to take a look and see if they're willing to participate in the second well.

Yes, sir.

MR. JAMES: Royce James, ARCO Oil and

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Gas Company.

Our first correspondence with Mr. Davidson at that time was May of last year, and in June of 1979 we did approve the drilling of a well in that northeast quarter, and we have evidence of that from a letter here from G. Payne Akins (sic) our joint interest superintendent, and since that time, as far as I know, we haven't received much correspondence from Mr Hartman or Mr. Davidson until we received these two AFE's for that northeast section, northeast quarter section, on March 12th, 1980. And we do intend to participate on the well, but we would also like to see the results of the first well prior to drilling the second well.

MR. NUTTER: Prior to commencement of the second well.

MR. LUBKE: So essentially we do object to drilling one well right after the other, and there's some items in there in the joint interest agreement which we don't like.

MR. NUTTER: You mean some monetary values?

MR. LUBKE: No, just the fact that it's one well right after the other.

MR. NUTTER: Oh, I see.

MR. LUBKE: We feel like the wells should be drilled up there and we're willing to go along with it,

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but, well, we also feel like we've kind of been left in the dark here for some amount of time; caught us kind of off guard.

MR. NUTTER: Now, Mr. Aycock --

MR. LUBKE: I do have an approved AFE from our District Manager as of last June to drill the well up there.

MR. NUTTER: Well, now, Mr. Aycock, if the whole 160 acres were dedicated to the well, this would inconvenience Hartman to the extent that he'd have to have an infill finding for the second well.

MR. AYCOCK: Well, worse than that, Mr. Nutter, he'd have to re-advertise it, I think, and come back here before you. By the time we could do that, our leases would probably be in worse jeopardy than they are now.

MR. NUTTER: Well, if you had the first -- if you had the first well drilled, if you had the first well drilled, the entire 160 would be participating and all interests would be covered, wouldn't they?

MR. AYCOCK: Yes, sir, they would, and then we'd have to -- I think we'd have to come back to you and request an infill on the second one.

MR. NUTTER: You'd have to have an infill.

MR. AYCOCK: Yes, sir. We would prefer to avoid that, and the problem with Hartman is not, I don't

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think with ARCO we have any -- we have any difficulty, but he doesn't know who he's dealing with and what their financial capabilities are and whether they're going to be able to pay, and with credit controls in force and interest rates in excess of 20 percent, and as a consequence, all the suppliers are virtually demanding settlement in full of accounts within 30 days. They have to because their profit margin won't allow them to carry. And Hartman is concerned that he'll get into a situation where some of the people will choose not to pay and he'll be left without either owning the interest; he'll be faced with materialmen's suits, or workmen's suits, or liens, as an option to him paying the bills for the whole thing, and that's not a prudent business situation from his standpoint.

He wants to know that he's protected and that either he's got the interest or that the people involved can and will pay their bills on time. And as far as requesting the money in advance, I do some of the same type of work myself, and unless the people have a history with me and I know they can and will pay, I do exactly the same thing. We don't turn a tap till the money is in the bank.

MR. LEASCHER: Is that for two wells?

MR. ALCOCK: You better believe it. I've turned a deal for four and we didn't turn a tap till they were all in the bank for all four of them. That came out

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to in excess of $800,000 bucks. We did it in December.

MR. NUTTER: Well, of course, the compulsory pooling statute contemplates a person not participating and putting up his money.

MR. AYCOCK: Right.

MR. NUTTER: You're going to have to carry him in that instance, aren't you?

MR. AYCOCK: But we also -- he's willing to take the risk if he knows that whatever interest comes he will get -- he will get a reasonable payoff for taking the risk and he will get the production income, but if he winds up with -- we go into this thing and we don't have it all straightened out, and people say yeah, I'm going to go, and then we get down to division order time, Hartman's got 100 percent of the bills and only part of the interest, and that's not a prudent business situation.

I don't know the Secolows and the Gutmans and he doesn't either, and his attorney advises him that he'd be running a dire risk to get into this thing without some protection, and the only kind of protection that's available is to come before this Commission and request the application of the forced pooling statute.

MR. NUTTER: Well, I can see -- I can see the logic of that forced pooling. It's just this progression from one well to the next without some time to evaluate. I

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think Mr. Leascher has a valid point there.

MR. AYCOCK: Well, if he could have obtained longer term leases he would have been delighted to, but he did the best he could and that was all he could get, and he's willing to drill them, he personally with his 56 percent interest is willing to stand up and drill two wells bang-bang, and if the others don't, then that constitutes -- I guess that constitutes a disagreement between them.

MR. LEASCHER: If we had any amount of time. I'm just talking about putting it all up front.

MR. AYCOCK: As you're aware, Mr. Nutter, kind of the same situation occurred in that -- in the other controversy that we had in the Eumont Pool with Texaco several months ago, where Hartman was forced to drill a second well before the second one was properly evaluated, and it turned out there it was a dry hole, and he's still willing to go ahead and drill two here and accept that risk. And you know, if the -- if people don't want to join, then he's willing to accept the additional risk if there's any kind of a business incentive for him to do so, and go ahead. He's willing to lease; he's willing to farm out; he's willing to purchase; he's willing to do anything that's reasonable to get the thing done.

MR. SULLIVAN: He's never made a farm out attempt with me.

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MR. AYCOCK: Well, you'll have to discuss that with him.

MR. NUTTER: Does anyone have anything further in Case Number 6816?

Take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

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.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6846 heard by me on 4/9 1980.

Oil Conservation Division, Examiner

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RECEIVED
MAR 26 1980
OIL CONSERVATION DIVISION
SANTA FE

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

AREA CODE 915/684-3933

March 24, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Oil Conservation Division
New Mexico Department of
Energy and Minerals
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Re: Case #6846
NE/4 Section 13
T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Please be advised that I have now obtained oil and gas leases on working interest owners D and E noted in the captioned case. I intend to join in the drilling of two wells, therefore, these parties should be officially dropped from these proceedings.

If you have any questions, please advise me.

Very truly yours,

James H. Isbell

JHI:llh

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

March 31, 1980

Mr. A. Walter Socolow
45 East 82nd Street
New York City, New York 10028

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Socolow:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 667 0326

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

SENT TO
A. Walter Socolow
STREET AND NO.
P.O., STATE AND ZIP CODE

POSTAGE	$
CERTIFIED FEE	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	$
POSTMARK OR DATE	3/31/80

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
RETURN RECEIPT SERVICE

PS Form 3800, Apr. 1976

DOYLE HARTMAN NMOCD CASE NO. 6846

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

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

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

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

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

[3] P&A 1964

HARTMAN 5
6846

GAS PRODUCTION HISTORY

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

Date March 6, 1980

Operator: Burleson & Huff

Well: Marshall

Location: P-11-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks: First Production 12-78

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

1978 Detail Summary

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

1979 Detail Summary

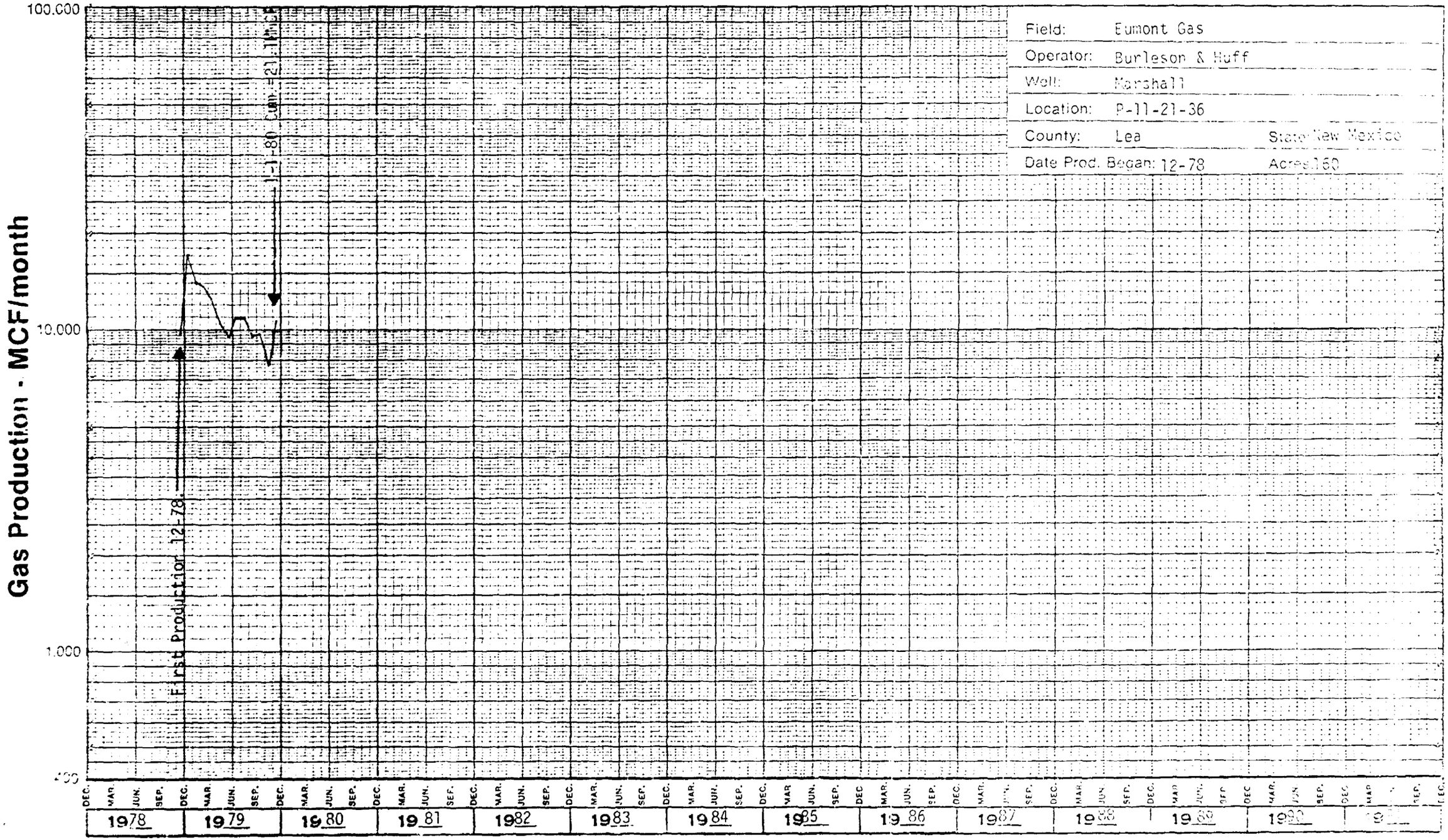
Jan.	17143	July	10931
Feb.	14075	Aug.	10923
March	13875	Sept.	9566
April	12437	Oct	9693
May	10405	Nov	7766
June	9549	Dec.	10762

Production (Y-T-D) 137125 MCF

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

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

1-1-80 Cum 146.8 MMCF



GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Texaco

Well: Roy Riddel No. 2

Location: A-12-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks: P & A 1964.

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

19 62 Detail Summary

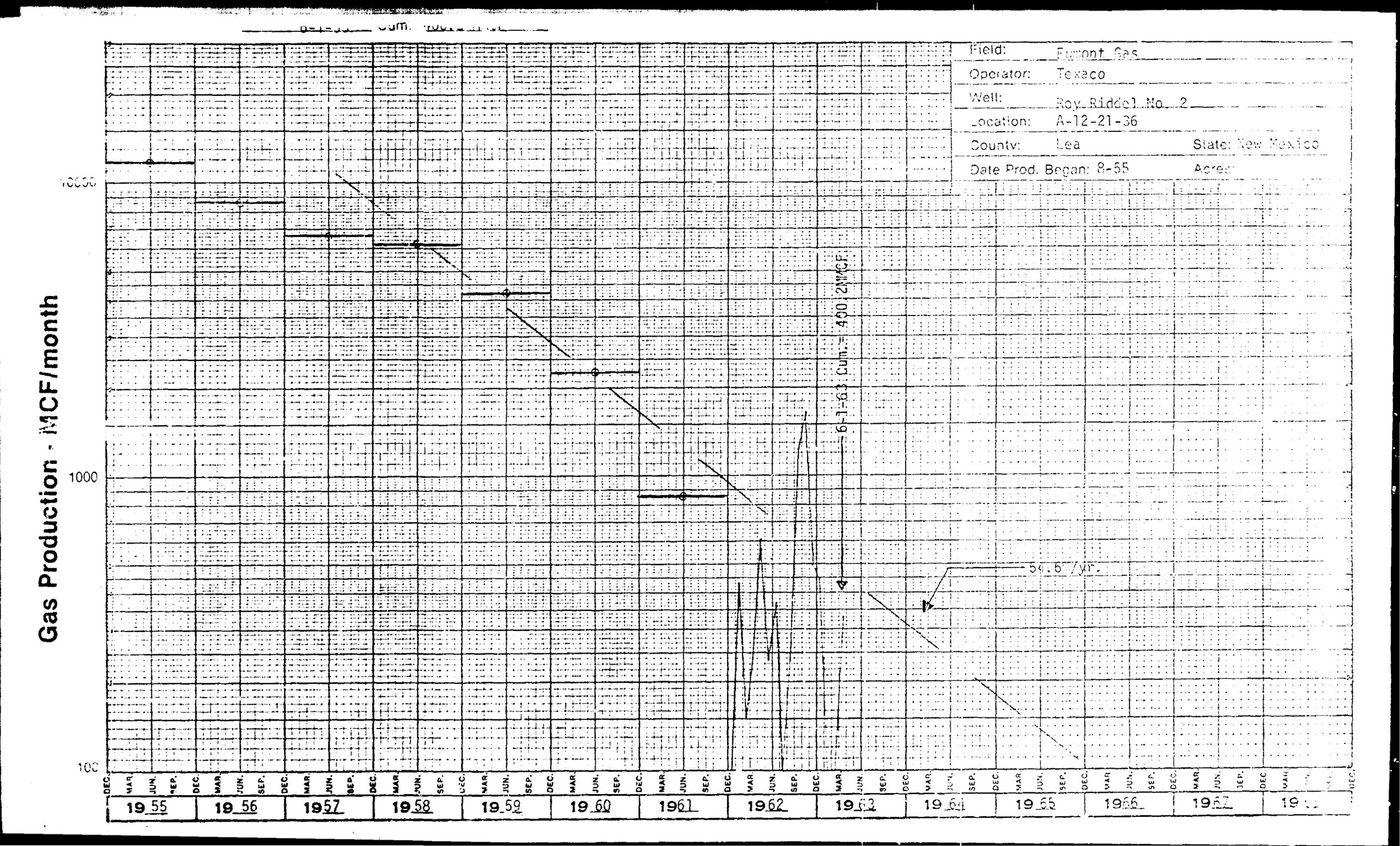
Jan	0	July	365
Feb	433	Aug.	67
March	152	Sept.	233
April	247	Oct	1222
May	598	Nov.	1644
June	237	Dec.	496

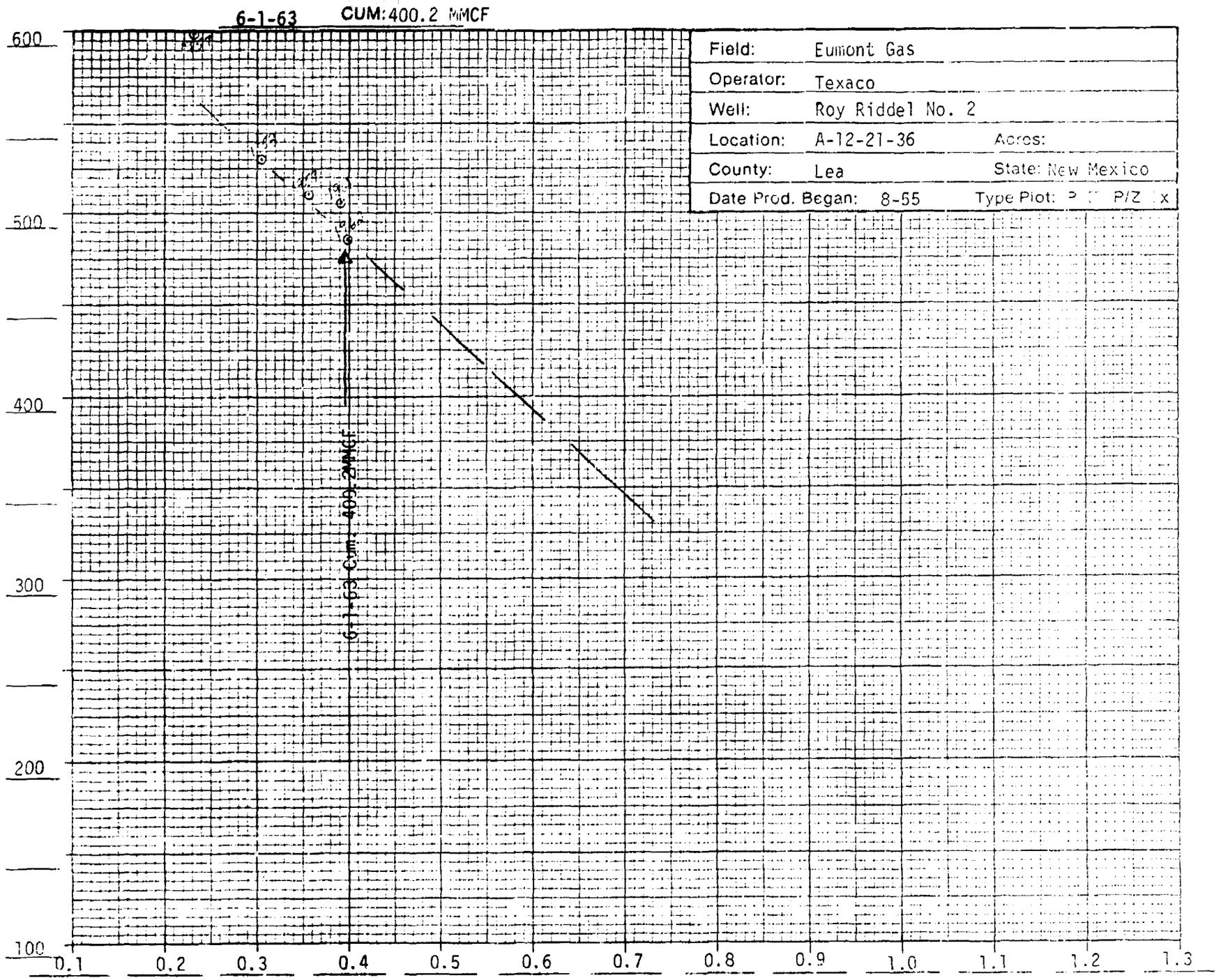
19 63 Detail Summary

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

Prodn 1963 (Y-T-D) 784 MCF Avg Rate (Y-T-D) 261 MCF/mo.

Days on Production (Y-T-D) 3 days.


Field: Fumont Gas
Operator: Texaco
Well: Roy Riddel No. 2
Location: A-12-21-36
County: Lea
State: New Mexico
Date Prod. Began: 8-55
Acres:
Gas Production - MCF/month
10000
1000
100
6-1-63 Cum.= 400,211MCF.
54.6 /yr.
DEC. MAR. JUN. SEP.
1955
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1967


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

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Shenandoah Oil Co.
Well: Carter No. 1
Location: G-12-21-36

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

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

19 78 Detail Summary

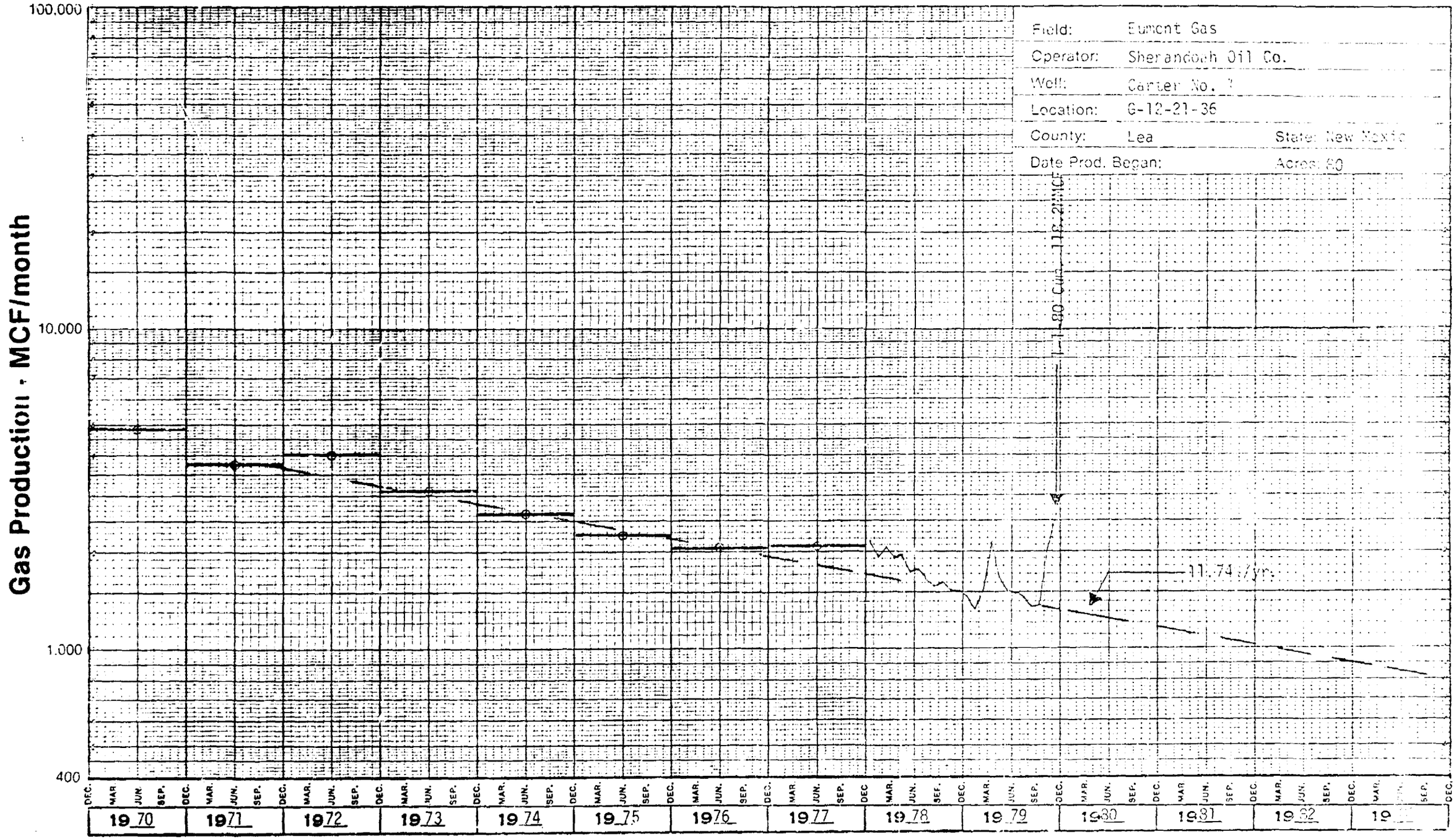
Jan.	2154	July	1761
Feb.	1920	Aug.	1643
March	2048	Sept.	1552
April	1907	Oct.	1603
May	1938	Nov.	1517
June	1723	Dec.	1513

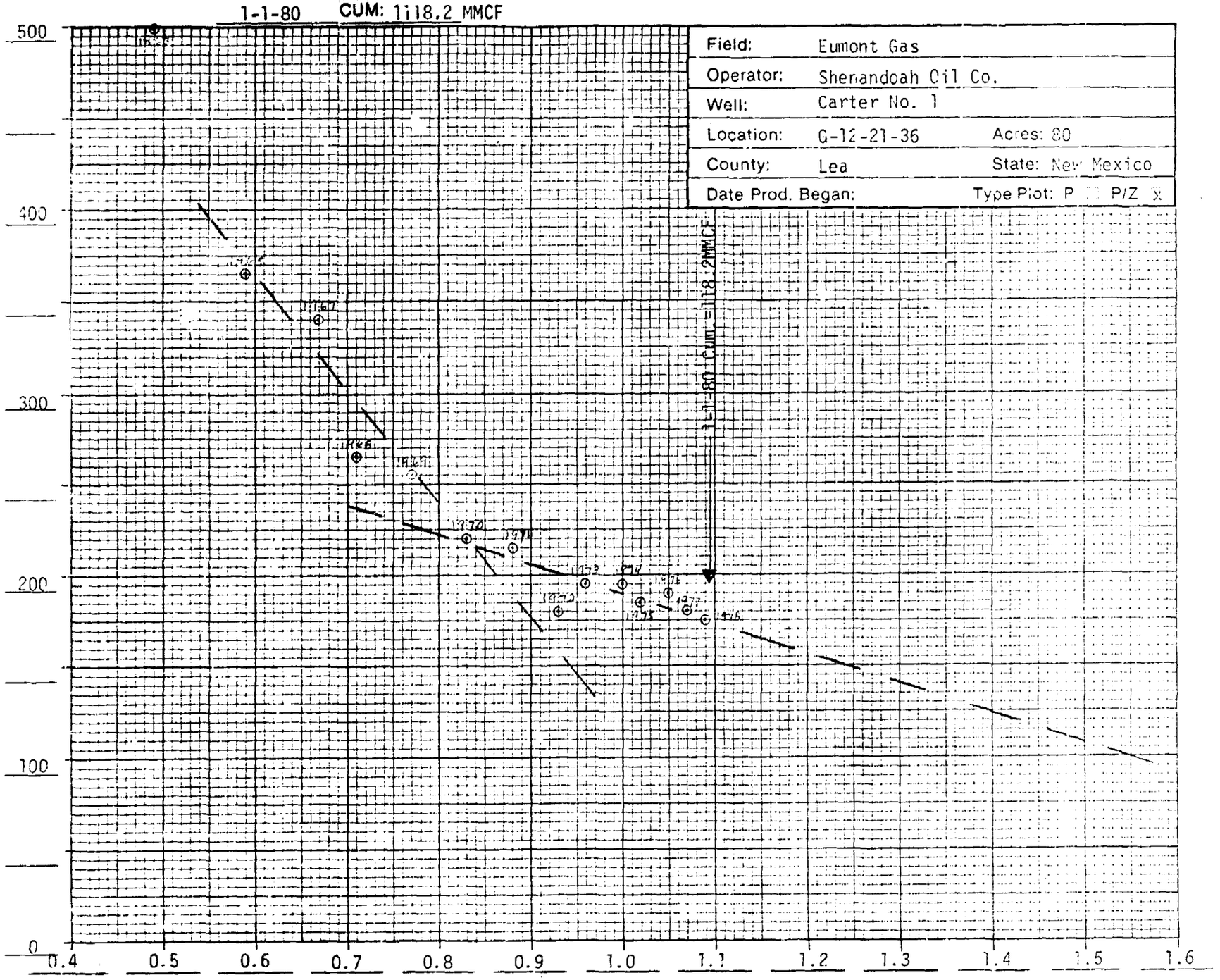
19 79 Detail Summary

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

Production (Y-T-D) 20004 MCF
Avg. Rate (Y-T-D) 1667 MCF/mo.
No. of Months (Y-T-D) 12 mos.

1-1-80 Cum: 1118.2 MMCF




1-1-80 CUM: 1118.2 MMCF
Field: Eumont Gas
Operator: Shenandoah Oil Co.
Well: Carter No. 1
Location: G-12-21-36 Acres: 80
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P P/Z x
1-1-80 Cum. = 1118.2MMCF
Pressure or P/Z - (psia)
500
400
300
200
100
0
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6
Cumulative Gas Production - (PCF)

GAS PRODUCTION HISTORY

Date 3-11-80 Page 1 of 1

Operator: Earl Bruno

Well: C. W. Marshall No. 3

Location: M-12-21-36

Pool: Eunice Grayburg San Andres (Oil)

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks: *Cummulative Gas production 1959 thru 1978.

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

19 77 Detail Summary

Jan.	5896	July	6116
Feb.	5476	Aug.	5865
March	5611	Sept.	5491
April	5666	Oct.	5272
May	6552	Nov.	5051
June	6213	Dec.	5121

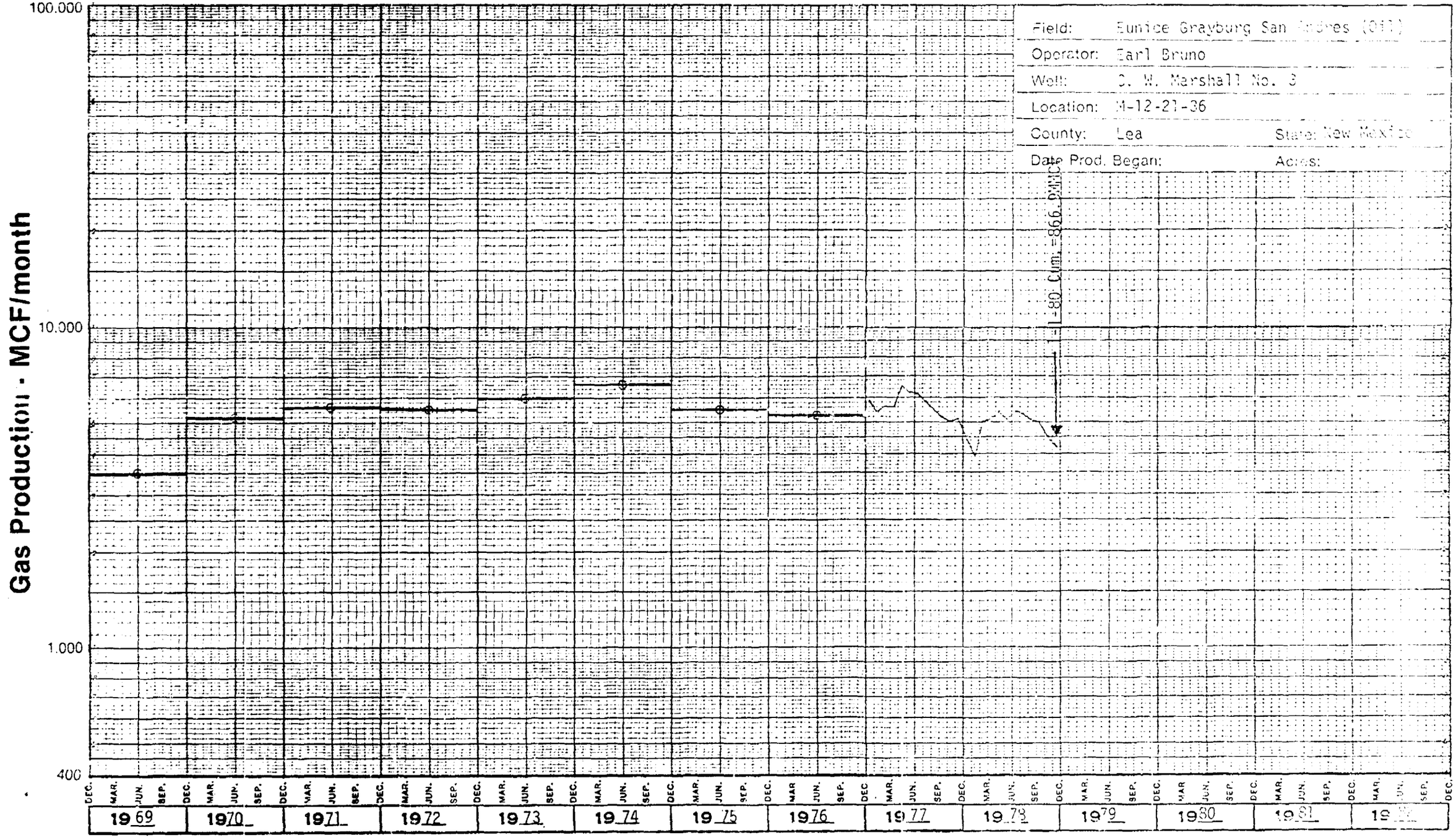
19 78 Detail Summary

Jan.	4542	July	5453
Feb.	3946	Aug.	5376
March	5089	Sept.	5109
April	5191	Oct.	5044
May	5406	Nov.	4519
June	5105	Dec.	4271

Production (Y-T-D) 59045 MCF Avg. Rate (Y-T-D) 4920 MCF/mo.

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

1-1-80 Cum: 866.9 MMCF



GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

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

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

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	37915	3160	2703.4	N/A	N/A	
1978	12	42071	3506	2665.5	155.2	160	
1977	12	46315	3860	2623.4	163.2	165	
1976	12	46321	3860	2577.1	285.2	300	
1975	12	37399	3117	2530.8	186.2	195	
1974	12	60585	5049	2493.4	164.2	170	
1973	12	53884	4490	2432.8	190.5	200	
1972	12	72560	6047	2378.9	197.5	205	
1971	12	95247	7937	2306.4	204.2	210	
1970	12	114151	9513	2211.1	190.9	200	
1969	12	159862	13322	2096.9	205.7	210	
1968	12	227766	18980	1937.1	229.9	240	
1967	12	175979	14665	1709.3	284.2	300	
1966	11	109042	9913	1533.4	376.2	395	
1965	11	141756	12887	1424.3	376.2	395	
1964	12	130509	10876	1282.5	483.0	525	
1963	12	120835	10070	1152.0	522.0	570	
1962	12	103988	8666	1031.2	606.2	680	
1961	12	61556	5130	927.2	622	700	
1960	12	95935	7995	865.7	667	750	

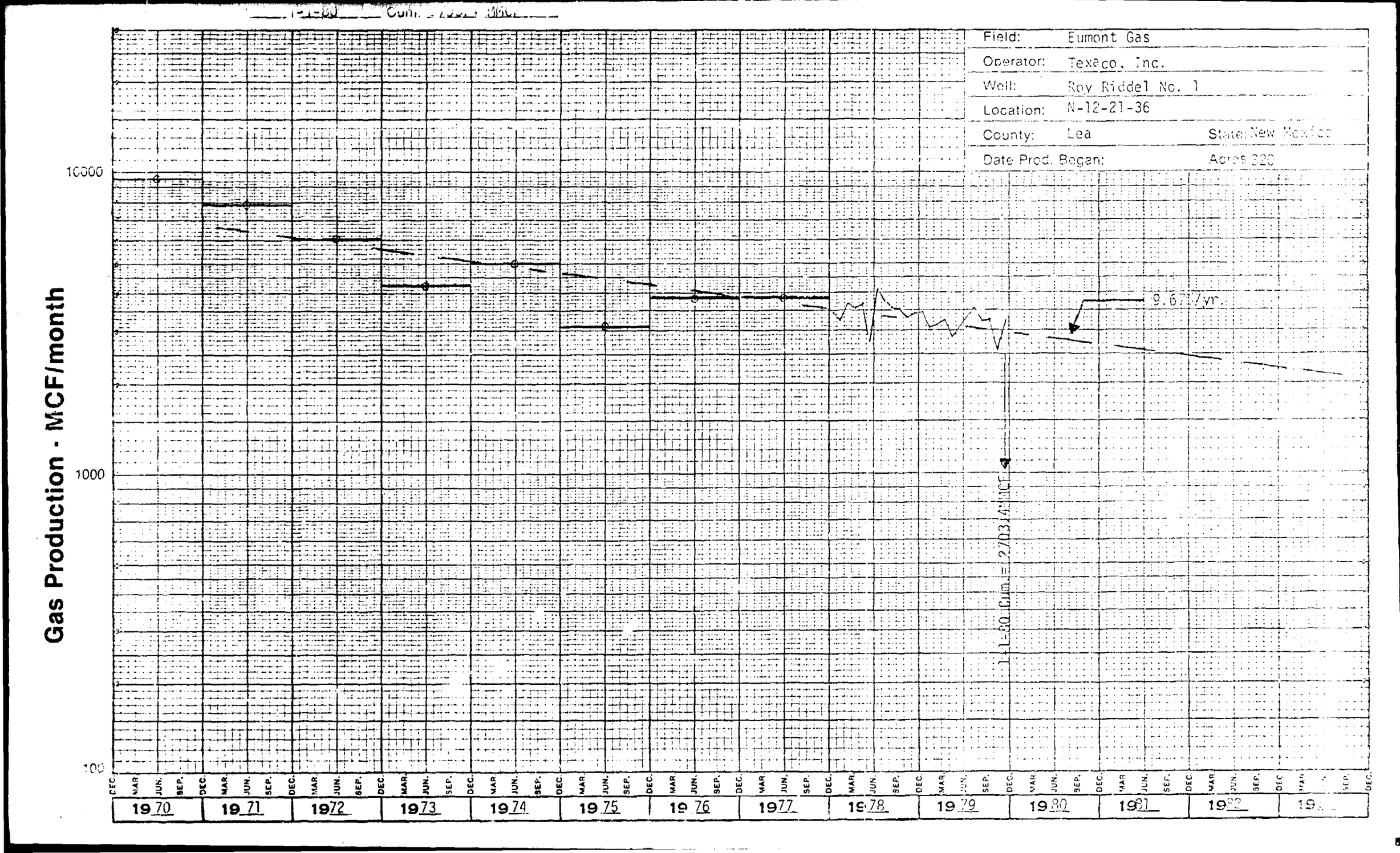
19 78 Detail Summary

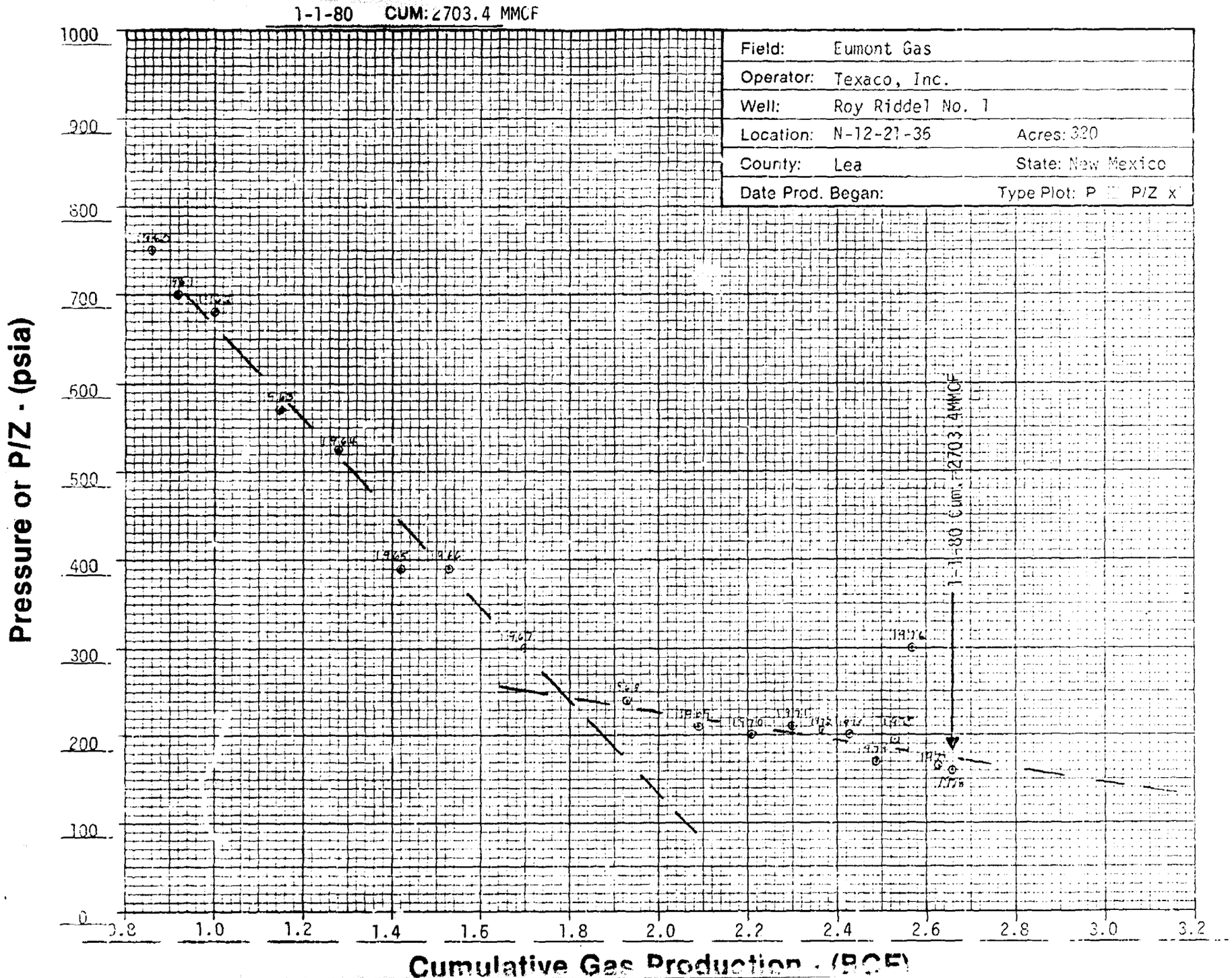
Jan.	3487	July	4066
Feb.	3265	Aug	3706
March	3685	Sept.	3563
April	3558	Oct.	3513
May	3684	Nov.	3315
June	2749	Dec.	3400

19 79 Detail Summary

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

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


Field: Eumont Gas
Operator: Texaco, Inc.
Well: Roy Riddel No. 1
Location: N-12-21-36
County: Lea
State: New Mexico
Date Prod. Began:
Acres 320
9.67 /yr.
1-1-80 Cum = 2703.4 MMCF
Gas Production - MCF/month
10000
1000
100
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982


1-1-80 CUM: 2703.4 MMCF
Field: Eumont Gas
Operator: Texaco, Inc.
Well: Roy Riddel No. 1
Location: N-12-21-36 Acres: 320
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P P/Z x
1-1-80: Cum. 2703.4MMCF
Pressure or P/Z - (psia)
Cumulative Gas Production - (MCF)
1000
900
800
700
600
500
400
300
200
100
0
0.8
1.0
1.2
1.4
1.6
1.8
2.0
2.2
2.4
2.6
2.8
3.0
3.2

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Continental Oil Co.

Well: Lockhart "B" No. 7

Location: D-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks: First Production 1-69.

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

19 78 Detail Summary

Jan.	8871	July	8807
Feb.	8336	Aug.	7649
March	9386	Sept.	8037
April	8423	Oct.	7805
May	9550	Nov.	7309
June	8907	Dec	8557

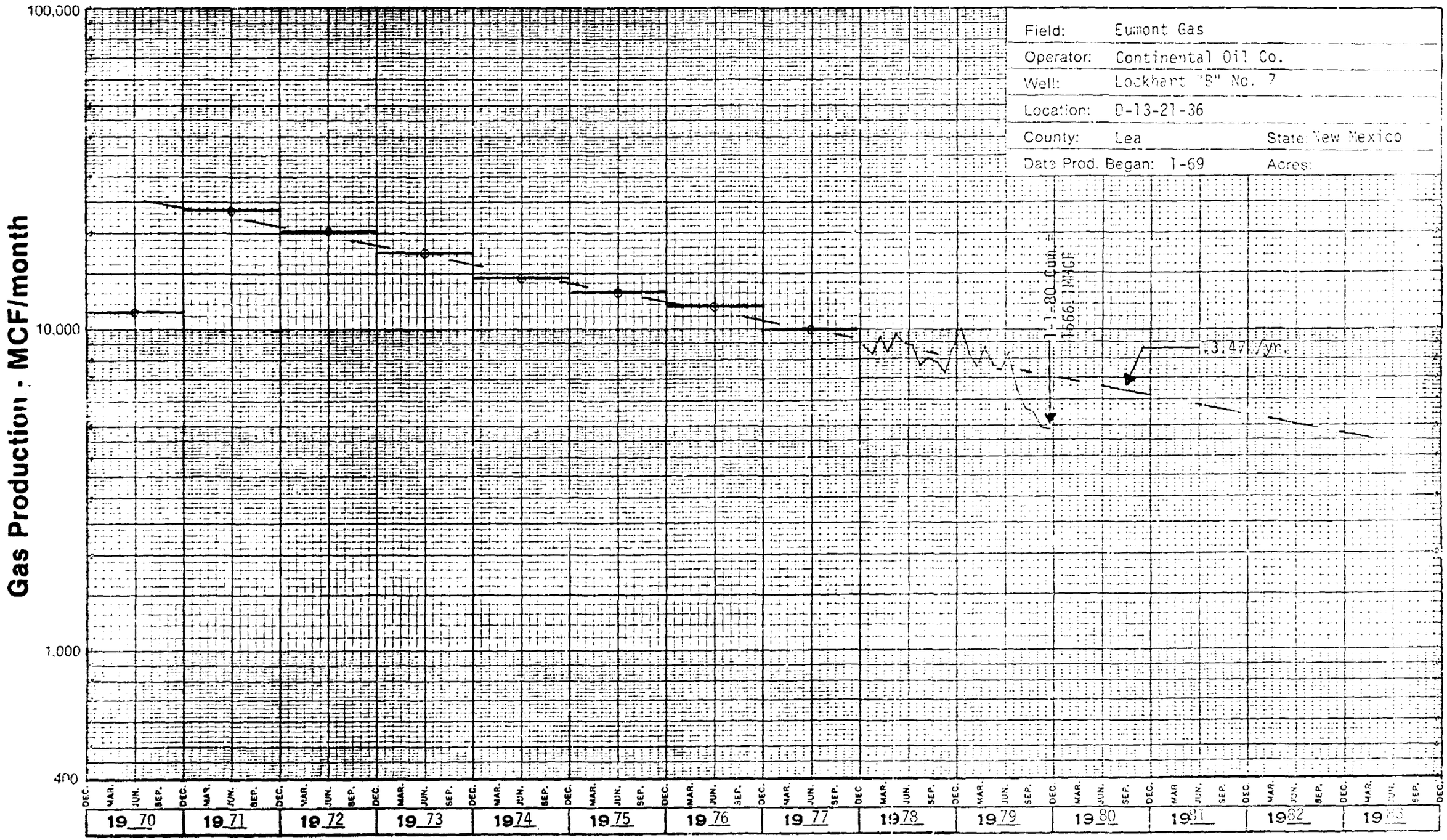
19 79 Detail Summary

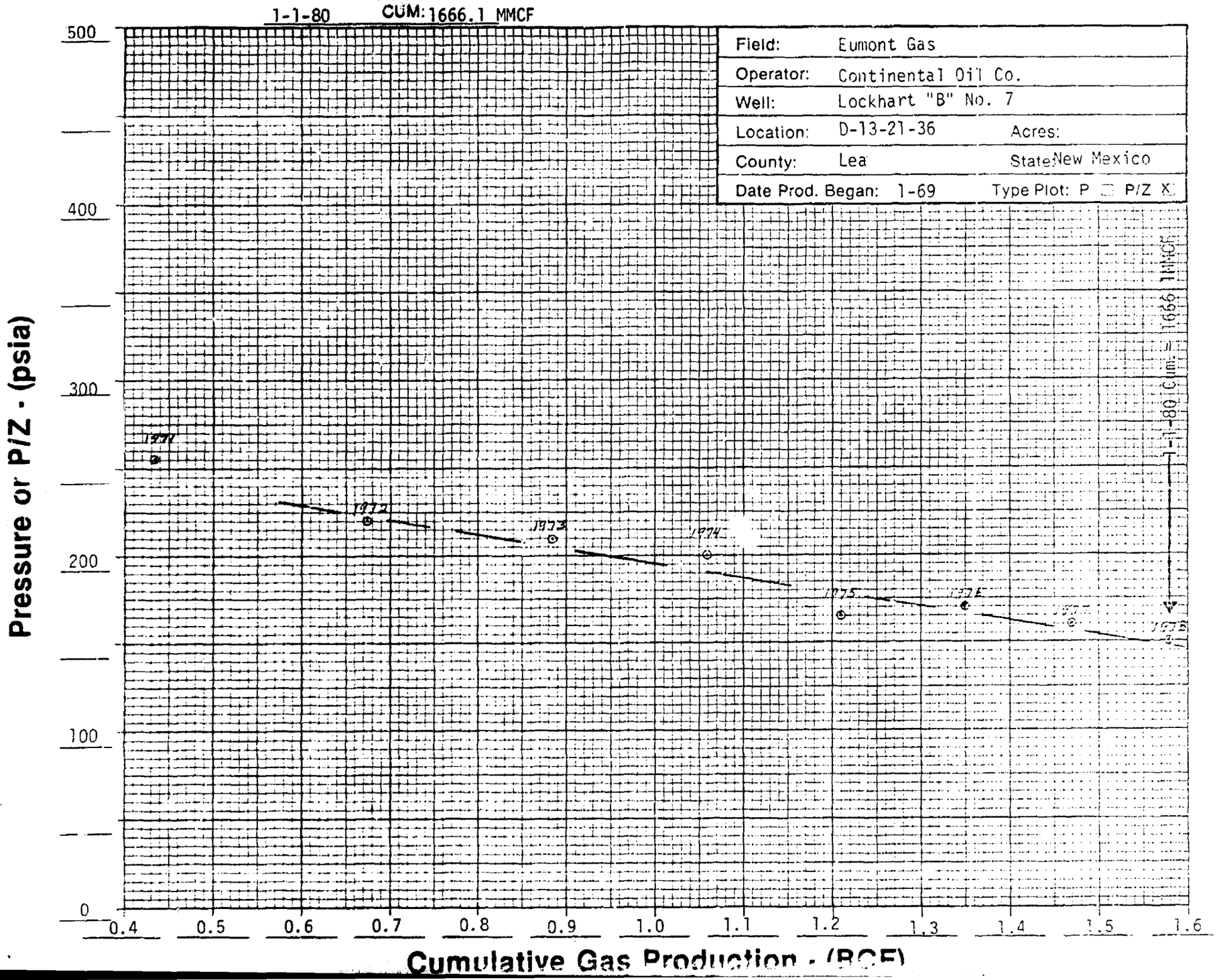
Jan.	10016	July	8310
Feb.	8341	Aug.	6468
March	7616	Sept.	5736
April	8697	Oct.	5511
May	7746	Nov.	4983
June	7402	Dec.	4878

Production (Y-T-D) 85704 MCF Avg. Rate (Y-T-D) 7142 MCF/mo.

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

1-1-80 Cum: 1666.1 MMCF




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

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Getty

Well: R-M- Marshall

Location: G-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

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

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

19 78 Detail Summary

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

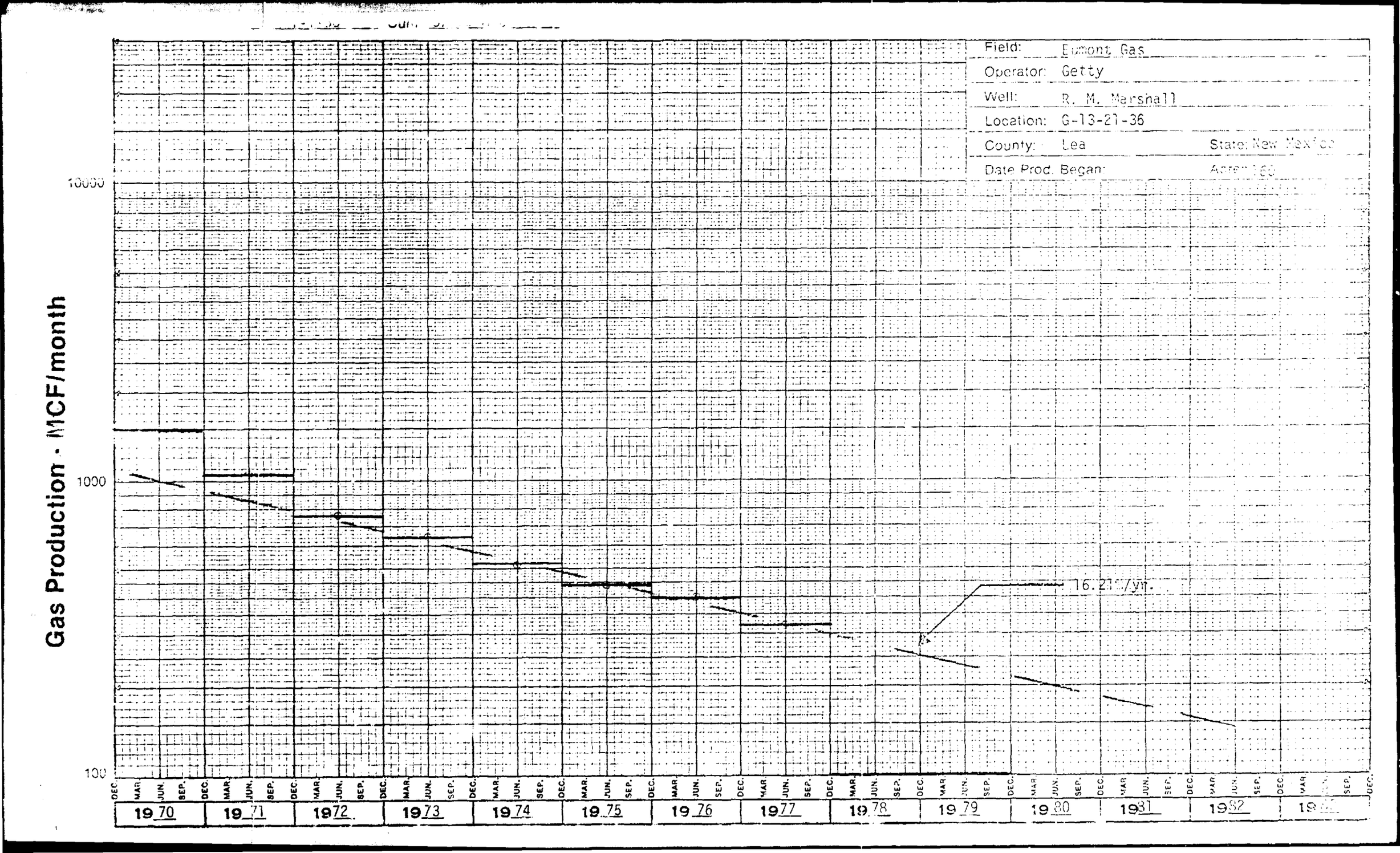
19 79 Detail Summary

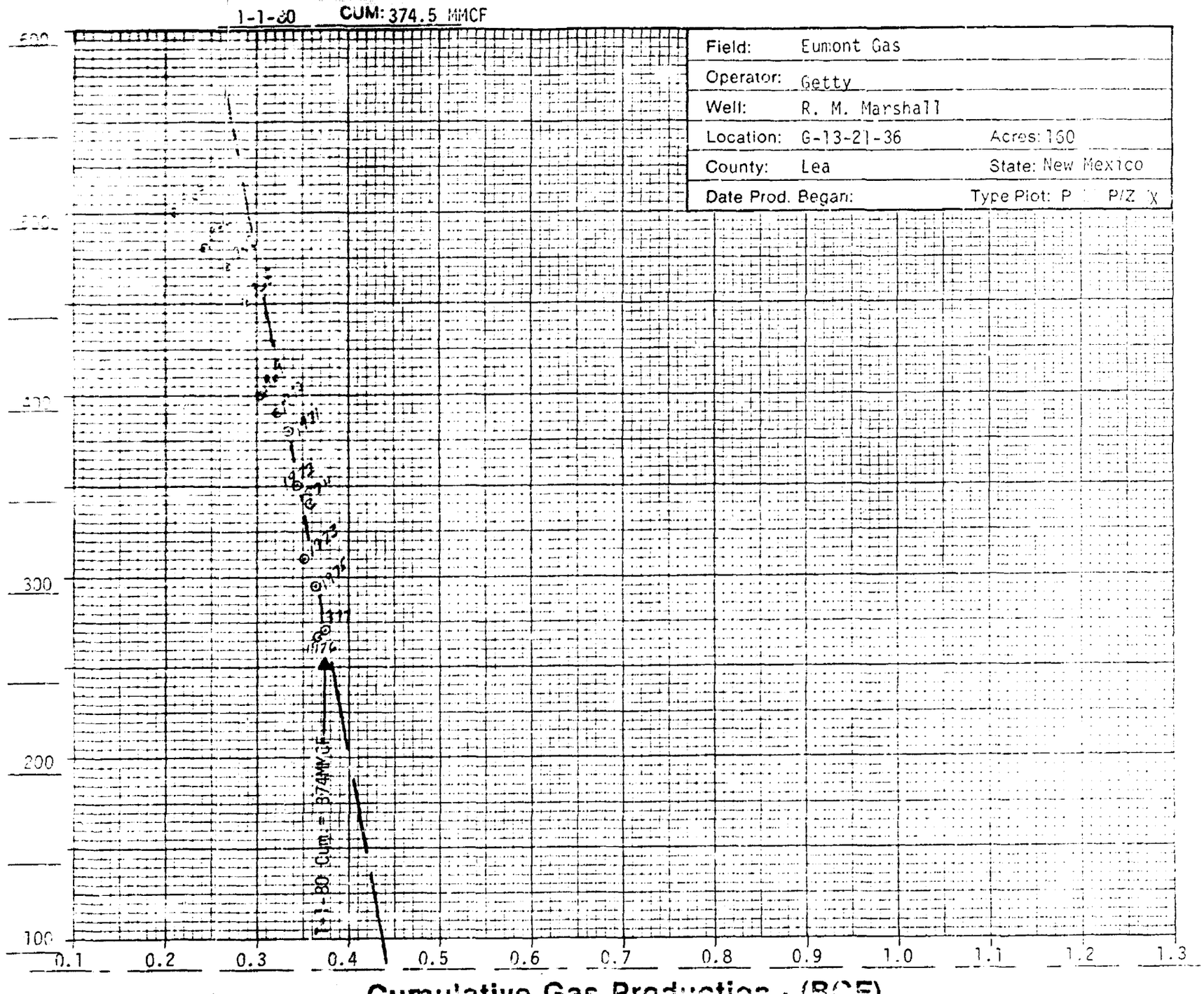
Jan.	75	July	55
Feb.	82	Aug.	23
March	96	Sept.	21
April	0	Oct.	5
May	0	Nov.	14
June	0	Dec.	23

Production (Y-T-D) 399 MCF

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

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


Field: Eumont Gas
Operator: Getty
Well: R. M. Marshall
Location: G-13-21-36
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 160
Gas Production - MCF/month
10000
1000
100
16.2 /yr.
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982


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

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Tidewater

Well: R. M. Marshall #2

Location: H-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

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

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

19 61 Detail Summary

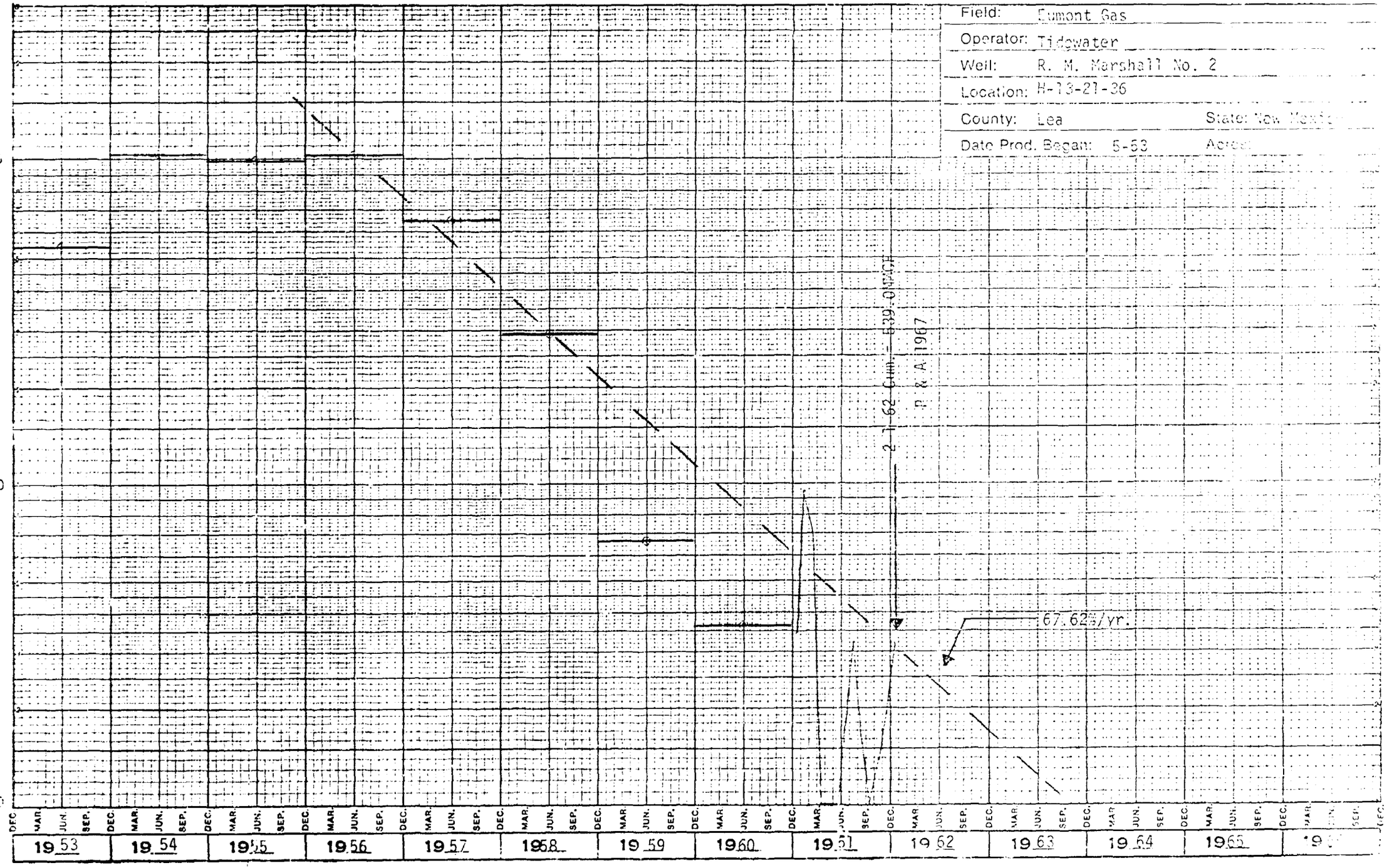
Jan.	344	July	185
Feb.	946	Aug.	323
March	703	Sept.	154
April	63	Oct.	100
May	8	Nov.	139
June	61	Dec.	195

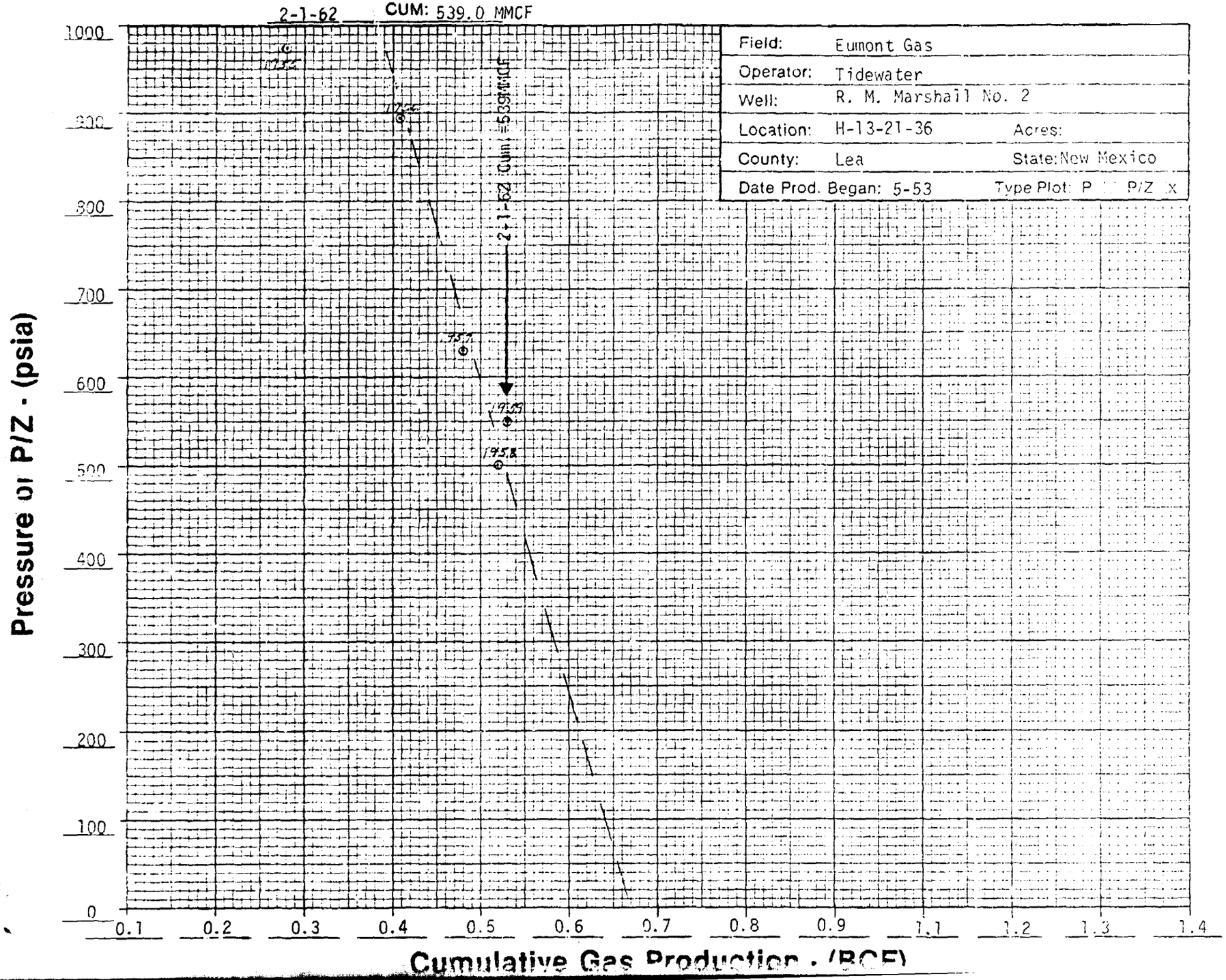
19 62 Detail Summary

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

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

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


Field: Eumont Gas
Operator: Tidewater
Well: R. M. Marshall No. 2
Location: H-13-21-36
County: Lea
State: New Mexico
Date Prod. Began: 5-63
Acres:
Gas Production - MCF/month
10000
1000
100
2-1-62 Cum. = 639.0 MCF
P & A 1967
67.62 MCF/yr.
DEC. MAR. JUN. SEP.
19 53
19 54
19 55
19 56
19 57
19 58
19 59
19 60
19 61
19 62
19 63
19 64
19 65


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

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Penrose Production Company

Well: Marshall # 1

Location: I-13-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks:

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

19 78 Detail Summary

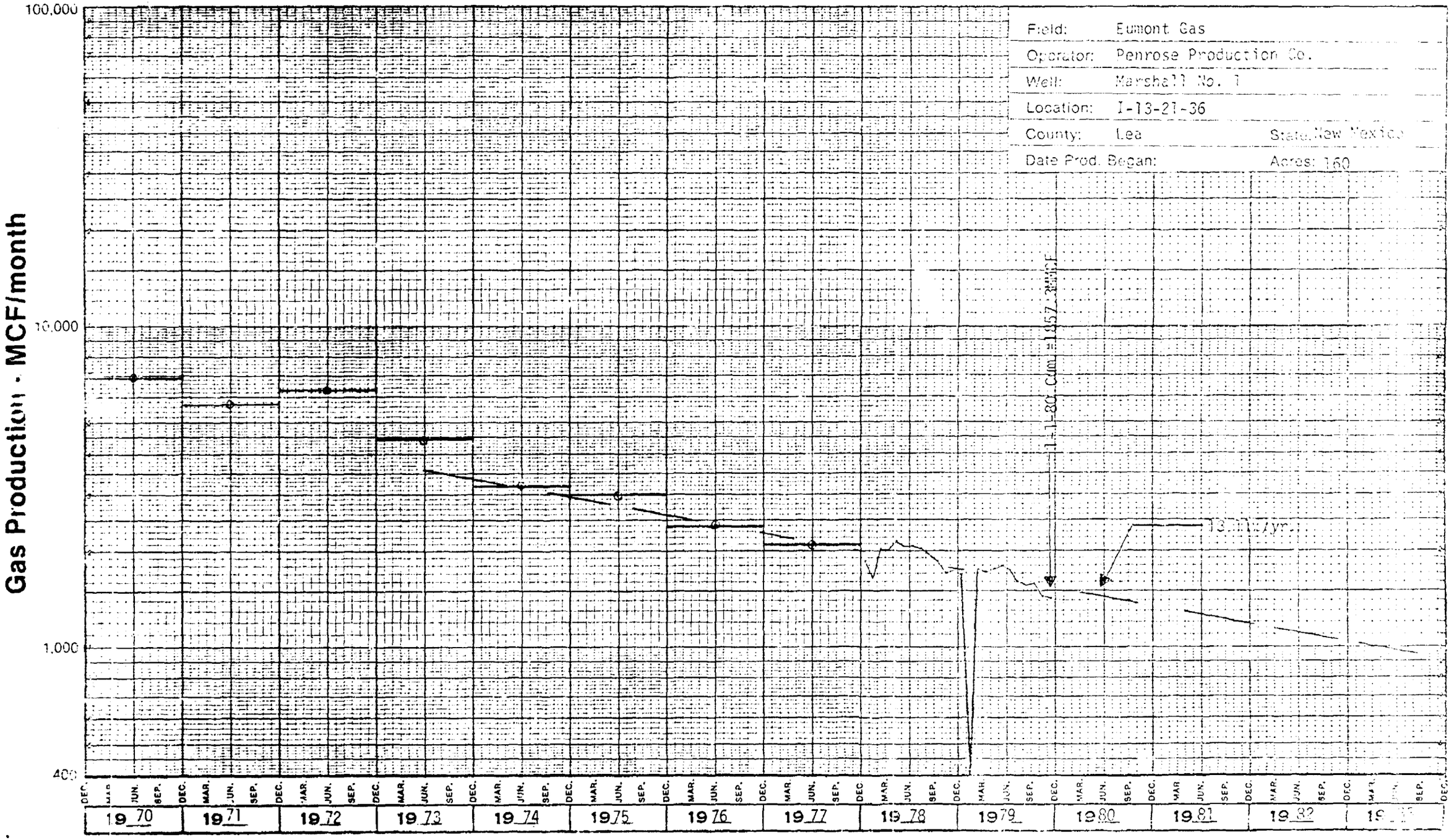
Jan.	1849	July	2069
Feb.	1665	Aug.	2039
March	2012	Sept.	1943
April	2012	Oct.	1874
May	2128	Nov.	1711
June	2064	Dec.	1728

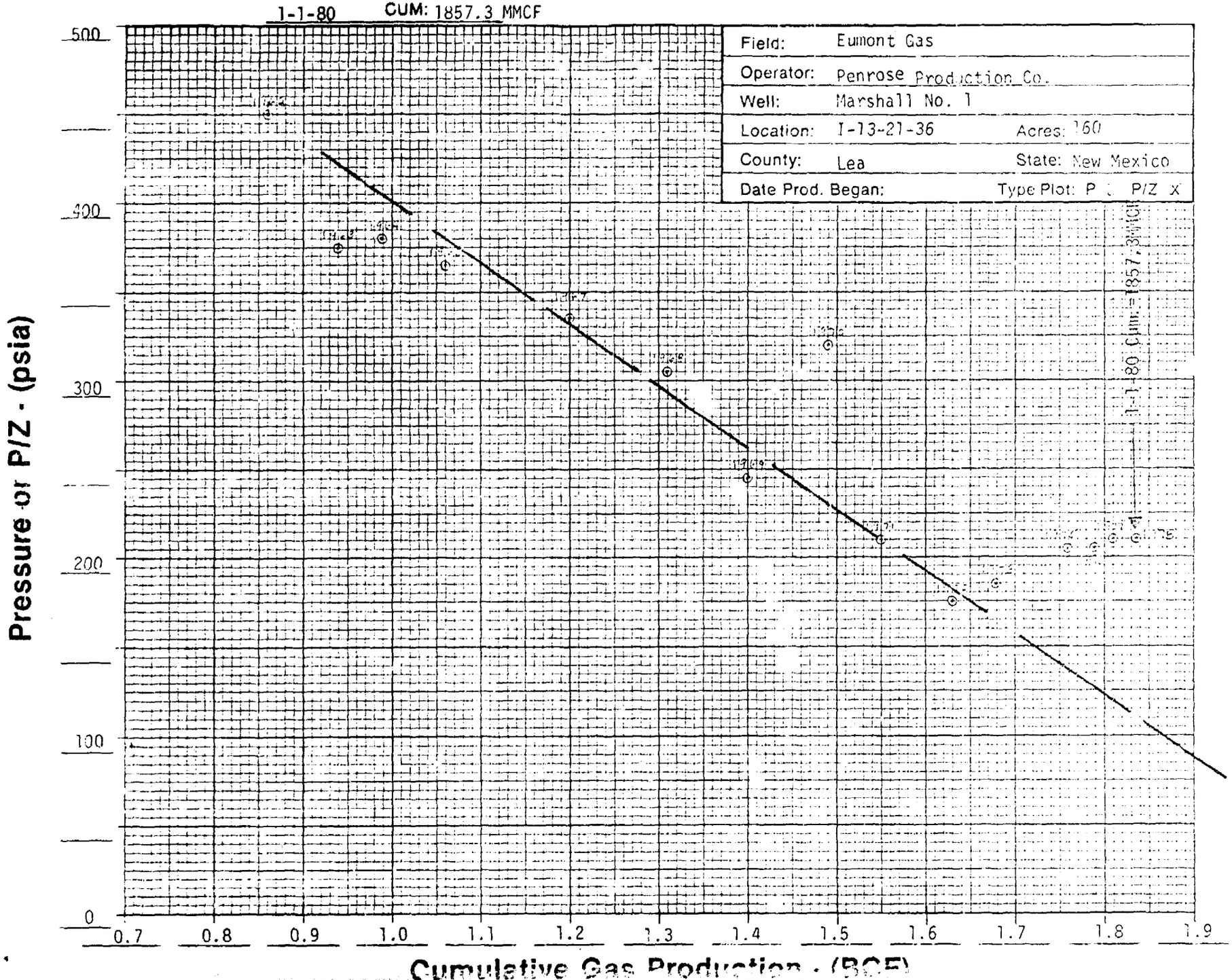
19 79 Detail Summary

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

Production (Y-T-D) 18079 MCF Avg. Rate (Y-T-D) 1644 MCF/mo.

Report Months (Y-T-D) 11 Mos.


1-1-80 Cum: 1857.3 MMCF
Gas Production - MCF/month
100,000
10,000
1,000
400
Field: Eumont Gas
Operator: Penrose Production Co.
Well: Marshall No. 1
Location: I-13-21-36
County: Lea
State: New Mexico
Date Prod. Began:
Acres: 160
1-1-80 Cum = 1857.3 MMCF
13.[illegible] MCF/yr.
DEC. JUN. SEP. DEC. MAR. JUN. SEP. DEC.
19 70
19 71
19 72
19 73
19 74
19 75
19 76
19 77
19 78
19 79
19 80
19 81
19 82


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

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Gulf

Well: Harry Leonard NCT "J" No. 1

Location: G-24-21-36

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks:

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

19 78 Detail Summary

Jan.	1924	July	2124
Feb.	1550	Aug	2035
March	1528	Sept.	3309
April	1363	Oct.	3230
May	2171	Nov.	1548
June	4011	Dec.	3555

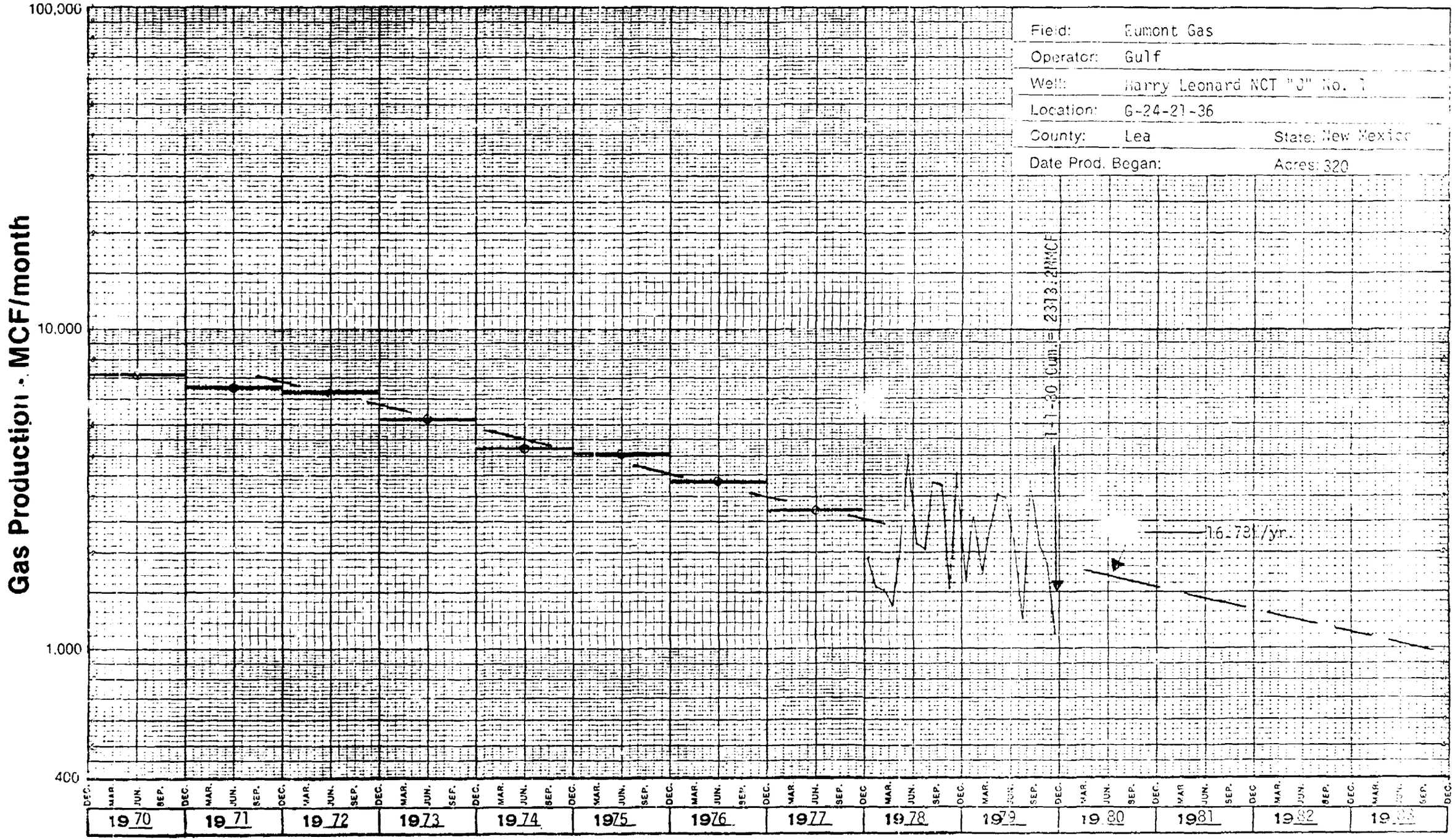
19 79 Detail Summary

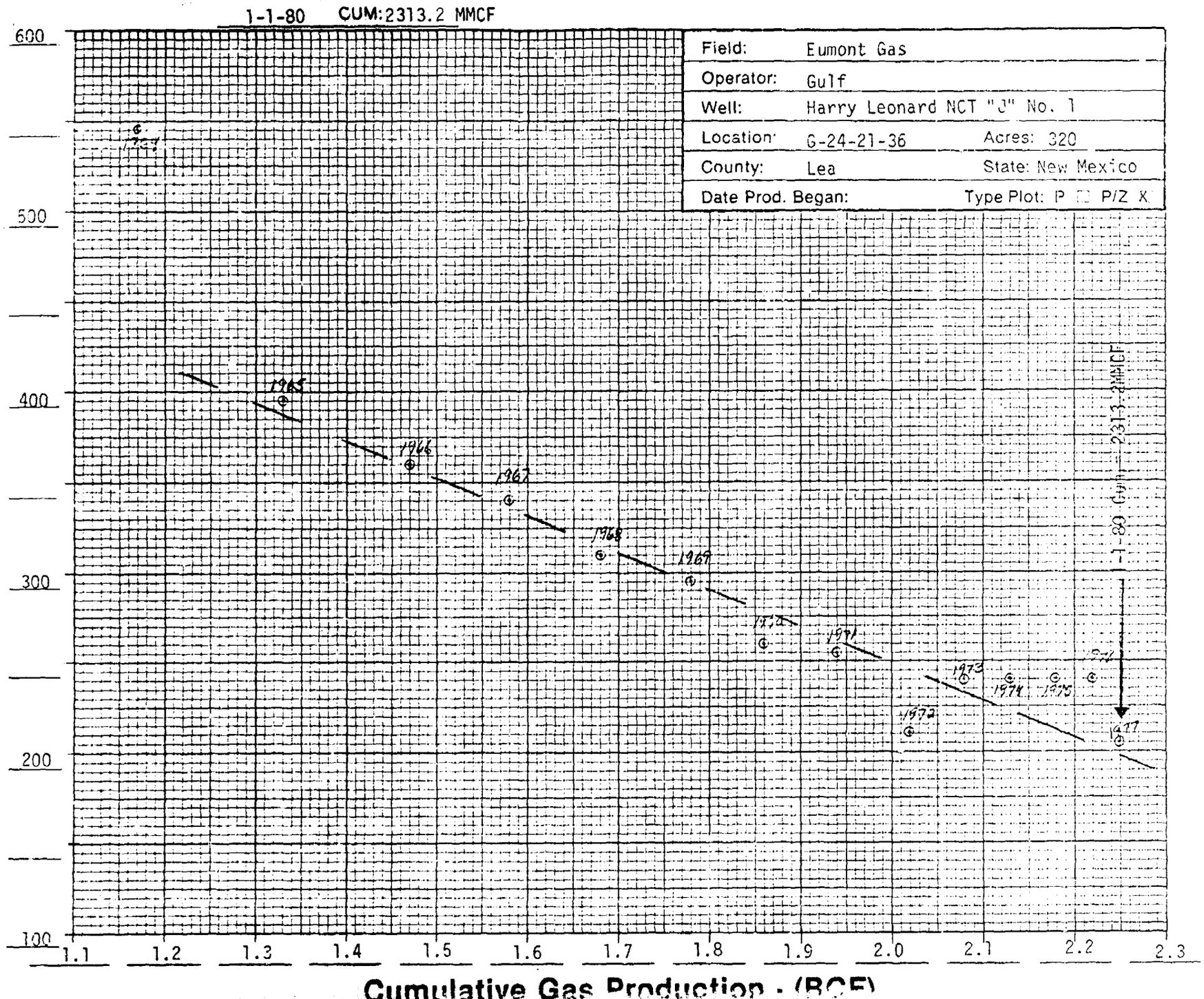
Jan.	1632	July	2173
Feb.	2548	Aug.	1246
March	1731	Sept.	3324
April	2347	Oct.	2101
May	3076	Nov.	1842
June	2997	Dec.	1113

Production (Y-T-D) 26130 MCF

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

Days on Conlin (Y-T-D) 12 days.


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


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

GAS PRODUCTION HISTORY

Date 3-5-80 Page 1 of 1

Operator: Getty Oil Co.

Well: State AF Com. #1

Location: C-18-21-37

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks:

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/mo)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z	
1979	12	6290	524	704.8	N/A	N/A	
1978	12	12819	1068	698.5	198.2	210	
1977	12	14432	1203	685.7	213.2	220	
1976	12	13657	1138	671.3	225.2	230	
1975	12	13502	1125	657.6	222.2	230	
1974	12	14867	1239	644.1	237.2	250	
1973	12	14495	1208	629.3	221.2	225	
1972	12	16756	1396	614.8	250.2	260	
1971	12	16317	1360	598.0	250.2	260	
1970	12	15514	1293	581.7	260.2	270	
1969	12	18789	1566	566.2	272.2	285	
1968	12	19865	1655	547.4	287.2	300	
1967	12	20868	1739	527.5	309.2	330	
1966	12	21160	1763	506.7	326.2	345	
1965	12	24040	2003	485.5	343.2	365	
1964	12	35732	2978	461.5	349.2	370	
1963	11	53641	4876	425.7	412.2	440	
1962	12	51127	4261	372.1	N/A	N/A	
1961	9	50229	5581	320.9	N/A	N/A	
1960	3	3338	1129	270.7	N/A	N/A	

19 78 Detail Summary

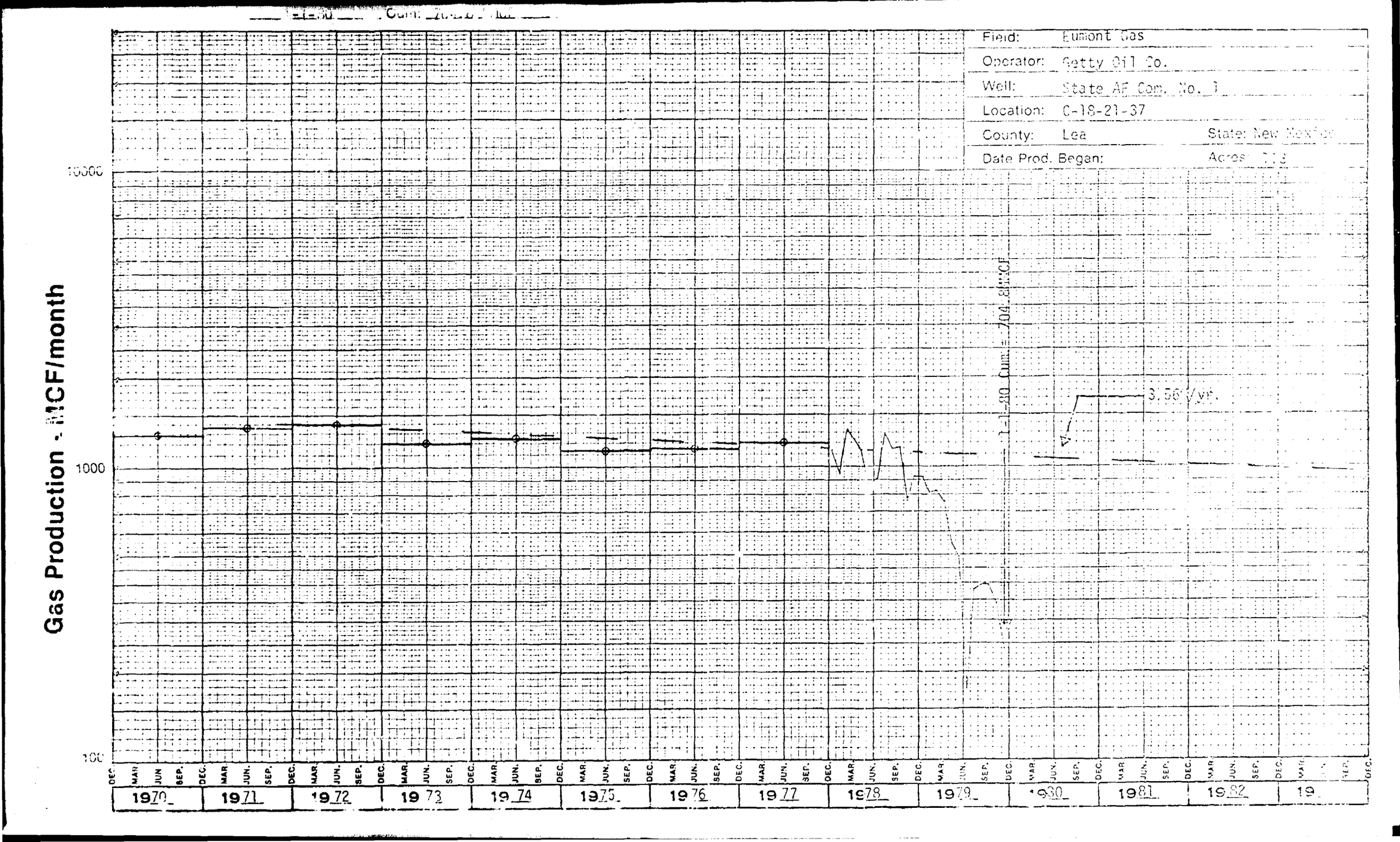
Jan.	1127	July	913
Feb	949	Aug	1295
March	1325	Sept.	1154
April	1223	Oct.	1152
May	1126	Nov	775
June	863	Dec.	927

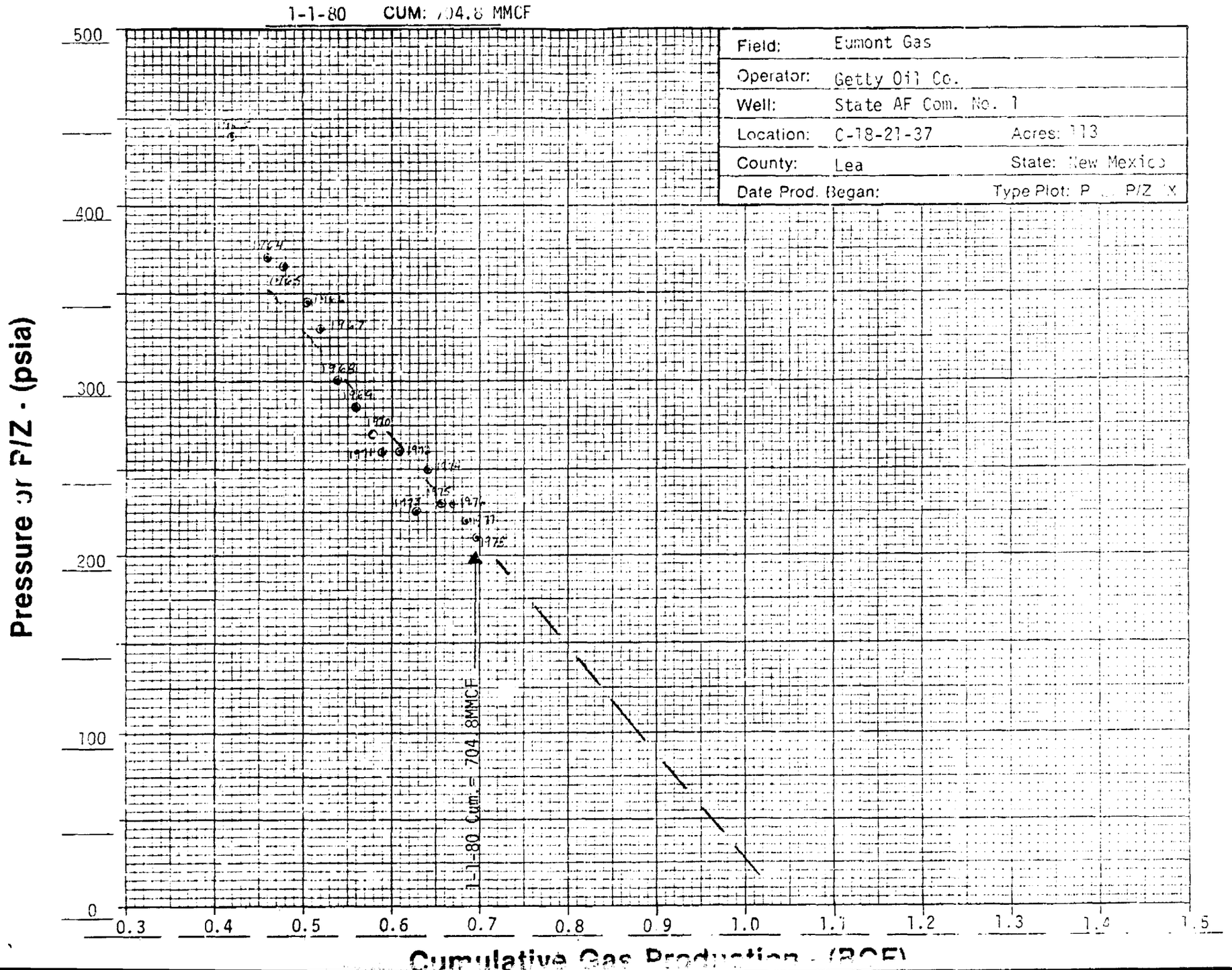
19 79 Detail Summary

Jan.	924	July	176
Feb.	819	Aug	380
March	824	Sept.	395
April	758	Oct.	394
May	548	Nov.	348
June	491	Dec.	232

Production (Y-T-D): 6290 MCF Avg. Rate (Y-T-D): 524 MCF/mo.

Days on Months (Y-T-D): 12 days.


Field: Eumont Gas
Operator: Getty Oil Co.
Well: State AF Com. No. 1
Location: C-18-21-37
County: Lea
State: New Mexico
Date Prod. Began:
Acres
Gas Production - MCF/month
10000
1000
100
1-1-80 Cum = 704.8MMCF
3.56 Yrs.
DEC. MAR. JUN. SEP.
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
19


1-1-80 CUM: 704.8 MMCF
Field: Eumont Gas
Operator: Getty Oil Co.
Well: State AF Com. No. 1
Location: C-18-21-37 Acres: 113
County: Lea State: New Mexico
Date Prod. Began: Type Plot: P P/Z X
Pressure or P/Z - (psia)
500
400
300
200
100
0
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
1.1
1.2
1.3
1.4
1.5
1-1-80 Cum. = 704.8MMCF
Cumulative Gas Production (BCF)

GAS PRODUCTION HISTORY

Date March 6, 1980 Page 1 of 1

Operator: Sohio Petroleum Company

Well: Alves #2

Location: G-18-21-37

Pool: Eumont Gas

Spud Date: Original Completion Date:

Completion Interval (Gas):

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

Remarks:

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

19 78 Detail Summary

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

19 79 Detail Summary

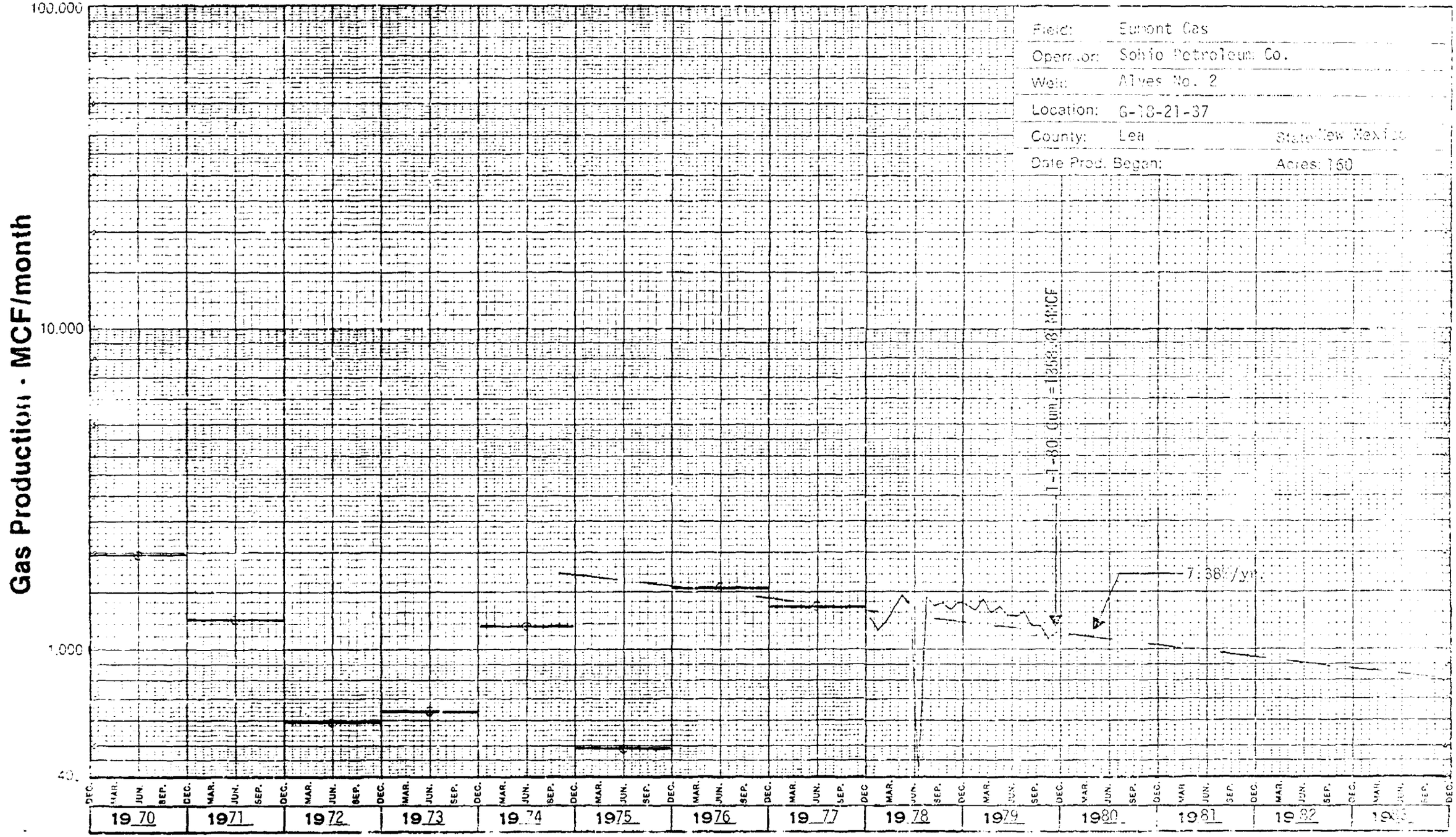
Jan.	1373	July	1269
Feb.	1322	Aug.	1318
March	1412	Sept.	1198
April	1301	Oct.	1185
May	1346	Nov.	1093
June	1288	Dec.	1122

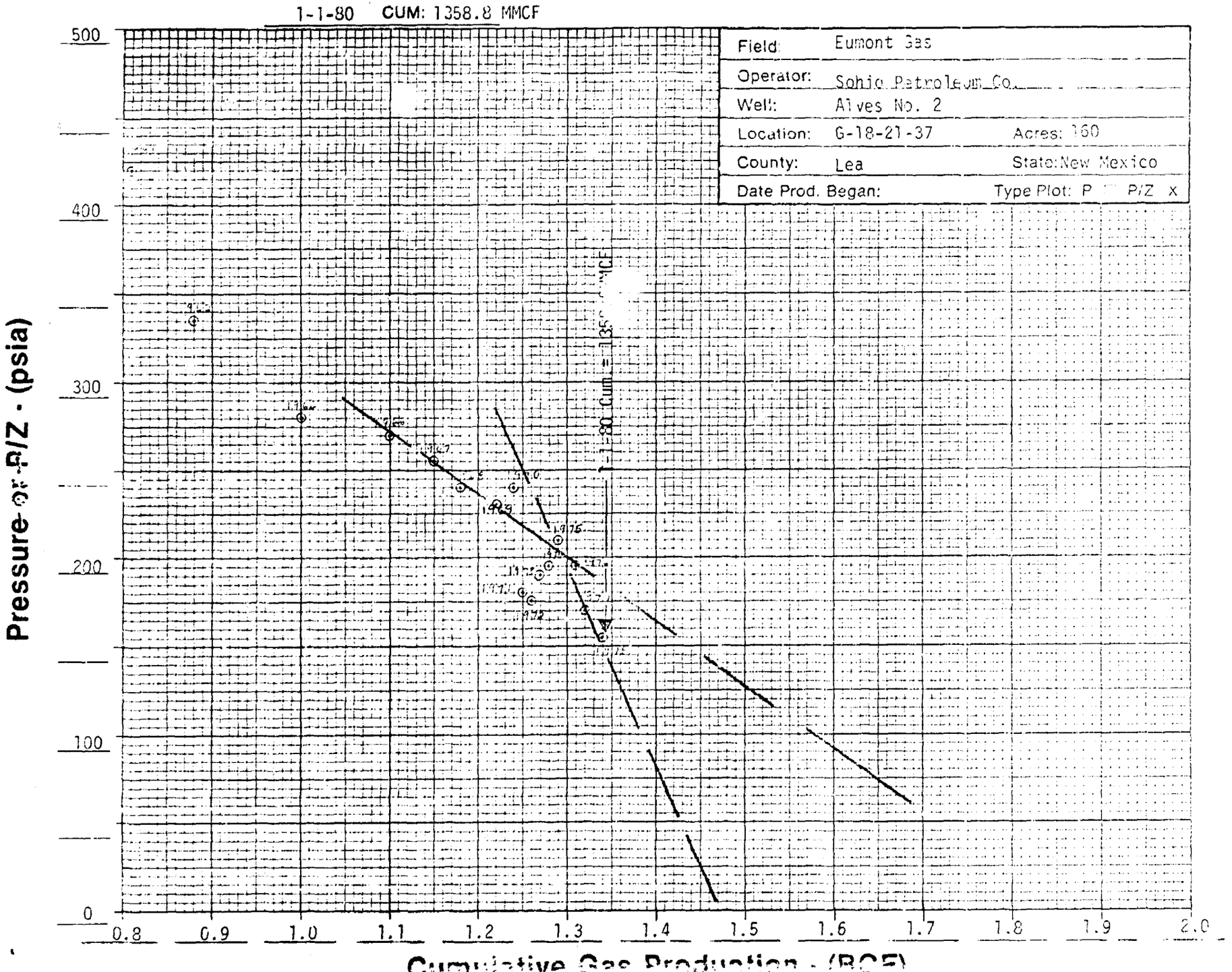
Production (Y-T-D) 15227 MCF

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

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

1-1-80 Cum: 1358.8 MMCF




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

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

Case 6846

APPLICATION

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

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

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

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

a. Fluor Oil & Gas Corporation 1/16

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

c. Texaro Oil Company 1/40

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

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

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

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

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

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

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

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NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

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

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work

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

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

2. Name of Operator: Doyle Hartman

9. Well No.: 1

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

10. Field and Pool, or Wildcat: Eumont

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

12. County: Lea

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

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

23. PROPOSED CASING AND CEMENT PROGRAM

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

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

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

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

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

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

Signed Larry C. Hanagan Title Engineer Date April 7, 1980

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 14-65

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	1

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

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

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

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

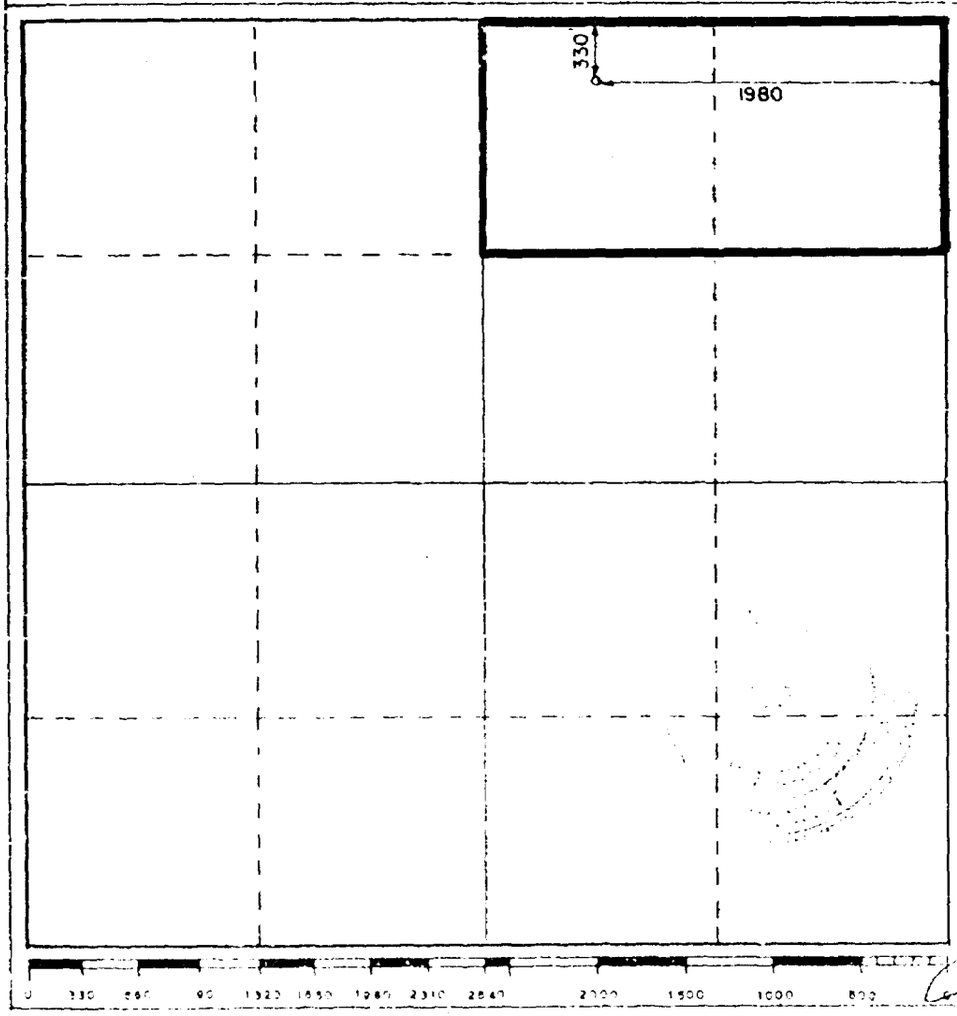
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



CERTIFICATION

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

Name: Larry Nermyr

Position: Engineer

Company: Doyle Hartman

Date: April 7, 1980

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

Date Surveyed: 4-3-1980

Registered Professional Engineer and/or Land Surveyor

Certificate No. JOHN W. WEST 376
PATRICK A ROMERO 6668
Ronald J. Eidson 3239

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NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

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

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work

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

7. Unit Agreement Name

8. Farm or Lease Name: Gutman

2. Name of Operator: Doyle Hartman

9. Well No.: 2

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

10. Field and Pool, or Wildcat: Eumont

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

12. County: Lea

19A. Proposed Depth: 4200

19B. Formation: Grayburg

20. Rotary or C.T.: Rotary

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

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

21B. Drilling Contractor: Kenai

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

23.

PROPOSED CASING AND CEMENT PROGRAM

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

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

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

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

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

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

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 14-65

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	2

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

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

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

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

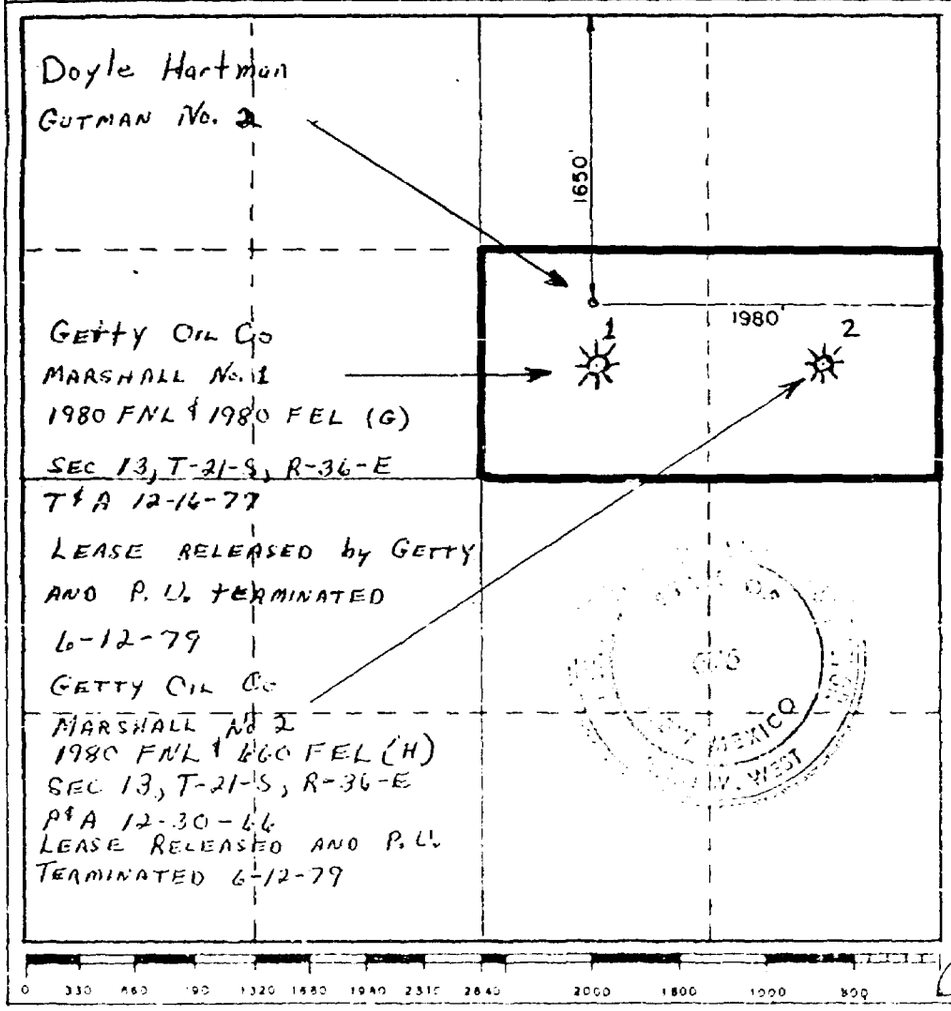
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



CERTIFICATION

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

Larry A. Nermyr

Name: Larry Nermyr

Position: Engineer

Company: Doyle Hartman

Date: April 7, 1980

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

Date Surveyed: 4-3-1980

Registered Professional Engineer and/or Land Surveyor:

John W West

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

COTTON, BLEDSOE, TIGHE, MORROW & DAWSON

ATTORNEYS AT LAW

MIDLAND, TEXAS 79701

March 4, 1980

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

No. 3911

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

Attention: Mr. James A. Davidson

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

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

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

Dear Sir:

We have examined the following:

ABSTRACTS

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

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

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

INSTRUMENTS

Xerox copies of the Oil and Gas Leases analyzed below.

FEE TITLE TO OIL, GAS AND OTHER MINERALS

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

Flag Oil and Gas Corporation 1/16

[illegible] . . . . (Leascher & Sullivan) . . . 1/16 ✓

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

W. L. Pickens 1/32

General Crude Oil Company 1/32

E. D. Berryman. 1/40

Texaro Oil Company. 1/40

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

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

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

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

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

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

E. D. Berryman 1/64

Jule Levine Daniels. 1/32

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

OIL AND GAS LEASES

Lease 1:

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

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

Lease 2:

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

Lease 3:

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

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

Lease 4:

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

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

LEASEHOLD ESTATE

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

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

LIENS AND ENCUMBRANCES

None reflected of record.

EASEMENTS

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

TAXES

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

POSSESSION

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

TITLE REQUIREMENTS

1.

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

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

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

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

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

2.

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

to W. L. Pickens.

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

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

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

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

3.

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

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

4.

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

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

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

COMMENTS

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

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

The material submitted for examination is returned herewith.

Very truly yours,

COTTON, BLEDSOE, TIGHE & DAWSON

By: Tevis Herd
Tevis Herd

TH:cm
Encls.

ARCo

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

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

NAME OF POOLED PARTY: Arco Oil and Gas Company

POOLED INTEREST: 6.25% (10 net acres)

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

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

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

X Yes ____ No

When? April 12, 1979
March 12, 1980

III. Furnished Operating Agreement: X Yes ____ No

When? April 1, 1980

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

When? March 31, 1980 (Certified Mail)

V. REMARKS

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

HARTMAN 10

6846

DOYLE HARTMAN
Oil Operator
500 North Loraine
MIDLAND, TEXAS 79701
(915) 684-4011

March 12, 1980

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

Attention: Mr. Thane Akins
Joint Interest Superintendent

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

Gentlemen:

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

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

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

Very truly yours,

Doyle Hartman

Doyle Hartman

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 509
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

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

Attention: Mr. Kurt Krehbiel

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

Gentlemen:

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

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

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

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

Very truly yours,

Doyle Hartman

DH/nh

Enclosures as above

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

INVOICE

DATE March 31 19 80

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

INVOICE NO. 800390002

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

AT DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

LEASCHER AND SULLIVAN

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

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

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

POOLED INTEREST: 6.25% (net 10 acres)

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

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

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

X Yes _____ No

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

III. Furnished Operating Agreement: X Yes _____ No

When? 4-01-80

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

When? 3-31-80 (Certified Mail)

9

HARMAN 6846

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

February 28, 1980

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

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

Dear Mr. Leascher:

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

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

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

Very truly yours,

James A. Davidson

JAD/mh

DOYLE HARTMAN
Oil [illegible]
SUITE 709
[illegible] PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) [illegible]-4011

CERTIFIED MAIL

March 11, 1980

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

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

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

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

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

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

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

or;

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

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

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

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

Sincerely yours,

Doyle Hartman

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

Attention: Mr. William F. Carr

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

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. AFE NO.

LEASE NAME Sutman WELL NO. 1 W. I.

COUNTY Lea STATE New Mexico FIELD Eumont

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

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Dry Work	1 1/2 days @ 3400	5,100	5,100
3. Coring Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Cost	Water 8,500	8,500	8,500
6. Mud 7,000	Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Drilling Pit	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing 5,000	Fracturing 50,000 Perforating 2,000	57,000	
12. Plugging			2,000
13. Packing Cost		1,000	1,000
14. Development Superintendence 25	days @ $ 252 /day	6,300	3,150
15. Rental Equipment		2,500	1,500
16. Swabbing and Testing 6 days @ 800/day		4,800	
17. Other Costs Legal and Regulatory		7,600	7,600
Damages		2,000	2,000
Other		4,000	4,000
	Total Intangibles	200,000	147,150

WELL EQUIPMENT:						
18. Casing	400	Ft. of 9 5/8	@ 8.00	Per Ft.		
	4000	Ft. of 5 1/2	@ 4.75	Per Ft.		
		Ft. of	@	Per Ft.	32,200	3,200
19. Tubing	4000	Ft. of 2 3/8	@ 2.30	Per Ft.	9,200	
20. Casing Head					1,200	600
21. Xmas Tree or Pumping Connections					3,000	500
22. Pumping Unit					16,000	
23. Engine Motor, Controller, Powerline, etc.					10,000	
24. Sucker Rods					8,500	
25. Pump					1,200	
26. Tank Battery Separator, Water Tank, etc.					10,000	
27. Separator or Dehydration Equip.						
28. Treating Equipment						
29. Flow Lines						
30. Other					1,000	500
				Total Tangibles	82,300	4,300
				TOTAL COST OF WELL	282,300	151,450

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

Prepared By: D. G. Wade Title Date 12-11-84

Approved Title Date

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

TO: 30 AFE NO.

LEASE NAME: Gulfman WELL NO. 2 W. I.

COUNTY: Lea STATE: New Mexico FIELD: Lusont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-35-E

DRILLING INTANGIBLES		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Fishing Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Cost	Water 8,500	8,500	8,500
6. Cost 7,000	Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	13,000
8. Company Labor	Contract Labor	1,000	1,000
9. Drilling Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing 5,000	Fracturing 50,000 Perforating 2,000	57,000	
12. Logging			2,000
13. Trucking Cost		1,000	1,000
14. Development Superintendence 25	days @ $ 252 /day	6,300	3,780
15. Rental Equipment		2,500	1,500
16. Swabbing and Testing	6 days @ 800/day	4,800	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	127,780

WELL EQUIPMENT:					
18. Casing	400 Ft. of 9 5/8	@ 8.00 Per Ft.			
	4000 Ft. of 5 1/2	@ 4.75 Per Ft.			
	Ft. of	@ Per Ft.	22,200	3,200	
19. Tubing	4000 Ft. of 2 3/8	@ 2.30 Per Ft.	9,200		
20. Casing Head			1,200	1,200	
21. Xmas Tree or Pumping Connections			3,000	3,000	
22. Pumping Unit			16,000		
23. Engine	Motor, Controller, Powerline, etc.		10,000		
24. Boiler Beds			8,000		
25. Tanks			1,200		
26. Prod. Battery	Separator, Water tank, etc.		10,000		
27. Separators & Dehydration Equip.					
28. Treating Equipment					
29. Flow Lines					
30. Other			1,000	1,000	
	Total Tangibles		82,200	8,200	
	TOTAL COST OF WELL		283,200	135,980	

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

Prepared By: Doyle Hartman Title Date 3-11-80

Approved By: Title Date

APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

[X] [X]

Operator Hartman

Street & K Petroleum Building, Midland, Texas 79701

Location B 330 North

East 13 21S 36E

4200 Grayburg Rotary

3527 G. L. Multi-well Approved Kenai 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

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

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

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

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

Signed Engineer Date

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator:		Lease: Gutman	Well No.: 1
Unit Letter:	Section: 13	Township: 21 South	Range: East
Footage Location: 1230 feet from the North line and 2310 feet from the East line			
Ground Level Elev.: 4259	Producing Formation: Penrose	Pool: Eumont	Dedicated Acreage: 80

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

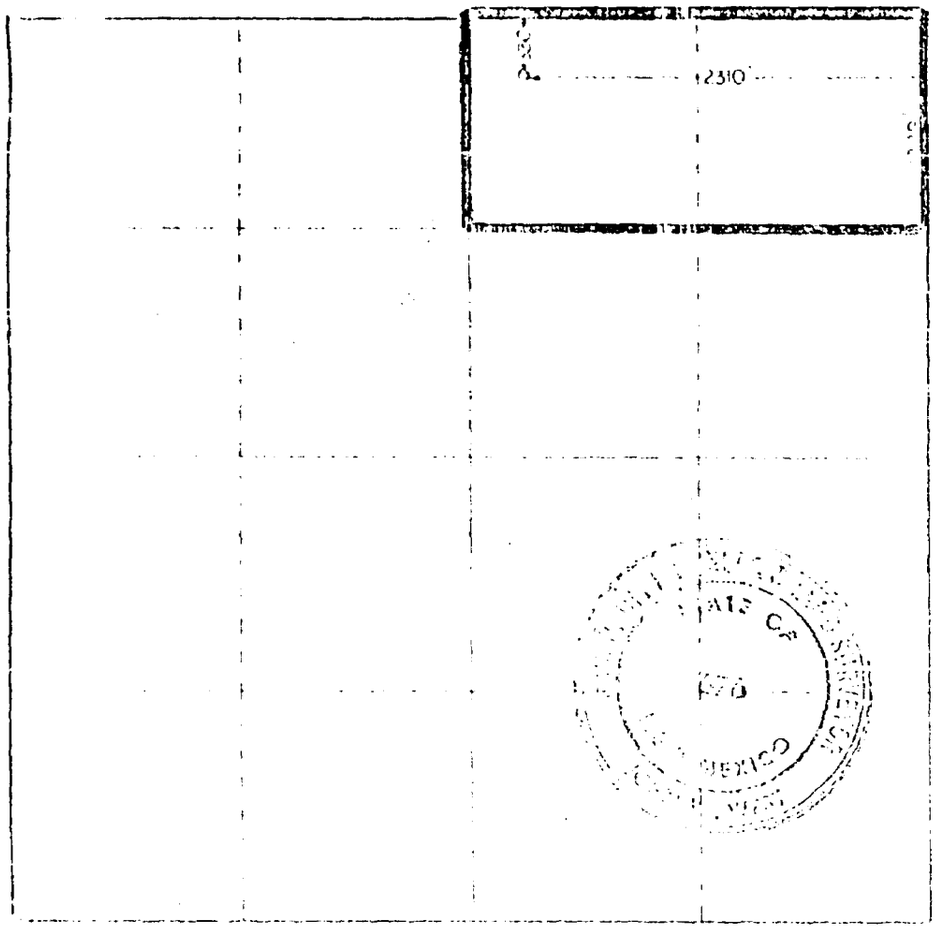
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



Larry A. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

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

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No. 3239

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

[ ] [X] SINGLE ZONE [X] MULTIPLE ZONE [ ]

Doyle Hartman

P. O. Box 10426, Midland, Texas 79702

Gulf-Eumont

2

UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE

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

Eumont

Lea

Elevation (DF, RT, etc.)	Lease Status	Proposed Depth	Drilling Contractor	Rotary
3535 G. L.	Multi-well Approved	4200	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

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

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

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

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. IF PROPOSAL IS TO DRILL OR DEEPEN DIRECTIONALLY, GIVE PERTINENT DATA ON SUBSURFACE LOCATIONS AND MEASURED AND TRUE VERTICAL DEPTHS. 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.

Signature: Perry O. Thomas Title: Engineer Date: 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Doyle Hartman		Gutman	2
	13	21 South	36 East	Lea
		North	2310	East
3611.7	Penrose	Eumont	80

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

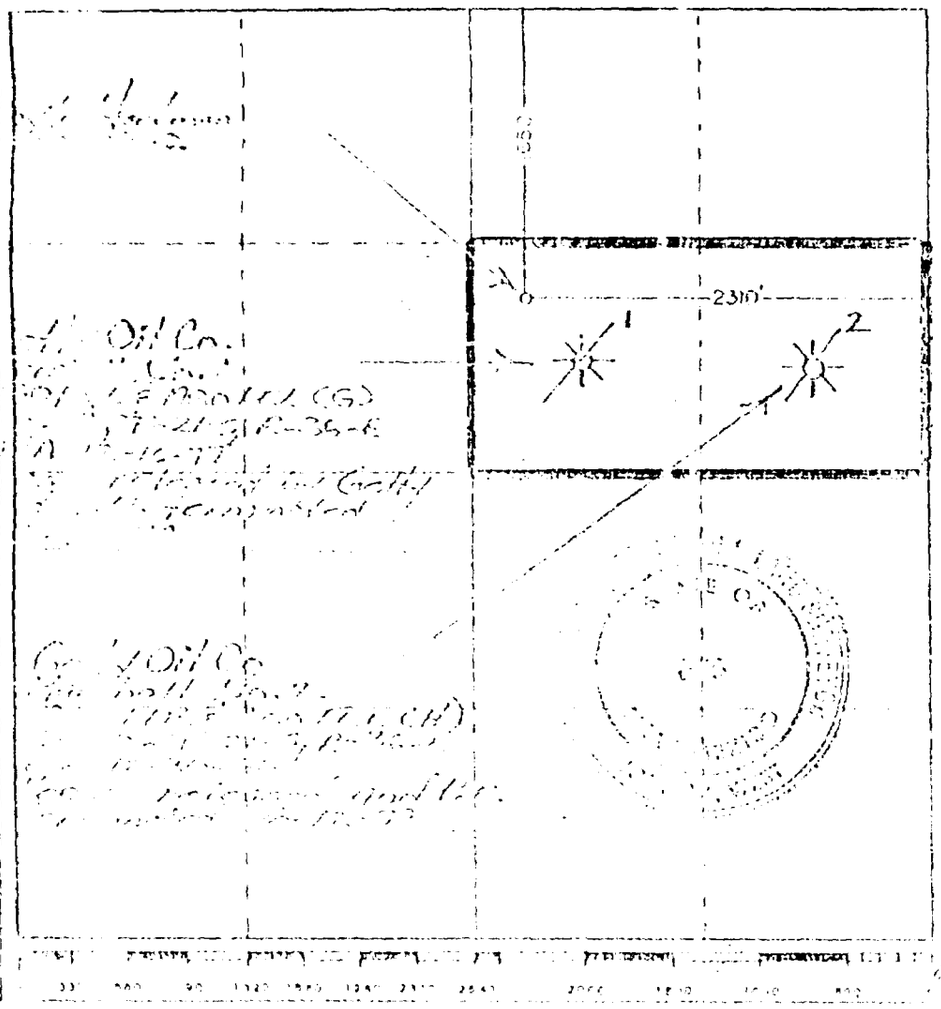
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



Larry Hermyn
Engineer
Doyle Hartman
3-11-80

February 28, 1980

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702
915 - OFFICE
682 - RESIDENCE

February 28, 1980

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

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

Dear Mr. Leascher:

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

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

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

Very truly yours,

James A. Davidson

JAD/mh

PS Form 3811, June 1978 — RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

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

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

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

3. ARTICLE DESCRIPTION

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112774	

(Always obtain signature of addressee or agent)

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

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE — CLERK'S INITIALS

☆GPO : 1979 O-288-848

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

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

No. 112774

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

Leascher & Sullivan
4622 Wilshire
Midland, Texas

CONSULT POSTMASTER FOR FEES		
	CERTIFIED FEE	$ 80 ¢
OPTIONAL SERVICES	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED	00 ¢
	RETURN RECEIPT SERVICE	ADDRESS ONLY ¢
		SHOW TO WHOM AND DATE DELIVERED ¢
		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY ¢
TOTAL POSTAGE AND FEES		$ 2.11

POSTMARK OR DATE
3-12-80

PS Form 3811, Apr. 1976

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

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

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

(CONSULT POSTMASTER FOR FEES)

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

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112773	

(Always obtain signature of addressee or agent)

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

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

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

☆GPO : 1979 [illegible]

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

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

No. 112773

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

SENT TO
Leascher & Sullivan
P. O. Box 8046
P.O. STATE AND ZIP CODE
Midland, Texas 79703

POSTAGE	$	CTS
CERTIFIED FEE		80
SPECIAL DELIVERY FEE		
RESTRICTED DELIVERY FEE		
RETURN RECEIPT SERVICE — SHOW TO WHOM AND DATE DELIVERED		80
RETURN RECEIPT SERVICE — RESTRICTED DELIVERY		
RETURN RECEIPT SERVICE — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		
RESTRICTED DELIVERY — SHOW TO WHOM AND DATE DELIVERED		
RESTRICTED DELIVERY — SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES

TOTAL POSTAGE AND FEES $ 2.14

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

FILED
No. 112773
CLERK

March 17, 1980

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

Doyle Hartman
Suite 503
C & K Petroleum Bldg.
Midland, Tx. 79701

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

Dear Mr. Hartman,

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

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

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

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

Mike Sullivan
2505 Stephens Road
Boulder, Colo. 80303

Sincerely,

Gary E. Leascher

Gary E. Leascher

RECEIVED MAR 18 1980

DOYLE HARTMAN
Oil Operator
SUITE 509
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

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

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

Dear Sir:

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

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

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

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

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 500
500 NORTH MARIENFELD
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 19 80

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

INVOICE NO. 800390003

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

AT DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

DOYLE HARTMAN
Oil Operator
SUITE 500
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

April 1, 1980

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

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

Dear Sir:

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

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

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

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

Very truly yours,

Doyle Hartman

DH/nh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 500
500 NORTH MARIENFELD
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 1980

Michael Sullivan
2505 Stephens Road
Boulder, Colorado 80303

INVOICE NO. 800390001

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

		TOTAL DUE
To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.		
Estimated Drilling Cost		
$566,400 X 3.12500		$17,700.00

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Lumont

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

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

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

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

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

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

Original Dug. Hall Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

EDITH G. SOCOLOW AND WALTER SOCOLOW, TRUSTEES

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

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

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

POOLED INTEREST: 7.777% (12.4 net acres)

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

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

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

X Yes _____ No

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

III. Furnished Operating Agreement: X Yes _____ No

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

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

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

HARTMAN

6846

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702
[illegible] OFFICE
[illegible] RESIDENCE

February 19, 1980

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

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

Dear Mr. and Mrs. Socolow:

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

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

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

1. $ 150.00 per net acre;

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

3. One year term

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

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

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

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

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

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

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

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

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

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

Produc[illegible] 88—(Producer's Revised 1965) (New [illegible] Form 342 Printed o[illegible] sale by Hall Poorbau[illegible] Pres[illegible] Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this [illegible] day of [illegible] 19 80 [illegible]

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

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

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 7970[illegible]), lessee,

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

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

Section 13: NE/4

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

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

3\. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/8 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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

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

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

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

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

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

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

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

Executed the day and year first above written.

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

Individually and as Trustees under Agreement dated November 24, 1976

New York,

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

19 80 by Edith G. Socolow and A. Walter Socolow, in the capacities therein stated .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of .....

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

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of .....

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

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF .....

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of .....

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

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

No. .....

OIL AND GAS LEASE
NEW MEXICO

BOOK .....

.....

TO

.....

.....

Date ....., 19.....

Section ....., Township ....., Range .....

No. of Acres .....

.....

.....County, New Mexico

Term .....

STATE OF NEW MEXICO
COUNTY OF .....

I hereby certify that this instrument was filed for record on the ..... day of .....,

A. D. 19....., at ..... o'clock ..... m., and was duly recorded in Book ..... at Page ..... of the Records of said County.

.....
County Clerk.

By .....
Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of .....

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

by ....., President

of ..... a ..... corporation

on behalf of said corporation.

My Commission Expires: .....
Notary Public

STATE OF .....

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of .....

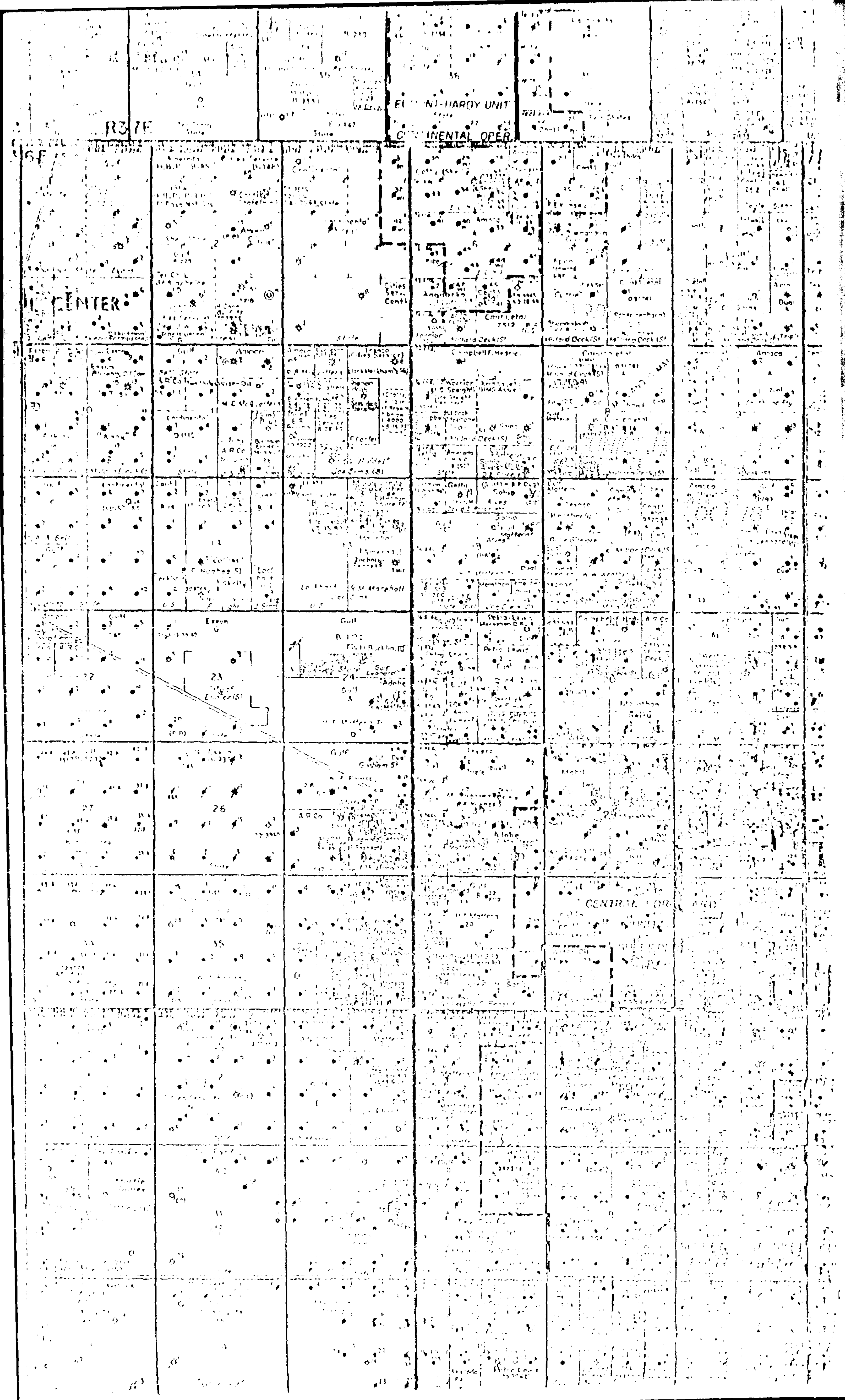
The foregoing instrument was acknowledged before me this ..... day of ....., 19.....

by ....., President

of ..... a ..... corporation

on behalf of said corporation.

My Commission Expires: .....
Notary Public



R37E
HARDY UNIT
INENTAL OPER
ENTER
Gulf
Amoco
Exxon
Continental
State
23
24
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35

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

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

-30- DAYS AFTER Sight

SUBJECT TO APPROVAL OF T

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

$ 1,206.67

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

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

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

NOTICE
DO NOT HANDLE AS A CASH ITEM

FNB CAS-13

DOYLE HARTMAN
OIL OPERATOR
500 NORTH
LORAINE MEDICAL BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

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

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

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

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

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

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

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

or;

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

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

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

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

Sincerely yours,

Doyle Hartman

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

Attention: Mr. William F. Carr

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

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

DATE 7-30- APPR. BY

LEASE NAME Gulbenk WELL NO. 1 W. I.

COUNTY Lea STATE New Mexico FIELD Lynch

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

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

WELL EQUIPMENT:			
18. Casing	100 Ft. of 9 5/8 @ 8.00 Per Ft.		
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
	Ft. of @ Per Ft.	22,200	3,200
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	--
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		3,000	300
22. Pumping Unit		16,000	--
23. Engine	Motor, Controller, Powerline, etc.	10,000	--
24. Sucker Rods		8,500	--
25. Pump		1,500	--
26. Tank Battery	Separator, Water Tank, etc.	10,000	--
27. Separator or Dehydration Equip.		--	--
28. Metering Equipment		--	--
29. Flow Lines		--	--
30. Other		1,000	1,000
	Total Tangibles	82,300	5,100
	TOTAL COST OF WELL	283,200	132,200

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

Prepared By: Doyle Hartman Title Date 7-30-81

Approved By: Title Date

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

DATE 5/80 APE No.

LEASE NAME Gallegos WELL NO. 2 W.I.

COUNTY Lea STATE New Mexico FIELD Langlie

LOCATION 1/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work	1 1/2 days @ 3400	5,100	5,100
3. Coring Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Roping Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing 5,000	Fracturing 50,000 Perforating 2,000	57,000	
12. Plugging			2,000
13. Anchor Cost		1,000	
14. Development Superintendence	25 days @ $ 252 /day	6,300	3,500
15. Rental Equipment		2,500	1,500
16. Swabbing and Testing	6 days @ 800/day	4,800	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	209,900	127,300

WELL EQUIPMENT:				
18. Casing	400 Ft. of 9 5/8 @ 8.00 Per Ft.			
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.			
	Ft. of @ Per Ft.	22,200	3,200	
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200		
20. Casing Head		1,200	400	
21. Xmas Tree or Pumping Connections		3,000	300	
22. Pumping Unit		16,000		
23. Engine	Motor, Controller, Powerline, etc.	10,000		
24. Sucker Rods		8,200		
25. Pump		1,200		
26. Tank Battery	Separator, Water tank, etc.	10,000		
27. Gas Conditioning or Dehydration Equip.				
28. Metering Equipment				
29. Flow Lines				
30. Other		1,200	300	
	Total Tangibles	82,200	4,200	
	TOTAL COST OF WELL	292,200	131,500	

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

Prepared by Doyle Hartman Title Date 5-11-80

Approved Title Date

APPLICATION TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

[X] [X] Gas

Doyle Hartman

500 [illegible] & K Petroleum Building, Midland, Texas 79701 Tuscan

[illegible] B 330 North

2310 East 13 21S 36E

Lea

4200 Graybury Rotary

3536 G. L. Multi-well Approved Kenai 4-20-82

PROPOSED CASING AND CEMENT PROGRAM

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

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

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

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

Penny Q. Plummer Engineer 3-11-82

(This space for Federal or State office use)

APPROVAL DATE

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

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

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

Ground Level Elev. 3534.1	Producing Formation Penrose	Pool Eumont	Dedicated Acreage 80

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

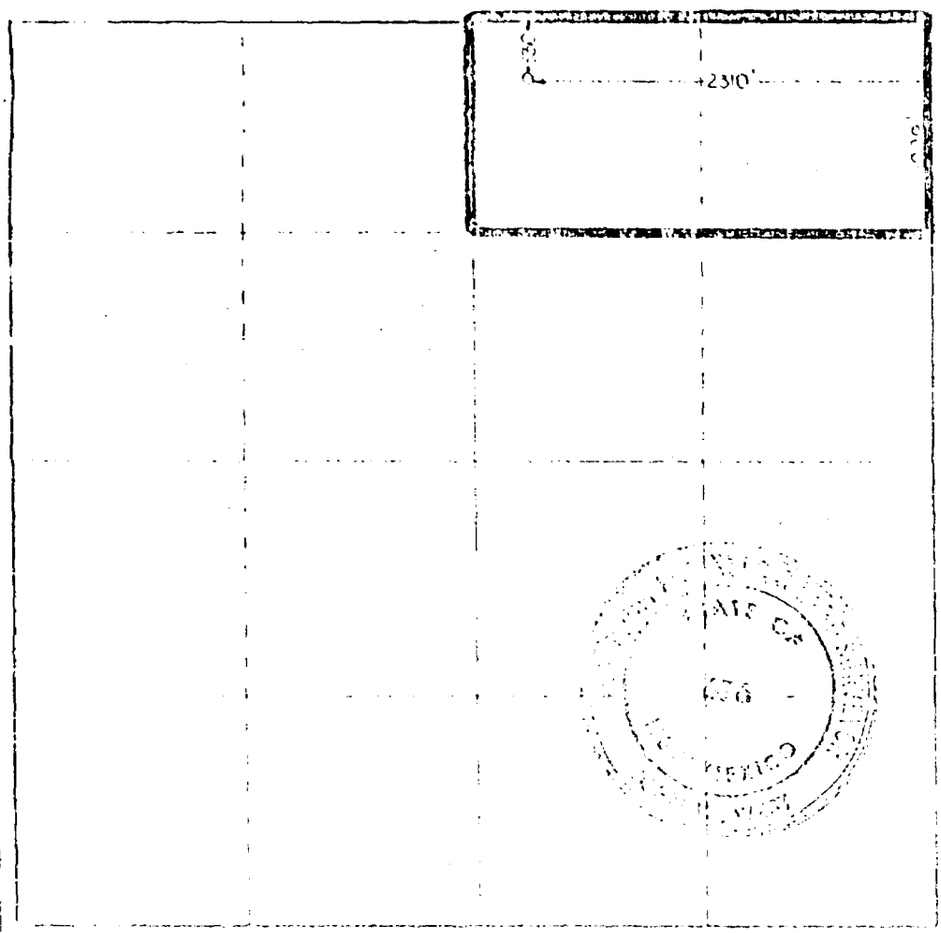
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



Larry Hermyr

Engineer

Doyle Hartman

3-11-80

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPER, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

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

Gulf [X]

Boyle Hartman

2

P. O. Box 10426, Midland, Texas 79702

Eumont

UNIT LETTER G LOCATED 1650 FEET FROM THE North LINE

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

Lea COUNTY

19. Proposed Depth	20. Rotary or C.T.	21. Elevations (Show whether DF, RT, GR, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
4200	Grayburg	Rotary	3535 G. L.	Multi-well Approved	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

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

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

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

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. IF PROPOSAL IS TO DRILL OR DEEPEN DIRECTIONALLY, GIVE PERTINENT DATA ON SUBSURFACE LOCATIONS AND MEASURED AND TRUE VERTICAL DEPTHS. 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.

Signature: Terry G. Murray Title: Engineer Date: 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

...CORPORATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Doyle Hartman		Gutman	
12	21 South	36 East	Lea
2310 feet from North		2310 feet from East	
Ground Level Elev. 3611	Producing Formation Penrose	Pool Eumont	Acres 80

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

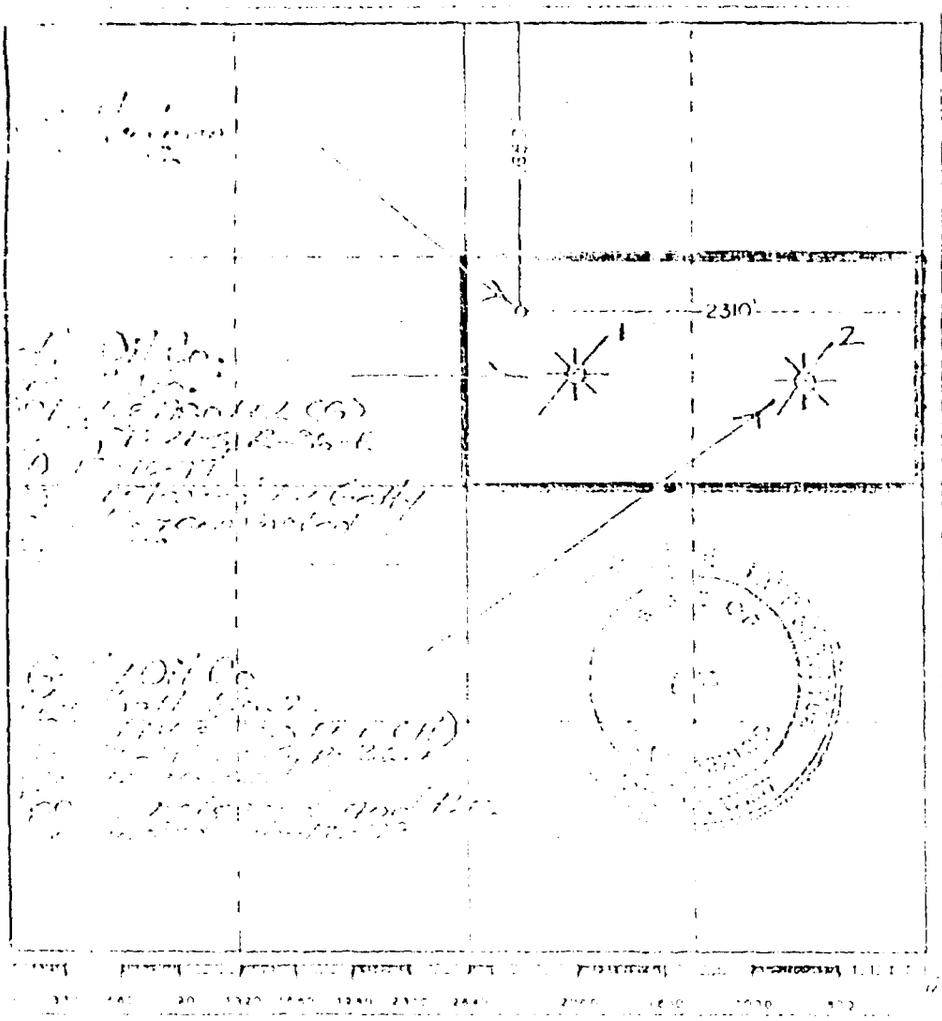
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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



Larry Hermyn

Larry Hermyn

Engineer

Doyle Hartman

3-11-80

February 27, 1980

REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR
PATRICK A. [illegible]
Certificate No. 3239

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

February 19, 1980

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

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

Dear Mr. and Mrs. Socolow:

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

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

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

1. $ 150.00 per net acre;

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

3. One year term

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

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

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

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

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

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

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

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

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

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

Printed on [illegible] sale by Hall [illegible]

OIL & G[illegible] LEASE

[illegible] day of [illegible], 19 80 [illegible]

[illegible] C. [illegible] and A. WALTER SOCOLOW, I[illegible]vidually and as Trustees under [illegible]eement dated November 24, 1976

[illegible] of New York Cit[illegible], N[illegible] York
(Post Office) (State)

[illegible] lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas [illegible]) lessee

1. [illegible], in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the [illegible] of the covenants of the lessee herein contained, hereby grants, leases and lets [illegible] hereby unto lessee for the purpose of [illegible] drilling, [illegible] operating for and producing oil and gas, injecting gas, waters, [illegible] fluids, and air into subsurface strata, [illegible] tanks, [illegible]ways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and [illegible] the following described land in LEA County, New Mexico, to-wit:

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

Section 13: NE/4

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

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including [illegible] produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, [illegible] at the mouth of the well of [illegible] of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale; [illegible] and at any time when this lease is not validated by other provision hereof and there is a gas and/or condensate well on said land or land pooled therewith but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, [illegible] after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank [illegible] in the manner [illegible] provided for the payment of rentals.

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

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

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

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

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the [illegible] [illegible]

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

10. [illegible] hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties [illegible] toward satisfying same. [illegible]

11. [illegible]

[illegible] the day and year first above written.

[illegible] Walter Socolow [illegible]

[illegible]

[illegible]ividually and as Trustees under Agreement dated November 24, 1976

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by Edith G. Socolow and A. Walter Socolow, in the capacities therein stated

My Commission expires ____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires ____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires ____, 19____ Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires ____, 19____ Notary Public

No.

OIL AND GAS LEASE

Dated

To

Term

Section Township Range

No. of acres County, New Mexico

Date 19

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the day of

A. D. 19 at o'clock M. and was duly recorded in Book of the Records of said County.

By

Deputy

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

by President

of a corporation

on behalf of said corporation.

My Commission Expires: Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

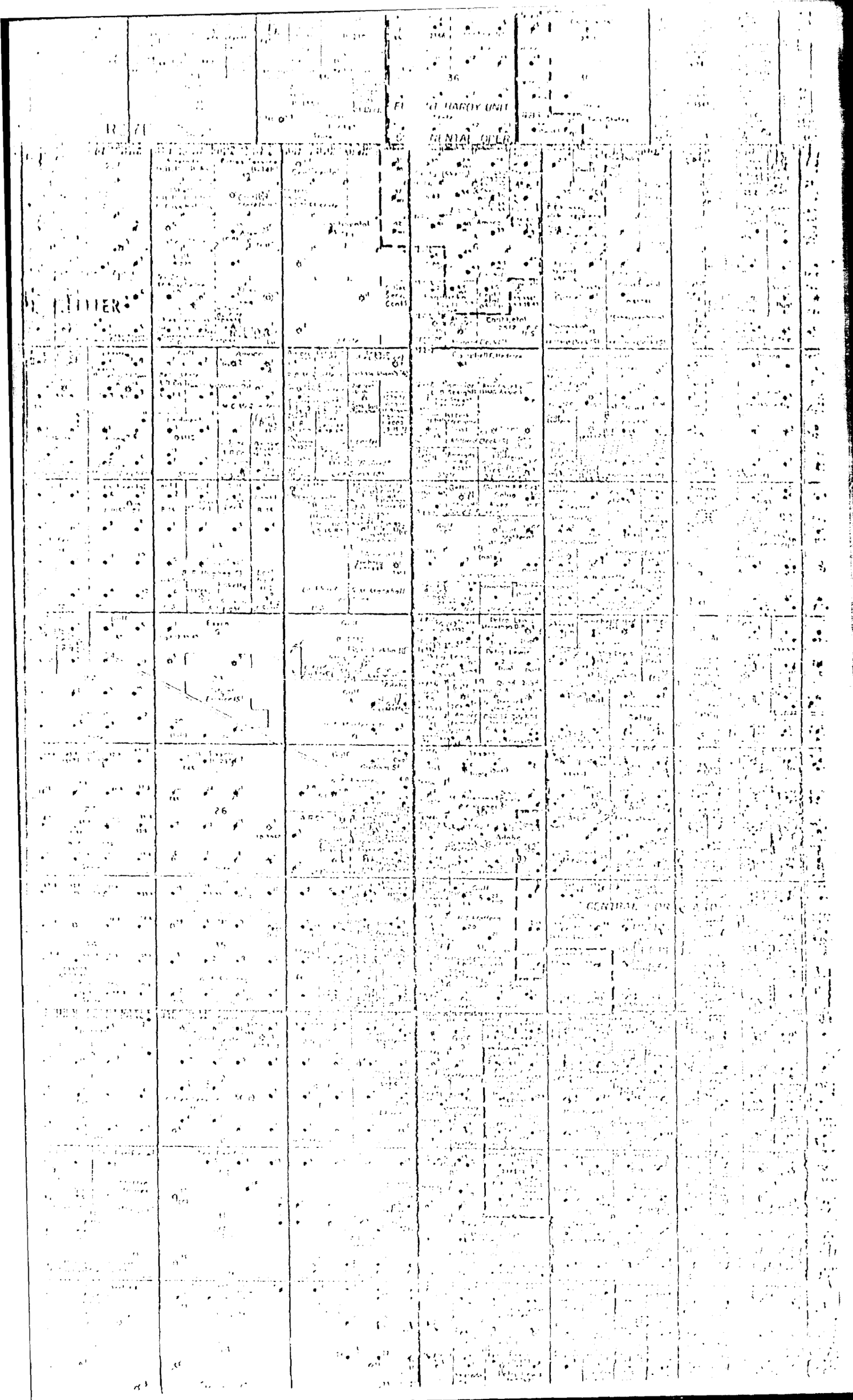
The foregoing instrument was acknowledged before me this day of , 19

by President

of a corporation

on behalf of said corporation.

My Commission Expires: Notary Public


R 21
36
EL HARDY UNIT
CENTRAL GULF
LITTER
26
CENTRAL

Midland, Texas | February 19, 19 | O.

PLACE | DATE

-30- PAY ACCOM Sight

PAY TO THE ORDER OF Edith G. Socolow and A. Walter Socolow, Tru[illegible]

[illegible], 67

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

WITH EXCHANGE

FOR Oil and Gas lease covering payee's interest in NE/4 Section 13, T-21-S, R-30-E, Lea County, New Mexico

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

THE FIRST NATIONAL BANK OF MIDLAND

COURTESY OF

NOTICE

DO NOT HANDLE AT COUNTER

[illegible]

THIS CHECK

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

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

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Edith G and A Walter Socolow
45 East 82nd St.
New York City, New York 10023

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112776	

(Always obtain signature of addressee or agent)

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

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

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

☆GPO 1970 O-394-447

PS Form 3811, Jan. 1970 — RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

DOYLE HARTMAN
SUITE 509
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

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

No. 112776
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Edith and Walter Socolow
45 East 82nd Street
New York, New York 10028

POSTAGE	$ 80
CERTIFIED FEE	80
SPECIAL DELIVERY FEE	
RESTRICTED DELIVERY FEE	
RETURN RECEIPT SERVICE	80
CONSULT POSTMASTER FOR FEES — OPTIONAL SERVICES: RESTRICTED DELIVERY FEE	
SHOW TO WHOM AND DATE DELIVERED	
TOTAL POSTAGE AND FEES	$ 2.14
POSTMARK OR DATE	3-12-80

PS Form 3800, Apr. 1969

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

AREA CODE 915/684-3933

March 19, 1980

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

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

Dear Sir:

This letter is to inform you that I am in receipt of two fully executed oil and gas leases covering the above respective interests amounting to a combined total of 31.113 of the minerals under the subject land. Myself or my assigns intend to participate to the full extent of this interest in the drilling of your proposed Eumont test as set forth in your C-101 form dated March 11, 1980. Further, we have no objections to the location as proposed on your well location and acreage dedication plat dated February 22, 1980. Subject to certain terms and conditions to be agreed upon herein, we have no objection to your assuming the duties as operator.

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

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

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

2. Individual loss of title provision.

3. 200% nonconsent penalty at casing point election.

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

5. The elimination of all preferential right of purchase.

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

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

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

Very truly yours,

James H. Isbell

JHI:lth

DOYLE HARTMAN
Oil Operator
SUITE 509
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

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

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

Dear Sir:

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

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

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

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

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

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

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

(915) 684-4011

INVOICE

DATE March 31 1980

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

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

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

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

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

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

COUNTY Lea STATE New Mexico FIELD Eumont

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

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

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

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

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

Approved _____ Title _____ Date _____

GUTMAN

COMPULSORY POOLING CORRESPONDENCE SUMMARY

NMOCD DOCKET NO: 9-80

CASE NO: 6846

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

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

POOLED INTEREST: 23.333% (37.333 net acres)

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

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

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

X Yes ____ No

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

III. Furnished Operating Agreement: X Yes ____ No

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

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

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

V. REMARKS

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

12

HARTMAN

6846

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

[illegible] - OFFICE
[illegible] - RESIDENCE

February 19, 1980

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

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

Dear Mr. and Mrs. Guttag:

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

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

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

1. $ 150.00 per net acre;

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

3. One year term

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

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

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

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

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

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

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

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

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

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

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

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

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

Producers 88—(Producer's Revised 1955) (New [illegible]co) Form 342 Printed [illegible] sale by Hall [illegible] [illegible] [illegible]well, N. M.

OIL & GAS LEASE

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

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

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

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

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

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

Section 13: NE/4

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

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/8- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/8- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/8- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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

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

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

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

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

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

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

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

Executed the day and year first above written.

(Charles Gutman)

(Betti G. Guttag)

(Jack Guttag)

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

STATE OF New York

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires , 19 Notary Public

New York,

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires , 19 Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires , 19 Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires , 19 Notary Public

No.

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date , 19

Section , Township , Range

No. of Acres

County, New Mexico

Term

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the day of , A. D., 19 , at o'clock M., and was duly recorded in Book at Page of the Records of said County.

By County Clerk.

Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of , 19

by President

of a corporation

on behalf of said corporation.

My Commission Expires: Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of , 19

by President

of a corporation

on behalf of said corporation.

My Commission Expires: Notary Public

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

[illegible], Texas (PLACE) February 19, (DATE), 19 80 NO

-30- (DAYS AFTER) [illegible]ht SUBJECT TO APPROVAL OF

PAY TO THE ORDER OF Betti G. Gu[illegible]ag, Jack Guttag, and Charles Gutman, Individuall and as Co-Executors of the Estate of Dorothy Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- (FOR EXCHANGE) DOLLA

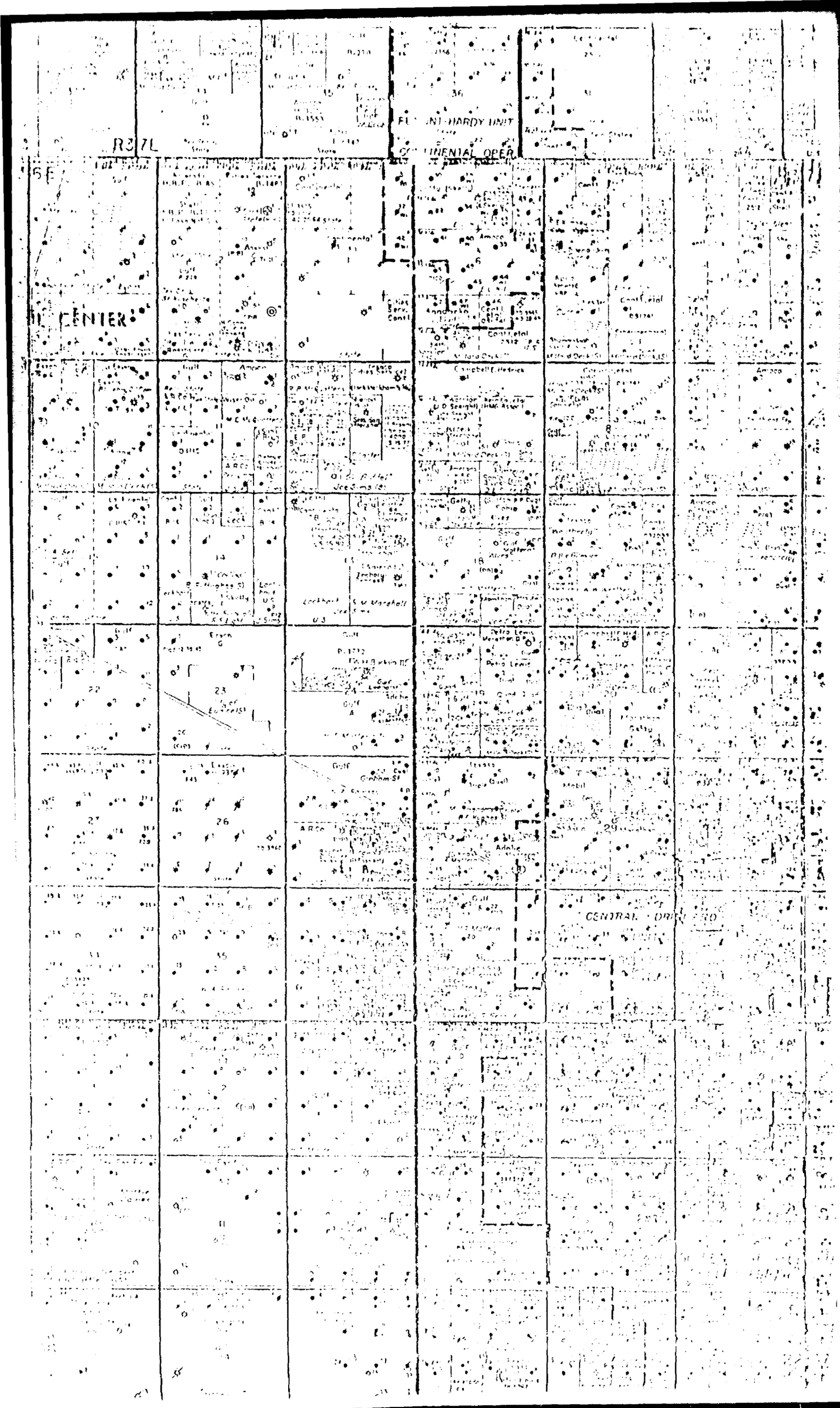
FOR Oil and Gas lease covering payee's interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, Ne[illegible]exico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

[illegible]

FNB CAS-13


R37L
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C.W. Marshall
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JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 394
MIDLAND, TEXAS 79702
[illegible] 6382 OFFICE
[illegible] RESIDENCE

February 19, 1980

Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Re: NE/4 Section 13,
T-21-S. R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. Gutman:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. and Mrs. Jack Guttag as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 5,600.00 computed as follows:

   Your 28/120 interest x 160 acres= 37.3334 net acres
   x $ 150.00 per acre= $ 5,600.00

If you are all three agreeable, it would be helpful for you to sign the same lease and draft (you and Mr. and Mrs. Guttag have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection

Department of your Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mrs. Betti G. Guttag and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

88—Producer's Revised 1965) (New ... ico Form 332 Printed or ... sale by Hall Poter... Pres... well, N. M.

OIL & GAS LEASE

This ... AGREEMENT ... day of February ... 80 ..., by and between ... ELL G. GUTTAG, JACK GUTTAG, and CHARLES ... EIMAN, Individually and as Co-... under the Will of Dorothy Gutman, Deceased ... of New York City, New York (Post Office Address) ... hereinafter called lessor (whether one or more) and JAMES A. DAVIDSON ... hereinafter called lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the ... herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, building tanks, power stations, telephone lines and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA ... County, New Mexico, to-wit:

T 21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 ... acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, or either of them, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of 1/8 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale; and at any time while this lease is not validated by other provisions hereof and there is a gas and/or casinghead well on said land capable of producing gas and/or condensate but gas and/or condensate is not being so sold or used and such well is not in, or either before or after production therefrom, there is ... for sixty days after such well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount ... delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 ... which shall secure the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, successive rentals, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary ... Payment or tender may be made to the lessor or to the credit of the lessor in the ... Bank ... which bank, or any successor thereof shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument naming another bank as agent to receive such rentals. All rentals hereunder shall be paid or tendered to the bank or to the lessor or to lessor's credit in the depository bank provided for above on or before the rental paying date. ... Any rental payment or tender may be made by check or draft of lessee, mailed or delivered to said bank or lessor, on or before the rental paying date. ... If any bank (or any successor bank) designated herein should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, lessor shall deliver to lessee a proper recordable instrument naming another bank as agent to receive such rentals. ... Lessee agrees to deliver to lessor, at lessee's address or to the depository bank, on or before the last day of each month, a true and correct copy of all run tickets and monthly gauge reports, if any, with respect to the production from the leased premises during the preceding month. ... In the event of assignment of this lease as to a segregated portion of the leased premises, the rental payable hereunder shall be paid to the various owners thereof in the proportion that the acreage owned by each bears to the total acreage leased hereunder. ... All payments or tenders may be made in currency, or by check or draft and may be delivered personally or by depositing the same in the depository bank, or in the United States mail in a stamped envelope addressed to the depository bank or the lessor at the last known address of the party entitled to the rental payment. ... A shut-in royalty payment hereunder shall be due on or before the end of said 90-day period and thereafter on or before the anniversary date of this lease during the period for which said royalty is paid or tendered. ... If any bank fails or refuses to accept rental paid or tendered in accordance with the provisions of this paragraph, on request or demand of lessee, lessor shall, within thirty (30) days after lessee has notified lessor in writing of such failure or refusal and furnished lessor with the name and address of a qualified substitute bank, designate a qualified substitute bank with like effect as if originally named herein. ... Lessee's failure properly to pay rental shall render this lease null and void unless lessor has received the full amount of the rental payment which lessee is obligated to pay hereunder within thirty (30) days after it becomes due, or unless lessee has paid or tendered the rental in accordance with a bona fide dispute as to the ownership of the leased premises or royalty payments, or as to the adequacy of the amount of rental paid, in which event lessee may have sixty (60) days after a final determination of the dispute within which to pay or tender the full amount of the rental found to be due. ... If at any time two or more persons are entitled to receive any rental hereunder, lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such persons or their duly authorized agents appointing a depository agent to receive such rentals. ... Notwithstanding anything contained to the contrary in this lease, lessee's failure to properly pay rental shall not be grounds for forfeiture or termination of this lease in whole or in part unless lessee has failed to pay or tender such rental within thirty (30) days after lessor has given lessee written notice of lessee's failure to pay the full amount of rental due. ... If lessor owns less than the full mineral estate in all or any part of the above described land, the rentals and royalties provided for herein shall be paid to lessor only in the proportion which lessor's interest bears to the whole and undivided fee. ... If lessor transfers its interest in said land or in minerals or royalties derived therefrom, it is agreed that the obligation to pay rentals and royalties accruing hereunder after the date of such transfer may be suspended until the first day of the month next following the receipt by lessee of the recorded instrument evidencing such transfer, or until lessee is furnished with a certified copy of the recorded instrument evidencing such transfer, or until lessee is furnished with a certified copy of the will and such other instruments as may be necessary to establish the chain of title from the original lessor. ... If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed) the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change or division in the ownership of the land, royalties or rentals shall be binding on the lessee until after lessee has been furnished with a written transfer or assignment or a true copy thereof. ... In case lessee assigns this lease in whole or in part, lessee shall be relieved of all obligations thereafter arising with respect to the interest so assigned, and failure of the assignee to perform such obligations shall not affect the rights of lessee with respect to the interest not assigned. ... If lessee commits an act which would give rise to a cause of action for damages or forfeiture, no such cause of action shall arise until lessee has been given sixty (60) days after receipt of written notice within which to remedy the default. ... If this lease is executed by fewer than all the above named lessors, it nevertheless shall be binding upon all who do execute it as lessors. The word "lessor" as used in this lease shall mean any one or more or all of the parties who execute this lease as lessor. ... All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. ... This lease and all its terms, conditions and stipulations shall extend to and be binding upon each and every person who executes this instrument as lessor, whether or not it is executed by the lessor named above, and upon the heirs, devisees, executors, administrators, successors and assigns of the undersigned. ... Lessor hereby warrants and agrees to defend the title to said land against the claims of all persons whomsoever, and lessor's heirs, devisees, executors, administrators, successors and assigns shall be bound by the warranty and agreement herein to the extent that they bind the lessor, but not otherwise. ... When requested by lessee, lessor shall join in any extension or unitization agreement or declaration or other instrument relating to the development or operation of said land with any other land, lease or leases in the vicinity hereof, which, in lessee's judgment, will tend to promote the conservation of oil or gas in and under and that may be produced from said land. The unit formed by such an agreement or declaration shall not exceed the area allowed by any governmental order or rule for the drilling or operation of a well at the regular location, or if no such order or rule is then in force, the unit formed by such an agreement or declaration shall not exceed 640 acres plus a tolerance of 10% thereof. In the event a well or wells are drilled on any unit established hereunder, there shall be allocated to the land covered by this lease included in such unit that portion of the total production of pooled minerals from wells on the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land in said unit is situated at any time after the completion of a dry hole or the cessation of production on said unit. ... If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations hereon within sixty (60) days after completion of the dry hole or cessation of production, or if lessee commences the reworking or resumes the production of oil or gas within sixty (60) days from the date of such cessation from all of such operations. If, at the expiration of the primary term, oil or gas is not being produced hereunder but lessee is then engaged in drilling or reworking of any well thereon, this lease shall remain in force so long as such operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced hereunder. ... If, during the drilling or reworking of any well under this paragraph, lessee fails to make the hole of said well reasonably sufficient to conduct said operations, then within 30 days after the abandonment of said operations lessee may commence another well on said land in which event the same rights and obligations as to the drilling of said well and the operations thereon during the primary term and after the primary term will apply as are provided for in the case of the first well. ... If, at any time after the completion of a well hereunder, there is a well on said land or on lands with which said land is pooled capable of producing gas or casinghead gas, but such gas is not being sold or used, lessee may pay or tender as royalty, annually on or before each anniversary of the expiration of the primary term, an amount equal to the delay rental then in effect hereunder, and if such royalty is paid or tendered this lease shall be held in force as though there were production from such well. ... Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the primary term hereof to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth and no well shall be drilled within two hundred feet (200 ft) of any residence or barn now on said land without the consent of the lessor. Lessee shall have the privilege at his risk and expense, of using gas from any well on said land for stoves and inside lights in the principal dwelling house on said premises, such gas to be free of royalty. ... If the title or rights of either party hereunder may be affected in whole or in part by the provisions hereof, or of any mortgage, lease or other contract relating to the oil, gas or other minerals in and under and that may be produced from said land, such party shall have the option to discharge any tax, mortgage or other lien upon said land, and shall be subrogated to the rights of the holder thereof, and may reimburse himself out of any royalties or shut-in royalties payable to the party who would otherwise have made such payments. ... Lessee, its successors and assigns, shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from the wells of lessor. When requested by lessor in writing, lessee shall bury its pipe lines below plow depth. No well shall be drilled within two hundred feet (200 ft) of any residence or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops on said land. Lessee shall have the right at any time to remove all of its property, including the right to draw and remove casing. ... If lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 2 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if lessee commences additional drilling or reworking operations within sixty days thereafter, or if it or any other lease or pooled unit including a part of the leased premises is then capable of producing oil or gas in paying quantities, or if lessee commences operations for drilling or reworking within sixty days after the expiration of the last term of a continuous drilling or reworking program which includes not more than sixty days between the completion or abandonment of one well and the beginning of operations for the next well, and thereafter continues such operations with no cessation of more than sixty consecutive days, and if any such operations result in the production of oil or gas in paying quantities, this lease shall remain in force so long thereafter as oil or gas is produced in paying quantities from the leased premises or lands pooled therewith. ... After the expiration of the primary term of this lease, if lessee shall commence to operate a well on the land or on acreage pooled therewith, or shall complete a dry hole thereon, lessee shall within sixty days thereafter commence the payment of rentals or the performance of the operations necessary to maintain this lease in force. ... Should lessee drill a well within 200 feet of and draining lands adjacent to the land covered by this lease, or drilling at the time production is obtained, or should lessee drill several wells on lands adjacent to the land covered by this lease, and should only one well be necessary to protect the land covered by this lease from drainage, or should lessee not comply with any other provisions of this lease, lessor shall notify lessee in writing, setting forth specifically in what respects lessor claims lessee has breached this lease. Lessee shall then have sixty days after receipt of said notice within which to meet or comply with those obligations as to which lessee is in default, and failure of lessee to do so shall thereafter make this lease subject to cancellation in whole or in part, at the option of lessor. ... Lessor hereby grants lessee the right to use the surface of the land covered by this lease for the purpose of injecting gas, water, brine, or other fluids, and air into subsurface strata. ... Lessee is hereby granted the right, power and privilege, but not the obligation, to combine the land covered by this lease, or any portion thereof, with other land, lease, mineral estate or part thereof, for the production of oil or gas. Units pooled hereunder shall not exceed the maximum area prescribed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be created, enlarged or reduced from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land in said unit is situated at any time after the completion of a dry hole or the cessation of production on said unit.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

(Betty Lee Gutman)

(Betty G. Guttag)

(Jack Guttag)

(Charles ... eiman, Individually and as Co-... under the Will of Dorothy Gutman, Deceased)

New York

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of February

19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires ____, 19____

Notary Public

New York,

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of February

19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires____, 19____

Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires____, 19____

Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires____, 19____

Notary Public

No.____

OIL AND GAS LEASE

NEW MEXICO

Dated

Lessor

TO

Lessee

Date____, 19____

Section ____, Township ____, Range____

No. of Acres ____

____ County, New Mexico

Term ____

STATE OF NEW MEXICO

COUNTY OF____

I hereby certify that this instrument was filed for record on the____ day of____,

A. D. 19____, at____ o'clock____ M., and was duly recorded in Book____ of the Records of said County.

Witness my hand and seal of office

County Clerk,

By____

Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of ____, 19____

by ____, President

of ____, a ____ corporation

on behalf of said corporation.

My Commission Expires:

____

Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of ____, 19____

by ____, President

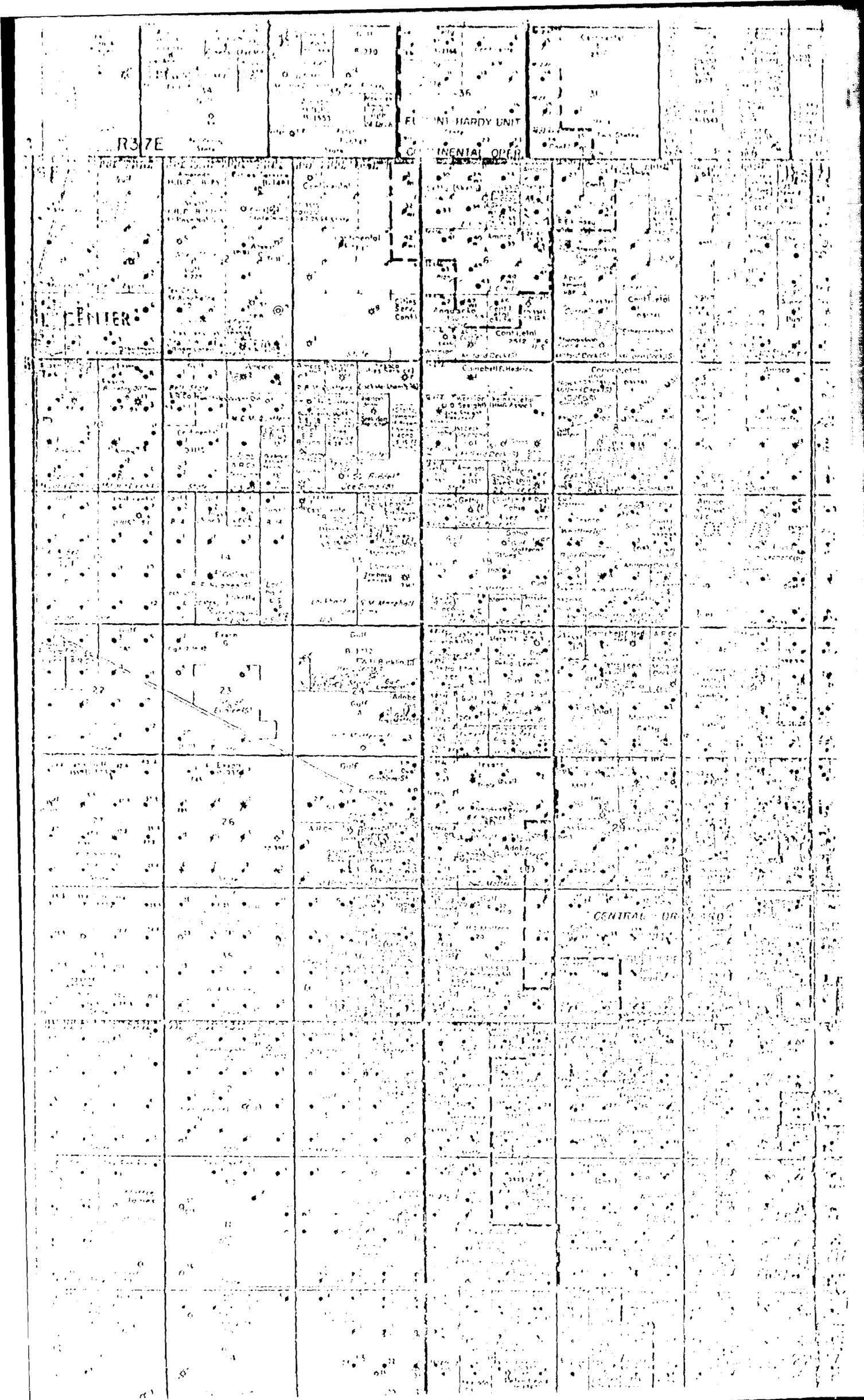
of ____, a ____ corporation

on behalf of said corporation.

My Commission Expires:

____

Notary Public


R37E
CENTER
HARDY UNIT
CONTINENTAL OPER
CENTRAL OR

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas (PLACE) February 19 (DATE), 1980 NO.

-30- (BASIS ACCT#) S. L. (THIS DRAFT SUBJECT TO APPROVAL OF)

PAY TO THE ORDER OF Betti G. Guttag, Jack Guttag, and Charles Gutman, Individually and as Co-Executors of the Estate of Dorothy Gutman, Deceased $ 5,600.00

Fifty-six hundred and 00/100---------- (NEW EXCHANGE) DOLLARS

FOR Oil and Gas Lease covering payee's interest in NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A CASH ITEM

FNB CAS-13

DOYLE HARTMAN
Oil Operator
SUITE 508
500 NORTH MARIENFELD BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Charles Gutman Individually and
as Co-Executor under the will
of Dorothy Gutman, Deceased

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 19, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13, and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 19, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

DATE 3/30 APE NO.

LEASE NAME Gutman WELL NO. 1 W. I.

COUNTY Lea STATE New Mexico FIELD Lusant

LOCATION W/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Logging Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Reserve Pits	Fillup Pits	700	
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing 5,000	Fracturing 50,000 Perforating 2,000	57,000	
12. Plugging			2,000
13. Trucking Cost		1,000	500
14. Development Supervision/Engineering	25 days @ $ 252 /day	6,300	3,000
15. Rental Equipment		2,500	1,500
16. Scrubbing and Testing	6 days @ 800/day	4,800	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	121,100

WELL EQUIPMENT:			
18. Casing	400 Ft. of 9 5/8 @ 8.00 Per Ft.		
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
	Ft. of @ Per Ft.	22,200	3,200
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		3,000	500
22. Pumping Unit		16,000	
23. Engine	Motor, Controller, Powerline, etc.	10,000	
24. Sucker Rods		8,500	
25. Pump		1,200	
26. Tank Battery	Separator, Water tank, etc.	10,000	
27. Separator or Dehydration Equip.			
28. Electrical Equipment			
29. Flow Lines			
30. Other		1,000	500
	Total Tangibles	91,300	4,300
	TOTAL COST OF WELL	292,200	125,400

REMARKS: These costs are subject to increases due to escalating drilling and equipment prices.

Prepared By Doyle Hartman Date Date 3-21-80

Approved By Date

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gulman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____	_____	_____
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	_____
12. Plugging _____	_____	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,500
15. Rental Equipment _____	2,500	1,500
16. Scrubbing and Testing 6 days @ 800/day	4,800	_____
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	_____
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	_____
23. Engine Motor, Controller, Powerline, etc.	10,000	_____
24. Sucker Rods _____	8,500	_____
25. Pump _____	1,200	_____
26. Tank Battery Separator, Water Tank, etc.	10,000	_____
27. Separator or Dehydration Equip. _____	_____	_____
28. Metering Equipment _____	_____	_____
29. Flow Lines _____	_____	_____
30. Other _____	1,000	500
Total Tangibles	82,300	4,300
TOTAL COST OF WELL	283,200	131,400

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated By Doug Ware Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

Gulf

Doyle Hartman

1

508 C & K Petroleum Building, Midland, Texas 79701

Eumont

B LOCATED 330 FEET FROM THE North LINE AND

2310 FEET FROM THE East LINE OF SEC. 13 T. 21S R. 36E NMPM

Lea

Proposed Depth	Formation	Rotary
4200	Grayburg	Rotary

Ground Level Elev. (Unprepared, etc.)	Lease or unit dedication (Filed separately)	Drilling Contractor	Date Spudding will begin
3535 G. L.	Multi-well Approved	Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Name: Barry G. Hlavaty Title: Engineer Date: 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator		Lease	
Doyle Hartman		Gulman	1
Unit Letter	Section	Township	Range	County
H	13	21 South	East	Lea
Actual Footage Location of Well: 1750 feet from North line and 2310 feet from East line			
Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3538.4	Penrose	Eumont	80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

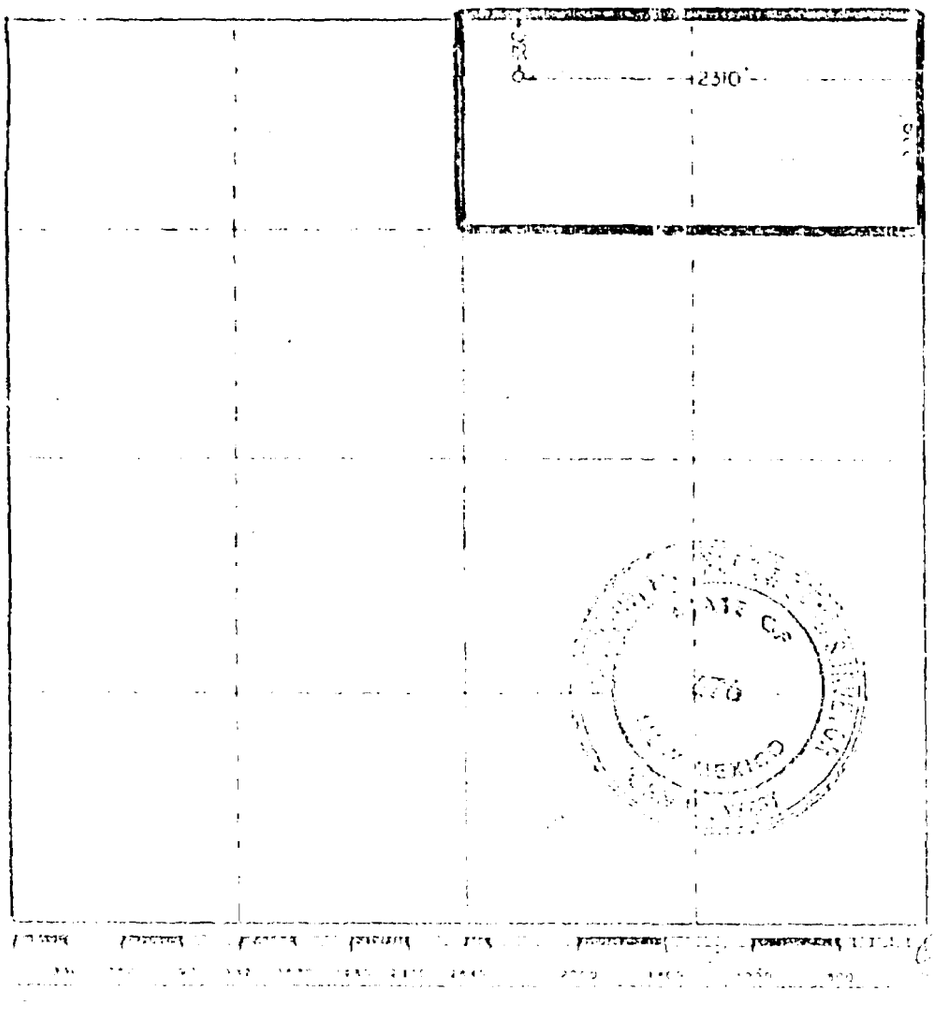
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



Larry A. Nermyr

Larry Nermyr

Engineer

Doyle Hartman

3-11-80

February 7, 1980

Registered Professional Engineer and/or Land Surveyor

Certificate No. 3239

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

Single Zone [X] Multiple Zone [ ]

Doyle Hartman

P. O. Box 10426, Midland, Texas 79702

Gulf

2

Eumont

Unit Letter G Location 1650 Feet from the North Line

2310 Feet from the East Line Section 13 Township 21S Range 36E

Lea County

Elevation (DF, RT, GR, etc.)	Kind of Drilling Fluid	Proposed Depth	Formation	Rotary or Cable Tools
3535 G. L.	Multi-well Approved	4200	Grayburg	Rotary
		Drilling Contractor Kenai		Approx. Date Work will start 4-20-80

PROPOSED CASING AND CEMENT PROGRAM

Size of Hole	Size of Casing	Weight per Foot	Setting Depth	Sacks of Cement	Est. Top
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Name Barry Q. Hamaya Title Engineer Date 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Gutman	2

Unit Letter	Section	Township	Range	County
G	13	21 South	36 East	Lea

Actual Footage Location of Well:
1650 feet from the North line and 2310 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3541.7	Penrose	Eumont	80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

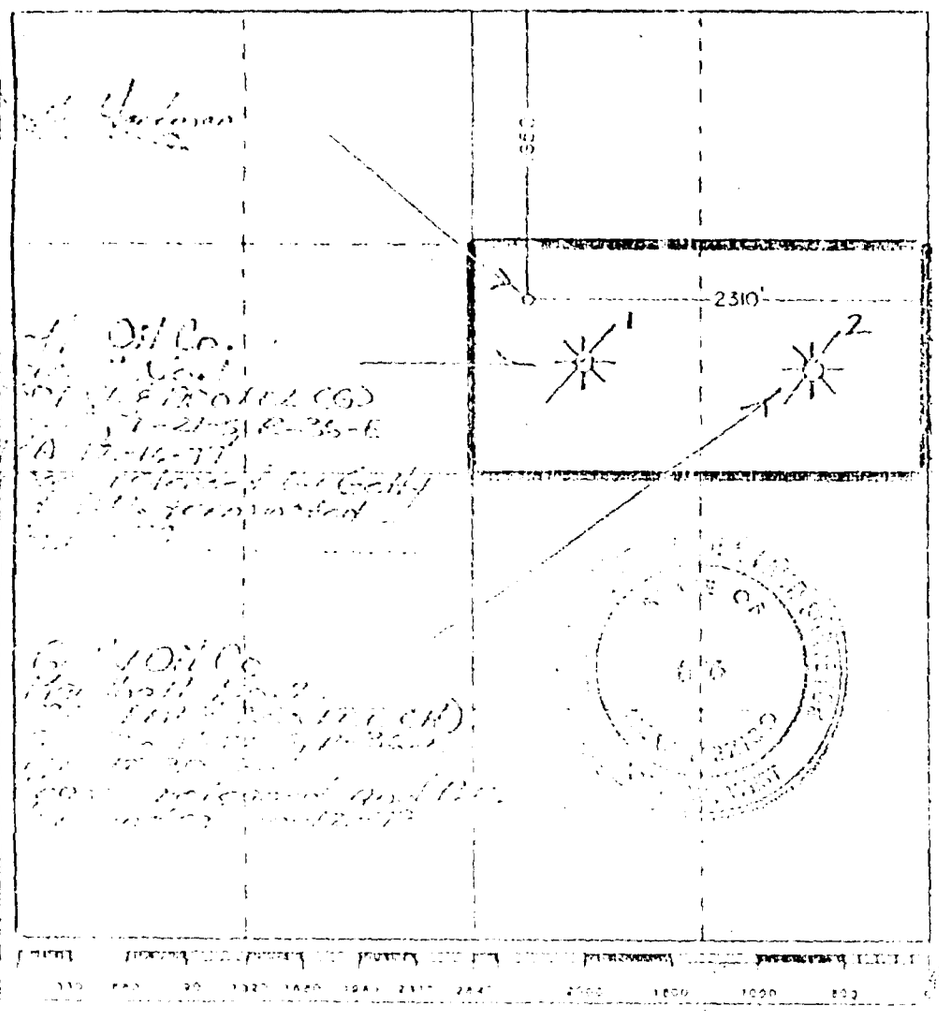
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

[ ] Yes [ ] No If answer is "yes," type of consolidation Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Larry Hermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 22, 1980

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. Box 434
MIDLAND, TEXAS 79702
PHONE 915 682-6202 OFFICE
915 682-5422 RESIDENCE

February 19, 1980

Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. Gutman:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. and Mrs. Jack Guttag as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $ 5,600.00 computed as follows:

Your 28/120 interest x 160 acres= 37.3334 net acres
x $ 150.00 per acre= $ 5,600.00

If you are all three agreeable, it would be helpful for you to sign the same lease and draft (you and Mr. and Mrs. Guttag have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection

Department of your Bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mrs. Betti G. Guttag and Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

[illegible] Printed and for sale by [illegible] Press [illegible]

OIL & G[illegible] LEASE

[illegible] February [illegible] 80 [illegible]

[illegible] JACK GUTTAG, and CHARLES [illegible] Individually and as [illegible]

[illegible] the Will of Dorothy Gutt[illegible], Deceased

of New York [illegible]

[illegible] JAMES A. DAVIDSO[illegible]

1\. [illegible] in consideration of [illegible] AND OTHER [illegible] in hand paid [illegible] operating for and producing oil and gas [illegible] water [illegible] fluids, and [illegible] telephone lines [illegible] and other structures and things thereon to produce, save, take care of, treat, [illegible]

[illegible] land in LEA [illegible] County, New Mexico, to-wit:

[illegible] 1-S, R-36-E, [illegible]

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 [illegible]

2\. Subject to the other provisions herein contained, this lease shall remain in force for a term of ONE (1) [illegible] from this date [illegible] as long thereafter as oil or gas [illegible] is produced from said land or land with which said land is pooled.

3\. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, [illegible] delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected [illegible] produced from said land and sold or used [illegible] the manufacture of gasoline or other products [illegible] provided that on gas sold at the wells the royalty [illegible] not being so sold or used and such well [illegible] shut in, either before or after production therefrom [illegible] and thereafter at annual intervals, lessee may pay or tender an advance annual [illegible] royalty [illegible] provided for in this lease for the acreage then held under this lease by the party making such payment or tender [illegible] shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive [illegible] the well [illegible] in fact producing, or be paid or tendered to the credit of such party or parties in the depository [illegible] for the payment of rentals.

4\. [illegible] operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date [illegible] shall terminate [illegible]

[illegible] 160.00 [illegible] the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner [illegible] commencement of said operations may be further deferred for successive periods of twelve (12) months each during the [illegible]

[illegible] may be made to the lessor or to the credit of the lessor in the [illegible] Bank

[illegible] agent for the lessor and lessor's heirs and assigns. If such bank [illegible] lessee shall not be held in default [illegible] acceptable method of payment or tender [illegible] depository charge [illegible] check or draft of lessee [illegible] payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment [illegible]

[illegible]

(Jack Guttag)

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ____ day of February 19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires ____, 19____ Notary Public

New York,

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ____

The foregoing instrument was acknowledged before me this ____ day of February 19 80 by Charles Guttman, in the capacity therein stated.

My Commission expires ____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ____

The foregoing instrument was acknowledged before me this ____ day of ____, 19____ by ____

My Commission expires ____, 19____ Notary Public

STATE OF ____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of ____

The foregoing instrument was acknowledged before me this ____ day of ____, 19____ by ____

My Commission expires ____, 19____ Notary Public

No. ____

OIL AND GAS LEASE

NEW MEXICO

Dated ____, 19____

To ____

Section ____, Township ____, Range ____

No. of acres ____

County, New Mexico

Term ____

STATE OF NEW MEXICO

COUNTY OF ____

I hereby certify that the instrument was filed for record on the ____ day of ____, A. D. 19____, at ____ o'clock ____ M. and was duly recorded in Book ____ of the Records of said County.

By ____

Deputy

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of ____

The foregoing instrument was acknowledged before me this ____ day of ____, 19____

____ President

of ____ corporation

on behalf of said corporation.

My Commission Expires: ____ Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of ____

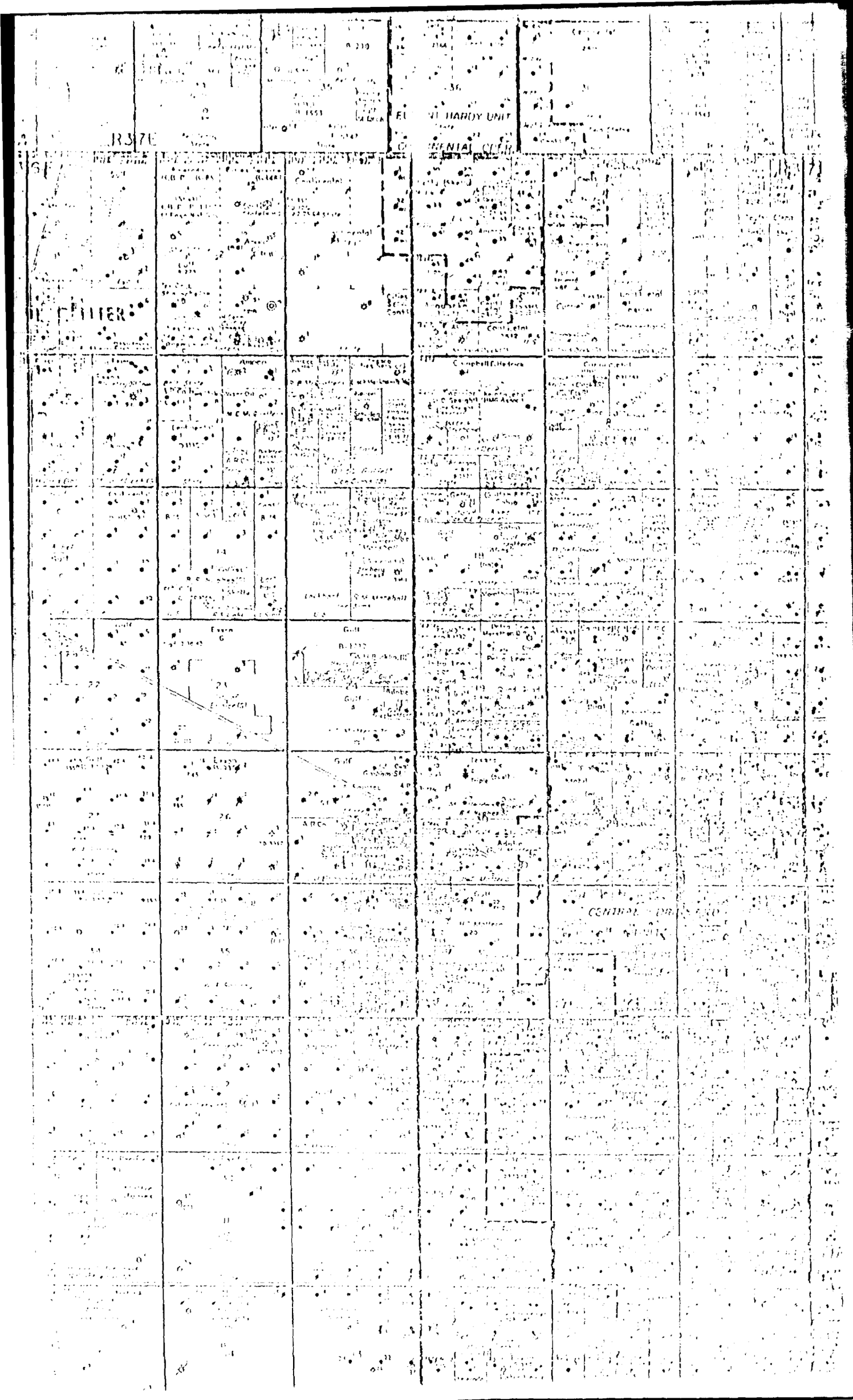
The foregoing instrument was acknowledged before me this ____ day of ____, 19____

____

of ____ corporation

on behalf of said corporation.

My Commission Expires: ____


R37E
HARDY UNIT
CENTRAL DR
Amoco
Exxon
Gulf
ARCO

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas — February 19, 1980 — NO.

PLACE — DATE

-30- — PAY TO THE ORDER OF Betti G. Gut[illegible]g, Jack Guttag, and Charles Gutman Individually and as Co-Executors of the Estate of D[illegible]othy Gutman, Deceased — $ 5,6[illegible].00

Fifty-six hundred and 00/100---------- DOLLARS

WITH EXCHANGE

FOR Oil and Gas Lease covering payee's interest in NE/4 Section 13, T-21-S, R-30-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

FNB GAS 13

NOTICE
DO NOT HANDLE AS A CASH ITEM

[illegible]

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case ____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the S/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the S/2 NE/4 of said Section 13 except for the following working interest owners:

a. Flinn Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

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1. Applicant is the owner of approximately 53% of the working interest in and under the N/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the N/2 NE/4 of said Section 13 except for the following working interest owners:

a. Flour Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By _____
William F. Carr
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1 SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... 80¢
- ☐ Show to whom, date and address of delivery.... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$
- (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Charles Gutman
51 East 42nd Street
New York City, New York 10017

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112775	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆GPO : 1979 280 849

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: Mr. Charles Gutman
Individually and Co-Executor JWO
Dorothy Gutman, Deceased
51 East 42nd Street
New York City, New York 10017

No. 112775
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Charles Gutman
51 East 42nd Street
New York, New York 10017

CONSULT POSTMASTER FOR FEES

POSTAGE	$ .67
CERTIFIED FEE	.80
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES: RETURN RECEIPT SERVICE	.80
SHOW TO WHOM AND DATE DELIVERED	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$ 2.27

POSTMARK OR DATE
3-12-80

PS Form 3800, Apr. 1976

No. 112775

DOYLE GUTMAN
Oil Operator
SUITE 600
ELECTRO MAGNETIC BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

CERTIFIED MAIL

March 11, 1980

All Unconsolidated Interests
NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Betti G. Guttag, Jack Guttag
Individually and as Co-Executors
under the will of Dorothy Gutman
Deceased.

Re: NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Reference is made to James A. Davidson's letter to you dated February 19, 1980 concerning your oil and gas interests in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico. Mr. Davidson and I now have a majority of the interests in the NE/4 Section 13 under lease and propose initiating drilling operations on the subject acreage in April of this year in order to protect expiring leases occuring in early May of this year.

As part of the procedures required to drill a well on the subject acreage, we recently made application for a hearing before the New Mexico Oil Conservation Division (NMOCD) for two 80-acre non-standard Eumont (Gas) proration units consisting of the N/2 NE/4 Section 13 and S/2 NE/4 Section 13 with new wells to be drilled at non-standard locations consisting of 330 FNL and 2310 FEL Section 13 and 1650 FNL and 2310 FEL Section 13 respectively. In addition to the proposed non-standard 80-acre proration units and non-standard locations, our application to the NMOCD also included a request for compulsory pooling of all unconsolidated interests to date in the NE/4 Section 13.

In an effort to consolidate your presently uncommitted interest in an amicable manner, we propose that you do one of the following:

A. Lease or farmout your interest in the NE/4 Section 13 under the terms set out in Mr. Davidson's letter of February 19, 1980

or;

B. Join for your proportionate share as a working interest partner in the drilling of the proposed wells under the terms set out in an AAPL Model Form Operating Agreement. Enclosed for your review are two copies of an AFE and Detail Well Estimate for each proposed well. If you elect to participate as a working

interest owner, please return an executed copy of the AFE for each well at your earliest convenience. You will also be furnished two copies of a Model Form Operating Agreement upon your election to participate as a working interest owner in the development drilling in the NE/4 Section 13.

In the event that a cooperative agreement concerning your oil and gas interest in the NE/4 Section 13 cannot be promptly reached, your interest will be included as part of the above mentioned compulsory pooling application to the NMOCD which has been set for hearing in Santa Fe, New Mexico two weeks from today on March 26, 1980.

If you have additional pertinent information to offer in this matter or if I can answer any further questions, please contact me at your earliest convenience at 915-684-4011 (office) or 915-694-9525 (home) or Mr. James A. Davidson at 915-682-6482 (office) or 915-694-5472 (home).

Sincerely yours,

Doyle Hartman

cc: Campbell and Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Attention: Mr. William F. Carr

Mr. William P.Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

COMPANY APPR NO.

LEASE NAME Gilbreath WELL NO. 1 W.I.

COUNTY Lea STATE New Mexico FIELD Lusont

LOCATION W/2 NE/4 Section 13, T-21-S, R-35 E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Logging Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Reserve Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Solidizing	5,000 Fracturing 50,000 Perforating 2,000	57,000	
12. Plugging			2,000
13. Surveying Cost		1,000	1,000
14. Development Superintendence	25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment		2,500	1,500
16. Swabbing and Testing	6 days @ 800/day	4,800	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	127,100

WELL EQUIPMENT:					
18. Casing	400	Ft. of 9 5/8	@ 8.00	Per Ft.	
	4000	Ft. of 5 1/2	@ 4.75	Per Ft.	
		Ft. of	@	Per Ft.	22,200
19. Tubing	4900	Ft. of 2 3/8	@ 2.30	Per Ft.	9,200
20. Casing Head					1,200
21. Xmas Tree or Pumping Connections					3,000
22. Pumping Unit					16,000
23. Engine	Motor, Controller, Powerline, etc.				10,000
24. Sucker Rods					8,500
25. Pump					1,200
26. Tank Battery	Separator, Water tank, etc.				10,000
27. Separator or Dehydration Equip.					
28. Production Equipment					
29. Flow Lines					
30. Other					1,000
		Total Tangibles			82,300
		TOTAL COST OF WELL			283,200

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Prepared by: Doyle Hartman Title Date 11-[illegible]

Approved: Title Date

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Lynont

LOCATION: W/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Footing Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Coring Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Casing Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing	5,000 Fracturing 50,000 Perforating 2,000	57,000	---
12. Plugging		---	2,000
13. Reseeding Cost		1,000	600
14. Development Superintendence	25 days @ $ 252 /day	6,300	3,300
15. Rental Equipment		2,500	1,500
16. Completion and Testing	6 days @ 800/day	4,800	---
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	127,100

WELL EQUIPMENT:					
18. Casing	400 Ft. of 9 5/8 @ 8.00 Per Ft.				
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.				
	Ft. of @ Per Ft.	22,200	3,200
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	---
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		3,000	400
22. Pumping Unit		16,000	---
23. Engine	Motor, Controller, Powerline, etc.	10,000	---
24. Sucker Rods		8,500	---
25. Pump		1,200	---
26. Tank Battery	Separator, Water tank, etc.	10,000	---
27. Separator or Dehydration Equip.			
28. Metering Equipment			
29. Flow Lines			
30. Other		1,000	500
	Total Tangibles	82,300	4,600
	TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-21-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. APPR. NO.

LEASE NAME Gulbarn WELL NO. 2 W. I.

COUNTY Lea STATE New Mexico FIELD Lumont

LOCATION S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Casing Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Logging Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Reserve Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing	5,000 Fracturing 50,000 Perforating 2,000	57,000	
12. Supplies			2,000
13. Trucking Cost		1,000	500
14. Development Superintendence	25 days @ $ 252 /day	6,300	3,500
15. Rental Equipment		2,500	1,500
16. Drillstem and Testing	6 days @ 700/day	4,200	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	127,100

WELL EQUIPMENT:			
18. Casing	400 Ft. of 9 5/8 @ 8.00 Per Ft.		
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
	Ft. of @ Per Ft.	22,200	3,200
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		3,000	300
22. Pumping Unit		16,000	
23. Engine	Motor, Controller, Powerline, etc.	10,000	
24. Sucker Rods		8,500	
25. Pump		1,200	
26. Tank Battery	Separator, Water Tank, etc.	10,000	
27. Gas Treater or Dehydration Equip.			
28. Metering Equipment			
29. Flow Lines			
30. Misc.		1,000	500
	Total Tangibles	82,400	4,600
	TOTAL COST OF WELL	283,300	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Prepared By: [signature] Title: Date: 11-[illegible]-85

Approved By: Date:

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. APE NO.

LEASE NAME Lutgen WELL NO. 2 W I

COUNTY Lea STATE New Mexico FIELD Lusont

LOCATION S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Rig Work	1 1/2 days @ 3400	5,100	5,100
3. Logging Service	Well Surveys 6,000	6,000	6,000
4. Testing			
5. Fuel	Water 8,500	8,500	8,500
6. Mud	7,000 Mud Logging	7,000	7,000
7. Cementing Service	Cement Floats	13,000	3,000
8. Company Labor	Contract Labor	1,000	1,000
9. Logging Pits	Filling Pits	700	700
10. Roads & Bridges	Dredging & Grading	9,000	9,000
11. Acidizing 5,000	Fracturing 50,000 Perforating 2,000	57,000	
12. Plugging			2,000
13. Trucking Cost		1,000	500
14. Development Superintendence	25 days @ $ 252 /day	6,300	3,000
15. Rental Equipment		2,000	1,000
16. Swabbing and Testing	6 days @ 800/day	4,800	
17. Other Costs	Legal and Regulatory	7,000	7,000
	Damages	2,000	2,000
	Other	4,000	4,000
	Total Intangibles	200,900	127,100

WELL EQUIPMENT:					
18. Casing	400 Ft. of 9 5/8 @ 8.00 Per Ft.				
	4000 Ft. of 5 1/2 @ 4.75 Per Ft.				
	Ft. of @ Per Ft.	22,200	3,200
19. Tubing	4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	
20. Casing Head		1,200	1,200
21. Xmas Tree or Pumping Connections		3,000	3,000
22. Pumping Unit		16,000	
23. Engine	Motor, Controller, Powerline, etc.	10,000	
24. Sucker Rods		8,500	
25. Pump		1,500	
26. Tank Battery	Separator, Water Tank, etc.	10,000	
27. Separator or Dehydration Equip.			
28. Pumping Equipment			
29. Flow Lines			
30. Misc.		1,200	600
	Total Tangibles	82,300	4,800
	TOTAL COST OF WELL	283,200	131,900

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Prepared by Doyle Hartman Title Date 3-11-80

Approved by Title Date

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

OIL [X] GAS [ ] SINGLE ZONE [X] MULTIPLE ZONE [ ]

Doyle Hartman

508 K & K Petroleum Building, Midland, Texas 79701

UNIT LETTER B LOCATED 330 FEET FROM THE North LINE

2310 FEET FROM THE East LINE OF SEC. 13 TWP. 21S RGE. 36E

Lea

Elevation (DF, RT, GR, etc.)	Formation	Proposed Depth	Contractor	Rotary or C.T.
3539 G. L.	Multi-well Approved	4200	Grayburg	Rotary
		Kenai		4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. IF PROPOSAL IS TO DRILL OR DEEPEN DIRECTIONALLY, GIVE PERTINENT DATA ON SUBSURFACE LOCATIONS AND MEASURED AND TRUE VERTICAL DEPTHS. 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.

Signature: Doyle A. Hartman Title: Engineer Date: 3-11-80

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Doyle Hartman		Gutman	1
Unit Letter	Section 13	Township 21 South	Range East	County Lea

Actual Footage Location of Well: 330 feet from the North line and 2310 feet from the East line

Ground Level Elev. 3574	Producing Formation Penrose	Pool Eumont	Dedicated Acreage 80

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

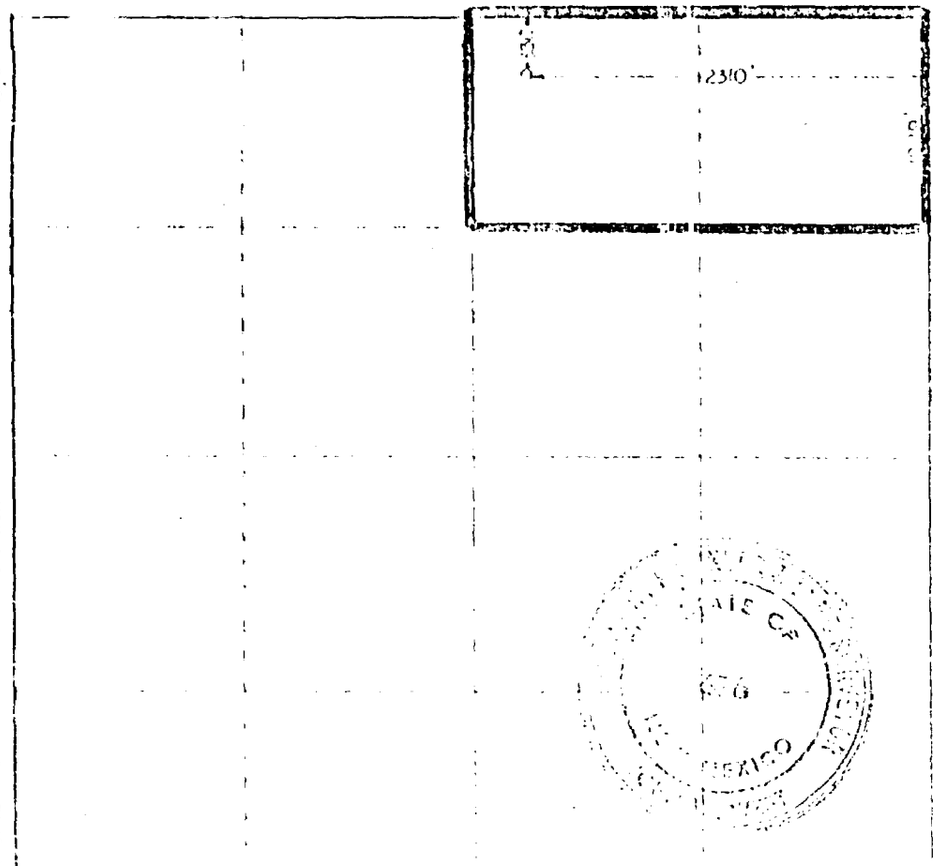
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes ☐ No If answer is "yes," type of consolidation Compulsory Pooling Application consolidating all interests in N/2 NE/4 Section 13 set for hearing on 3-26-80.

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



Larry Nermyr

Engineer

Doyle Hartman

3-11-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

February 27, 1980

Registered Professional Engineer and/or Land Surveyor

Certificate No. 676

NEW MEXICO

Ronald J. Eidson 3239

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DRILL [X] DEEPEN [ ] PLUG BACK [ ]

GAS WELL [X] SINGLE ZONE [X] MULTIPLE ZONE [ ]

Operator: Doyle Hartman

Address: P. O. Box 10426, Midland, Texas 79702

Lease: Gulf-Eumont

Well No.: 2

Unit Letter: G Location: 1650 Feet from the North line and 2310 Feet from the East line of Section 13 Township 21S Range 36E

County: Lea

Ground Level Elev.	Multiple Compl. How Many?	Proposed Depth	Formation	Rotary or C.T.
3535 G. L.	Multi-well Approved	4200	Grayburg	Rotary

Drilling Contractor	Approx. Date Work will start
Kenai	4-20-80

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4	8 5/8	28	400	300	Surface
7 7/8	5 1/2	17	4200	700	Surface

The subject well will be drilled to a total depth of 4200 feet and will be completed as a Eumont producer. From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000-psi double-ram BOP system.

Note: Any gas produced from the subject well has previously been dedicated to El Paso Natural Gas Company

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signature: Barry Q. Hunter Title: Engineer Date: 3-11-80

(This space for State Use)

APPROVED BY: TITLE: DATE:

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
Doyle Hartman	Guiman	1

Unit Letter	Section	Township	Range	County
G	13	21 South	36 East	Lea

Actual Footage Location of Well: 1650 feet from North line and 2310 feet from East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3521.7	Penrose	Eumont	80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

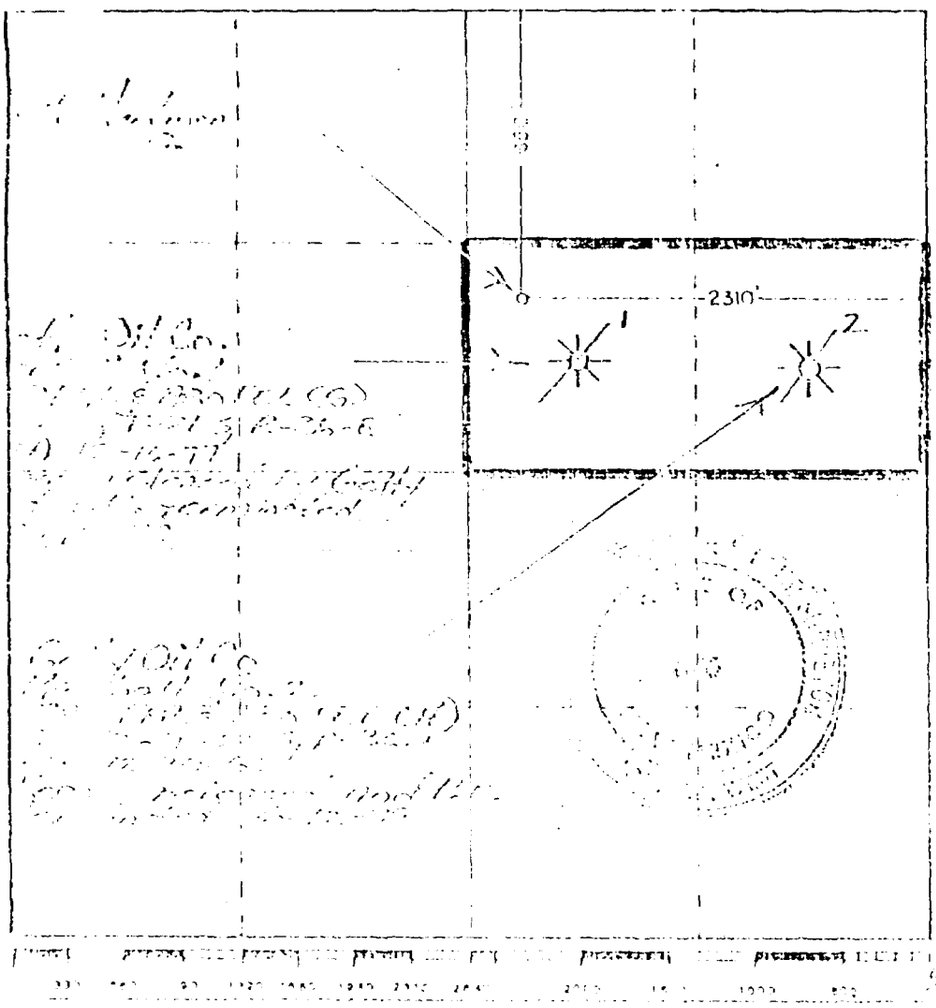
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Compulsory Pooling application consolidating all interests in the S/2 NE/4 set for hearing on 3-26-80.

[ ] Yes [ ] No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



Larry Hermyr

Engineer

Doyle Hartman

3-11-80

February 27, 1980

Registered Professional Engineer and/or Land Surveyor

PATRICK A. [illegible]

Certificate No. 5239

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the S/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the S/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

c. Texaro Oil Company 1/40

d. Betti G. Guttag and Jack Guttag and Charles Guttag, individually and as co-executors under the Will of Dorothy Gutman, deceased 28/120

e. Edith G. Socolow and A. Walter Socolow 28/360

Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN FOR COMPULSORY POOLING, UNORTHODOX WELL LOCATION AND NON-STANDARD PRORATION UNIT, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A., 1978 Compilation, hereby makes application for an order pooling all of the interests in the Pennrose Formation in and under the N/2 NE/4 of Section 13, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of approximately 53% of the working interest in and under the N/2 NE/4 of said Section 13, and applicant has a right to drill thereon.

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the N/2 NE/4 of said Section 13 except for the following working interest owners:

a. Fluor Oil & Gas Corporation (now under lease) 1/16

b. Gary E. Leascher and Cynthia D. Leascher and Michael Sullivan and Gail Sullivan 1/16

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Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

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WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner and that after notice and hearing as required by law, the Division enter its order pooling the land, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges and a risk factor for the risk assumed by the applicant in drilling, equipping and completing the well and further approving the non-standard proration unit and the unorthodox location for said well and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By _____
William F. Carr
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

February 19, 1980

Mrs. Betti G. and Mr. Jack Guttag
15 Sutton Place
New York City, New York 10022

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico
160 acres

Dear Mr. and Mrs. Guttag:

Please find enclosed a plat of the above noted 160-acre tract in which the Estate of Dorothy Gutman owns a 28/120 interest.

Doyle Hartman of Midland and I own leases on a sizeable part of this tract and would like to drill a well on it as soon as possible.

We have reached an agreement with your cousin, Mr. Daniel L. Gutman regarding his interest and the interest of the Max Gutman Estate as follows:

1. $ 150.00 per net acre;

2. 1/4 royalty (ie, 1/8 royalty plus 1/8 override);

3. One year term

I am contacting you and Mr. Charles Gutman as Co-Executors of the Dorothy Gutman Estate at this time and am forwarding you each copies of the same instruments.

Your consideration in making this proposed deal on your interest would be greatly appreciated and enclosed please find the following:

1. One year oil and gas lease providing for 1/4 royalty.

2. Bank draft of $5,600.00 computed as follows:

Your 28/120 interest x 160 acres= 37.334 net acres
x $ 150.00 per acre= $ 5,600.00

If you are all three agreable, it would be helpful for you to sign the same lease and draft (you and Mr. Gutman have identical copies of the lease and draft). Before signing, please add your Bank and its address in Paragraph 4 (which is only for payment of shut-in gas royalty, if any) and then sign before a Notary who will complete the acknowledgement on the back, endorse the draft on the back, and place both in the Collection Department of your

bank to be forwarded to The First National Bank of Midland.

Mr. Hartman and I would greatly appreciate your promptness in this regard since the proposed new well in the NE/4 Section 13 will require a hearing at the New Mexico Oil Conservation Commission in order to qualify it for the highest lawful gas price under the recently passed Natural Gas Policy Act. Also, we have some lease expirations and need to get the well commenced as soon as possible.

Your consideration is very much appreciated, and please call me collect at my office (915-682-6482) or at my residence (915-694-5472) should I be able to furnish any further information in this regard.

Very truly yours,

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Mr. Daniel L. Gutman
239 East 79th Street
New York City, New York 10021

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

[illegible] 88—(Producer's Revised 1965) (New [illegible]) Form 342 — Printed [illegible] sale by Hall [illegible] [illegible] N. M.

OIL & GAS LEASE

[illegible] AGREEMENT [illegible] day of February, 19 80, [illegible]

[illegible] G. [illegible], JACK GUTTAG, and CHARLES [illegible]MAN, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York (Post Office Address)

hereinafter called lessor (whether one or more) and JAMES A. DAVIDSON, lessee.

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the [illegible] of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of [illegible] drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, [illegible] oil, building tanks, [illegible]ways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport [illegible] minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/8 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ✓ Bank at [illegible] which bank, or any successor thereof shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. [illegible] as the only [illegible] covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, [illegible] or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than [illegible] consecutive days. If during the drilling or reworking of any well under this paragraph lessee [illegible] the hole or well and after [illegible] [illegible] [illegible] to complete said operations then within 20 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines [illegible] below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, [illegible] [illegible] [illegible] [illegible]

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations thereon, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of [illegible] or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty [illegible] [illegible] shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. [illegible] [illegible] [illegible] Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or lessor's heirs [illegible] by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county [illegible] [illegible] and the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

(Charles Gutman) (Getti G. Guttag)

(Jack Guttag)

[illegible] Individually and as Co-Executors under the Will of [illegible]

New York

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of)

The foregoing instrument was acknowledged before me this ____ day of February

19 80 by Betti G. Gutting and Jack Gutting in the capacity therein stated.

My Commission expires _____, 19____ Notary Public

New York,

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of)

The foregoing instrument was acknowledged before me this ____ day of February

19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires _____, 19____ Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of

19 by

My Commission expires _____, 19____ Notary Public

No.

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres

_____ County, New Mexico

Term

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the ____ day of _____,
A. D. 19____, at ____ o'clock ____ M. and was duly recorded in Book ____ at Page ____
of the Records of said County.

Witness _____
County Clerk
By _____
Deputy

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of _____, 19____,

by _____ President

of _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this ____ day of _____, 19____,

by _____ President

of _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

COLLECTION OF
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas — February 19, 1960 — NO

PLACE — DATE

30 DAYS AFTER ... ht ... TO APPROV... OF

PAY TO THE ORDER OF Betti G. Gu[illegible]g, Jack Guttag, and Charles G[illegible]man, Individuall

and as Co-Executors of the Estate of [illegible]orothy Gutman, Deceased $ 5,[illegible]00.00

Fifty-six hundred and 00/100---------- --DOLLA

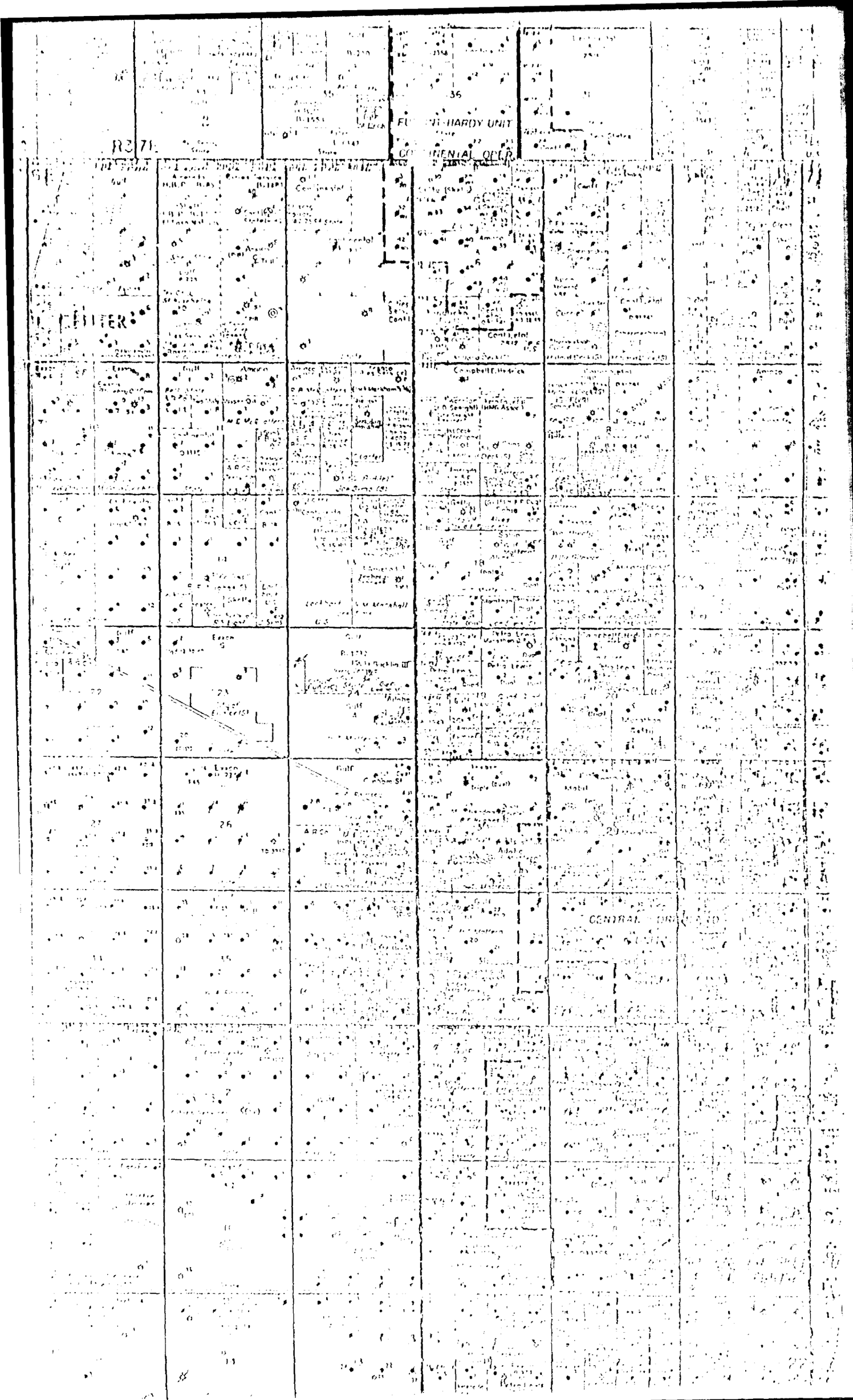
FOR Oil and Gas lease covering payee's interest in NE/4 Section 13,

T-21-S, R-36-E, Lea County, New Mexico

TO James A. Davidson (Phone 682-6482)
c/o The First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

NOTICE
DO NOT HANDLE AS A [illegible] ITEM

[illegible]


R3 7E
FU HARDY UNIT
CONTINENTAL OIL CO.
CENTER
Gulf
Amoco
Exxon
Campbell, Hudson
Conoco
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Mobil
Arco
Texaco
Shell
CENTRAL DRAINAGE DITCH
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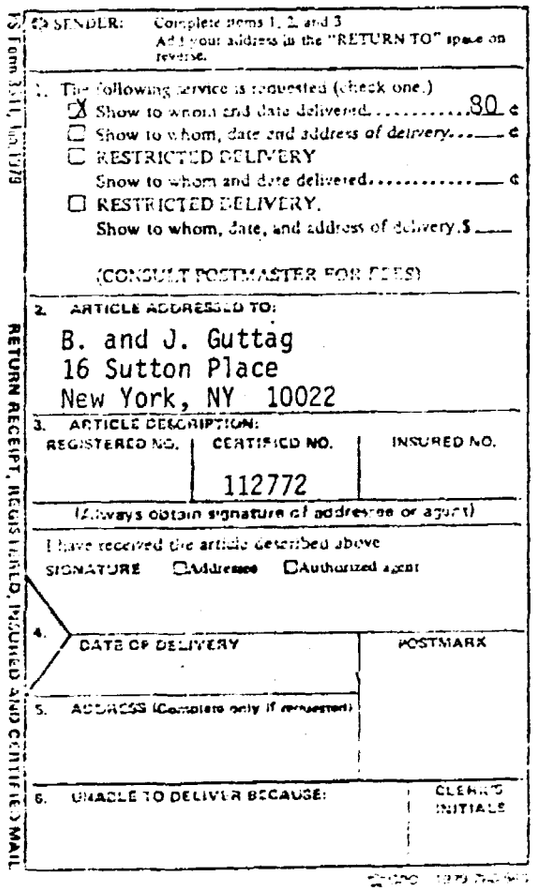


PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

(P) SENDER: Complete items 1, 2, and 3
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered..... 80 ¢
- ☐ Show to whom, date and address of delivery..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
B. and J. Guttag
16 Sutton Place
New York, NY 10022

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	112772	

(Always obtain signature of addressee or agent)

I have received the article described above
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

DOYLE HARTMAN
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 7970'

TO: Betti G. Guttag and Jack Guttag
Individually and as Co-Executors
UWO Dorothy Gutman, Deceased
16 Sutton Place
New York City, New York 10022

No. 112772

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

B. and J. Guttag
16 Sutton Place
New York, NY 10022

POSTAGE	60
CERTIFIED FEE	80
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE	80
TOTAL POSTAGE AND FEES	$ 2.20

CONSULT POSTMASTER FOR FEES
ADDITIONAL SERVICES

POSTMARK OR DATE
3-12-80

No. 112772

James M. Bell
OIL PRODUCERS
727 MIDLAND SAVINGS BUILDING
MIDLAND, TEXAS 79701

AREA CODE 915/684-3933

March 19, 1980

Mr. Doyle Hartman
508 C & K Petroleum Building
Midland, Texas 79701

Re: NE/4 Section 13
T-21-S, R-36-E, N.M.P.M.
Lea County, New Mexico
28/360 Interest of
Edith G. and A. Walter
Socolow
28/120 Interest of the
Estate of Dorthy Gutman,
Deceased

Dear Sir:

This letter is to inform you that I am in receipt of two fully executed oil and gas leases covering the above respective interests amounting to a combined total of 31.11% of the minerals under the subject land. Myself or my assigns intend to participate to the full extent of this interest in the drilling of your proposed Eumont test as set forth in your C-101 form dated March 11, 1980. Further, we have no objections to the location as proposed on your well location and acreage dedication plat dated February 22, 1980. Subject to certain terms and conditions to be agreed upon herein, we have no objection to your assuming the duties as operator.

As noted in your letter of March 11, 1980, to the unconsolidated interests, you are seeking an order force pooling all the captioned lands for the drilling of two nonstandard Eumont locations. Assuming the first well is successful, I will have no objection to the drilling of a second location at a reasonable future date. Therefore, for purposes of this NMOCD force-pooling action, you may consider our interest committed.

As noted above, I am willing to execute a Standard Form AAPL Operating Agreement with attached COPAS naming you as operator if such agreement contains the following provisions:

1. Option #2 in the title section providing that title expenses shall be shared in accordance with the interest of the parties.

2. Individual loss of title provision.

3. 200% nonconsent penalty at casing point election.

4. Parties shall have the right to take production in kind.

5. The elimination of all preferential right of purchase.

6. COPAS accounting procedure providing for fixed overhead rates of $275.00 per producing well and $2,500.00 drilling well rate.

7. Additional provision providing that "Notwithstanding any of the provisions hereof, the undersigned parties agree that each nonoperating party shall have thirty (30) days after receipt of photostatic copies of statements for charges for drilling, completing and operating the wells covered by this agreement prior to paying such charges. Should such charges be disputed, nonoperators agree to promptly notify operator and request a full explanation. Any nonoperator's share of expenses which shall be delinquent for longer than thirty (30) days after the date of the receipt of such explanation for such charges shall bear interest at the prime rate plus one (1) percent. Further, for the purposes hereof, it is agreed that the fixed well rate provided for herein shall fully compensate operator for all office and field overhead."

I will be happy to discuss with you or your representatives any additional matters concerning the operating agreement. Prior to execution of the operating agreement, I would appreciate the opportunity to discuss certain expenditures set forth in your AFE attached to the force-pooling notice. Certain expenditures appear to be excessive in view of my recent experience in this area.

Very truly yours,

James H. Isbell

JHI:lh

C

DOYLE HARTMAN
Oil Operator
SUITE 1000
500 N. MARIENFELD
MIDLAND, TEXAS 79701
(915) 684-4011

March 20, 1980

Hetter, Dowd and Alfieri
Attorneys at Law
660 Madison Ave.
New York, New York 10021

Attn: Mr. Hector G. Dowd

Re: NE/4 Section 13, T-21-S, R-36-E
Lea County, New Mexico

Gentlemen:

Reference is made to a letter of Feb. 19, 1980, from James A. Davidson and my letter of March 11, 1980, both to your client, Mrs. Betty G. Guttag. As explained in these letters, we are in the process of obtaining oil and gas leases on the above described tract and plan to commence a 4,200 foot Eumont test no later than April of this year. At the present time we have the majority of the various mineral owners in this tract under oil and gas leases, including Mr. Daniel L. Gutman, Mr. Alfred E. Gutman, The Estate of Max Gutman, Mobil Oil Corporation, Fluor Oil and Gas Company, and a number of other individual owners. In the above noted Davidson letter, we made the same offer for an oil and gas lease to the Estate of Dorothy Gutman as was made to the remainder of the Gutman Family. We have not received a reply to those letters from Mrs. Guttag, but were informed in a telephone conversation with her that you represent her in this matter.

We have also written and discussed this matter by telephone with Mr. Charles Gutman who is also a co-executor and 50% beneficiary of the Estate of Dorothy Gutman. It is my understanding from Mr. Charles Gutman that our offer to lease is the best offer that has been received on this tract to date by the Estate of Dorothy Gutman. It is also my understanding in talking with Mr. Charles Gutman that he feels our offer is fair and reasonable and acceptance of the same would expedite the drilling of the above noted well thus maximizing the Estate's potential income from this property.

It should also be noted that the Estate's interest in this tract is presently suffering drainage from offset wells located on adjacent lands and therefore it appears that time is of the essence in getting the proposed 4200 foot Eumont test commenced.

As was indicated in my letter of March 11, 1980, we have a Compulsory Pooling hearing docketed before the New Mexico Oil Conservation Division in Santa Fe, New Mexico concerning all presently unconsolidated interests, however, it has

been our policy to avoid this type of solution whenever possible. We would much prefer for the Estate of Dorothy Gutman to lease as per our previous offer or join in the drilling for its 23.333% interest (estimated net cost would be $66,000 per well) under the terms of an AAPL model Form Operating Agreement.

If you need any additional information, please call me collect and we would greatly appreciate being advised of your decision as soon as possible.

Very truly yours,

Doyle Hartman

cc: Mr. and Mrs. Jack Guttag
16 Sutton Place
New York, New York 10022

Mr. Daniel L. Gutman
239 E. 79th St.
New York, New York 10021

Mr. Charles Gutman
51 E. 42nd St.
New York, New York 10017

Mr. & Mrs. A. Walter Socolow
45 East 82nd St.
New York, New York 10028

Mr. Alfred Gutman
206 Winthrop
Taunton, Massachusetts

Campbell and Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501
Attn: Mr. William F. Carr

Mr. William P. Aycock, Consulting Engineer
308 Wall Towers West
Midland, Texas 79701

DOYLE HARTMAN
Oil Operator
SUITE 508
[illegible] PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

April 1, 1980

Estate of Dorothy Gutman, Deceased
250 E. 65th St.
New York City, New York 10021

Attention: Mr. Charles Gutman, Co-Executor

Re: Oil and Gas Lease
NE/4 Section 13,
T-21-S, R-36-E
Lea County, New Mexico

Dear Mr. Gutman:

As we recently discussed, I am proposing the following offer for an oil and gas lease on the 23.333% interest owned by the Estate of Dorothy Gutman in the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico:

1. One year lease providing for a 30.5% royalty (12.5% RI + 18.0% ORRI).

2. Check for the amount of $ 7,840.00 payable to the Estate of Dorothy Gutman as a bonus for leasing its interest in the NE/4 Section 13, and computed as follows:

   The Estate's 28/120 interest x 160 acres= 37.3334 net acres
   x $ 210.00 per acre= $7,840.00

As you can see from the above offer, I am proposing both a 30.5% Royalty and $210.00 per net acre which you have indicated is the best net offer that the Estate has received to date on its interest. Furthermore, since I will be the operator for the newly proposed development work on the subject tract and also since I am not a middleman trying to carve out an additional interest, I believe that I am in the best position of being able to maximize the Estate's future income from its holdings in the NE/4 Sec. 13.

At the present time, the interests of both James H. Isbell and the Estate are still included on the force-pooling docket set for hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on April 9, 1980. In the event that Mr. Isbell (who is actually a non-enhancing middleman concerning the newly proposed development work) does not moderate his present hard-line stance in this matter and also in the event the leasing situation concerning the Estate's interest remains up in the air, both interests will necessarily be force-pooled at the scheduled hearing. The net effect of

the force-pooling on the Estate's interest would be a possible substantial loss in future net income on its interest from the subject property.

Since my major concern is to commence drilling operations on the subject tract as soon as possible while protecting both my interest and the interests of my lessors, I would much rather solve the problem of the Estate's interest in an amicable manner and not have to proceed with the scheduled force-pooling. I therefore respectfully urge that the Estate accept the generous offer noted above as soon as possible.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

Producer's 88—(Producer's Revised 1965) (New Mexico) Form 342 Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this 1st day of April, 19 80, between CHARLES GUTMAN, BETTI G. GUTTAG, AND JACK GUTTAG, Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased

of New York City, New York
(Post Office Address)

herein called lessor (whether one or more) and DOYLE HARTMAN (508 C & K Petroleum Bldg, Midland, TX 79701) herein called lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 30½%—of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 30½%—of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 30½%— of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the ✓ Bank at ✓, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessee shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the person entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein, should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

✓
(Betti G. Guttag)

✓
(Charles Gutman)

✓
(Jack Guttag)

(Individually and as Co-Executors under the Will of Dorothy Gutman, Deceased)

STATE OF New York,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of April,
19 80 by Charles Gutman, in the capacity therein stated.

My Commission expires, 19 . Notary Public

STATE OF New York,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of April,
19 80 by Betti G. Guttag and Jack Guttag in the capacity therein stated.

My Commission expires, 19 . Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of,
19 by

My Commission expires, 19 . Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of,
19 by

My Commission expires, 19 . Notary Public

No.

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date, 19

Section, Township, Range

No. of Acres

County, New Mexico

Term

STATE OF NEW MEXICO
COUNTY OF

I hereby certify that this instrument was filed for record on the day of
A. D., 19, at o'clock m., and was duly recorded in Book at Page of the Records of said County.

County Clerk.

By Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of, 19
by President
of a corporation
on behalf of said corporation.

My Commission Expires: Notary Public

STATE OF

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of

The foregoing instrument was acknowledged before me this day of, 19
by President
of a corporation
on behalf of said corporation.

My Commission Expires: Notary Public

DOYLE HARTMAN, OIL OPERATOR
508 C & K PETROLEUM BLDG. 684-4011
MIDLAND, TEXAS 79701

6004

88-388
1163

April 1, 1980

PAY THE SUM 7840 DOLS 00 CTS DOLLARS $7840.00

TO THE ORDER OF
Estate of Dorothy Gutman, Deceased
Charles Gutman, Betti G. Guttag and
Jack Guttag, Individually and as
Co-Executors of the Estate of
Dorothy Gutman Deceased

DOYLE HARTMAN, OIL OPERATOR

James E. Burn

THE FIRST NATIONAL
BANK OF MIDLAND
MIDLAND, TEXAS 79701

⑆116303882⑆ ⑈070⑈633⑈7⑈

DOYLE HARTMAN, OIL OPERATOR
MIDLAND, TEXAS 79701

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW
IF NOT CORRECT PLEASE NOTIFY US PROMPTLY NO RECEIPT DESIRED

DELUXE - FORM WVC-3 V-2

DATE	DESCRIPTION	AMOUNT
	Lease bonus only to the Estate of Dorothy Gutman for a one-year oil and gas lease in the NE/4 Sec. 13, T-21-S, R-36-E and computed as follows: $\frac{28}{120}$ X 160 = 37.333 + net acres X $210.00/acre	
	= $7840.00	$7840.00

V-2

DOYLE HARTMAN
Oil Operator
SUITE 508
C A K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 694-4011

April 1, 1980

Mr. James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

Re: NE/4 Section 13,
T-21-S, R-36-E,
Lea County, New Mexico

Dear Sir:

Since you recently indicated that you wish to participate as to your working interest in our proposed development of the subject acreage, please find enclosed an Operating Agreement in duplicate prepared for execution by you covering the NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico.

This Operating Agreement includes two 4,200-foot test wells to be drilled on this tract and is prepared along the same lines of other operating agreements covering various wells presently operated by me in this area.

Also enclosed is a bill for your share of the estimated cost of both wells, being $ 176,213.32 and computed as follows:

Your 31.1111% interest x 2 wells x $283,200.00 per well= $ 176,213.32.

Please note that the above well cost conforms to the AFE previously furnished you (in the event your copies have been misplaced, I am enclosing additional copies). Please return to me one signed copy of the AFE, one signed copy of the Operating Agreement, and your check in the above noted amount. In the event actual drilling, completing, and equipment costs are different than the estimated costs, you will be refunded or billed accordingly.

Very truly yours,

Doyle Hartman

DH/mh

Enclosures as above

DOYLE HARTMAN
Oil Operator
SUITE 509
OAK PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 684-4011

INVOICE

DATE March 31 1980

James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

INVOICE NO. 800390000

PLEASE SHOW INVOICE NUMBER ON YOUR REMITTANCE.

WE DEBIT YOUR ACCOUNT AS FOLLOWS:

To Invoice you for your proportionate share of the prepaid drilling cost on the Doyle Hartman operated Gutman #1 & #2 AFE's.

Estimated Drilling Cost			TOTAL DUE
$566,400	X	31.1111	$176,213.32

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 1 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: N/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	22,200	3,200
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	9,200	-----
20. Casing Head _____	1,200	600
21. Xmas Tree or Pumping Connections _____	3,000	300
22. Pumping Unit _____	16,000	-----
23. Engine Motor, Controller, Powerline, etc.	10,000	-----
24. Sucker Rods _____	8,500	-----
25. Pump _____	1,200	-----
26. Tank Battery Separator, Water tank, etc.	10,000	-----
27. Separator or Dehydration Equip. _____		
28. Metering Equipment _____		
29. Flow Lines _____		
30. Other _____	1,000	500
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____

LEASE NAME Gutman WELL NO. 2 W. I. _____

COUNTY Lea STATE New Mexico FIELD Eumont

LOCATION: S/2 NE/4 Section 13, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost 4000 Feet @ 16.50 Per Foot	66,000	66,000
2. Day Work 1 1/2 days @ 3400	5,100	5,100
3. Coring Service _____ Well Surveys 6,000	6,000	6,000
4. Testing _____		
5. Fuel _____ Water 8,500	8,500	8,500
6. Mud 7,000 Mud Logging _____	7,000	7,000
7. Cementing Service _____ Cement _____ Floats _____	13,000	3,000
8. Company Labor _____ Contract Labor _____	1,000	1,000
9. Digging Pits _____ Filling Pits _____	700	700
10. Roads & Bridges _____ Dredging & Grading _____	9,000	9,000
11. Acidizing 5,000 Fracturing 50,000 Perforating 2,000	57,000	-----
12. Plugging _____	-----	2,000
13. Trucking Cost _____	1,000	500
14. Development Superintendence 25 days @ $ 252 /day	6,300	3,800
15. Rental Equipment _____	2,500	1,500
16. Swabbing and Testing 6 days @ 800/day	4,800	-----
17. Other Costs Legal and Regulatory	7,000	7,000
Damages	2,000	2,000
Other	4,000	4,000
Total Intangibles	200,900	127,100

WELL EQUIPMENT:		
18. Casing 400 Ft. of 9 5/8 @ 8.00 Per Ft.		
4000 Ft. of 5 1/2 @ 4.75 Per Ft.	22,200	3,200
_____ Ft. of _____ @ _____ Per Ft.	9,200	-----
19. Tubing 4000 Ft. of 2 3/8 @ 2.30 Per Ft.	1,200	600
20. Casing Head	3,000	300
21. Xmas Tree or Pumping Connections	16,000	-----
22. Pumping Unit	10,000	-----
23. Engine Motor, Controller, Powerline, etc.	8,500	-----
24. Sucker Rods	1,200	-----
25. Pump	10,000	-----
26. Tank Battery Separator, Water tank, etc.		
27. Separator or Dehydration Equip.		
28. Metering Equipment		
29. Flow Lines	1,000	500
30. Other		
Total Tangibles	82,300	4,600
TOTAL COST OF WELL	283,200	131,700

REMARKS: The above costs are subject to increases due to escalating drilling and equipment prices.

Originated by Doyle Hartman Title _____ Date 3-11-80

Approved _____ Title _____ Date _____

SUMMARY OF OIL & GAS LEASES COMMITTED TO DOYLE HARTMAN

NE/4 Section 13, T-21-S, R-36-E, Lea County, New Mexico

LEASES	LEASE DATE	PRIMARY TERM	TERMINATION	REMARKS
Alfred E. Gutman, dealing in his sole and separate property	February 25, 1980	One Year	February 25, 1981	
Fluor Oil and Gas Corporation	March 10, 1980	Ninety Days	June 8, 1980	Pugh Clause
Daniel L. Gutman, dealing in his sole and separate property	March 4, 1980	One Year	March 4, 1981	
General Crude Oil Company	May 10, 1979	One Year	May 10, 1980	Pugh Clause Continuous Development Clause (Ninety Days between wells)
W. L. Pickens and wife, Ruth Gardner Pickens	May 21, 1979	Three Years	May 21, 1982	Pugh Clause
E. D. Berryman and wife, Ina Bell Berryman	May 18, 1979	Three Years	May 18, 1982	
Daniel L. Gutman, Successor Trustee under the Will of Max Gutman, Deceased	March 4, 1980	One Year	March 4, 1981	
Texaco Oil Company	March 19, 1980	One Year	March 19, 1981	Pugh Clause

13
Hartman
6846

Producer's 88- (Producer's Revised 1965) (New [illegible]ico) Form 342 . 22068 OJB BOOK 325 PAGE 363 Printed [illegible] or sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this 25 day of February, 19 80, between

ALFRED E. GUTMAN, dealing in his sole and separate property

of Taunton, Massachusetts (Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in LEA County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each *during the primary term*. Payment or tender may be made to the lessor or to the credit of the lessor in the Bay Bank United Bank at 66 Main St. Taunton, Massachusetts 02080, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days *after lessor shall deliver to lessee a recordable* instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessee. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change or division in the ownership of the land, or in the ownership of [illegible] to receive rentals, royalties or payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee [illegible] shall be binding upon lessee for any purpose until 30 days after lessee has been furnished [illegible] at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. [illegible] tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals [illegible] in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations [illegible] or from producing oil or gas [illegible] or by reason of [illegible] or inability to obtain [illegible] material, or by operation of [illegible] or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals [illegible] or royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

[illegible] the day and year first above written.

25TH DAY OF FEBRUARY 1980

Joseph T. [illegible] (signature)

MY COMMISSION EXPIRES
JUNE 22, 1984

Alfred E. Gutman (signature)

Alfred E. Gutman

book 325 page 364

Massachusetts

STATE OF ~~XXXXXXXXXX~~

County of Bristol

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 25 day of February, 19 80 by Alfred E. Gutman

MY COMMISSION EXPIRES JUNE 22, 1984

My Commission expires _____, 19____. Joyce I. Ohl Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

STATE OF NEW MEXICO,

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

STATE OF _____

County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____. Notary Public

No. 21068

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF Chaves

I hereby certify that this instrument was filed for record on the 7th day of March A. D. 19 80 at 11:30 o'clock A m., and was duly recorded in Book 325 at Page 363 of the Records of said County.

By Paul Kenneth Deputy

Paul Kenneth County Clerk.

STATE OF NEW MEXICO

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____ Notary Public

FLUOR OIL AND GAS CORPORATION
615 MIDLAND TOWER BUILDING
MIDLAND, TEXAS 79701
TELEPHONE (915) 683 2731

Doyle Hartman
508 C & K Petroleum Bldg.
Midland, Texas 79701

March 10, 1980
Lease Contribution - 3591

Dear Doyle,

If accepted by you as hereinafter provided, this letter will evidence our agreement to execute and deliver to you oil and gas lease(s) covering our mineral interest in the following described land:

Being all rights from the surface of the ground down to, but not below a depth of 50 feet below the initial total depth attained in and under the proration unit established by NMOCC for paragraph No. 2 well in the NE/4 Section 13, T-21-S , R-36-E, Lea County, New Mexico.

Conditioned as below stated; provided you fully perform such obligation required of you, as stated herein:

1. Kind of Lease:
Such lease will bear a date of March 10, 1980, and will be on the terms and conditions set forth in the form of lease(s) attached hereto. Delivery of lease(s) shall not be made unless the well referred to in the following paragraph numbered 2: Commencement of Drilling, Testing, etc. is completed as a producer of oil and/or gas in paying quantities and until you have fully complied with all of the terms hereof.

2. Commencement of Drilling, Testing, etc:
In the event you, for any reason, fail to commence or cause to be commenced, the drilling of a well for oil and/or gas at a legal location of your choice in the NE/4 of said Section 13 T-21-SR-36-E, Lea County, New Mexico within 75 days from this date, and thereafter drill such well with reasonable diligence, consistent with good oil field practice, to 4000 feet total depth, or to a depth sufficient to test the Grayburg formation, whichever is the lesser, this agreement shall ipso facto terminate, and we shall thereafter be under no obligation to you whatsoever.

3. Liability of Parties:
Such well is to be drilled and completed at your risk and expense and without cost or liability of any kind to us, other than our agreement to execute and deliver to you the aforesaid oil and gas lease(s), upon the terms and conditions hereof.

4. Coring and Testing:
You shall take cores and sidewall samples at such intervals as are indicated by good oil field practice. All zones or formations encountered which justify testing for oil or gas shall be adequately tested, including setting and perforating casing, if such is necessary to obtain adequate test.

5. Plugging and Abandoning:
You are to use your best efforts to complete the well as a commercial producer, but if such well is dry, same shall be plugged and abandoned in accordance with all applicable laws, rules and regulations, at your risk and expense.

6. Access to Well and Information:
The representatives of this Corporation shall have full and free access to said well and to the derrick floor, and full and complete information concerning said well, including, but not limited to, the right to examine and sample cores, cuttings, sidewall samples, production samples, and the right to observe all tests and producing operations of said well.

7. Notification:
In the event that you encounter any formation containing oil or gas in reasonably substantial quantity or pressure, you shall immediately notify either of the below named representatives of such fact orally, if either of said representatives is at the well site, or by telephone or telegraph at the following location and/or number, at your expense:

Fred Yates - Office (915) 683-2731 Residence (915) 694-3265

Fluor Oil and Gas Corporation, 615 Midland Tower, Midland, Texas 79701
Telephone: (915) 683-2731

8. Surveys:
If not waived by this Corporation, you shall, at your expense, run an electrical survey from the surface casing to the total depth of said well. You shall furnish this Corporation without charge, a copy of any velocity and/or dip meter survey run in said well by you or any third party and, in the absence thereof, this Corporation shall be permitted to run a velocity and/or dip meter survey in said well at its sole risk and expense.

9. Reports, etc., to be Furnished this Corporation:
You covenant and agree to supply this Corporation at your expense with the following data and information at the address set forth in Paragraph 7 hereof:

a. Progress reports on said well with full information each day telephoned to (915) 683-2731, followed by a written report.

b. Two Copies of each survey as and when made, and two copies of the complete electrical survey when made;

c. One copy of all other logs and surveys made of said well, and a written report of the results of all tests made on said well, including a copy of all drillstem test charts;

d. One copy of the complete drilling time log kept in intervals not greater than 10 feet on the entire well, upon the completion thereof;

e. One copy of any paleontological report concerning said well;

f. One copy of any and all notices and reports made by you and furnished to any governmental body or agency requiring or requesting such notice.including category determination findings.

10. Assignments:
No assignment or transfer, in whole or in part, by you of your rights hereunder shall be effective without the prior written consent of this Corporation.

11. Miscellaneous:
It is agreed that time is of the essence of this agreement, and that if for any reason you fail to commence the drilling of the above described well within the time hereinabove set forth, and for any reason fail to drill such well with reasonable diligence to the objective aforementioned, this agreement shall ipso facto terminate, and we shall thereafter be under no obligation to you whatsoever in connection with such well, and no provision hereof shall be modified or waived except in writing.

If the above correctly sets forth the terms of the agreement made with you, then please sign the original of this letter in the space provided below and return it to us at our office at 615 Midland Tower Building, Midland, Texas 79701, on or before ten (10) days from the date hereof.

If you fail to return such signed copy to us within such period of time, this agreement shall terminate.

Yours very truly,

FLUOR OIL AND GAS CORPORATION

By:_____
Vice President

LE:ju

ACCEPTED AND AGREED TO:

(Date) March, 1980.

Doyle Hartman

OIL AND GAS LEASE

THIS AGREEMENT entered into the 10th day of March, 19 80, between FLUOR OIL AND GAS CORPORATION, a California corporation, with an office at 615 Midland Tower Building, Midland, Texas, 79701, acting herein by and through its duly authorized officers, hereinafter called "Lessor," and Doyle Hartman, 508 C & K Petroleum Building, Midland, Texas 79701 hereinafter called "Lessee":

ARTICLE I.

WITNESSETH:

Lessor, in consideration of ----------Ten and no/100---------- Dollars, ($ 10.00-------), Cash to it in hand paid by Lessee, and of the covenants and agreements of Lessee contained herein, does hereby demise, lease, and let unto Lessee for exploring, drilling, mining, and operating for oil, gas and other liquid or gaseous hydrocarbon minerals of like nature, and engaging in any activity reasonably necessary to produce, save and take care of said products, that tract or those tracts of land, sometimes hereinafter referred to as "Leased Premises," situated in Lea County, New Mexico, described as follows, to-wit:

*** Description of Proration Unit with depth limitation to be inserted when determined and before final execution of lease together with amount of acreage to be included in such unit.

For the purposes hereof the land described above is estimated to be *** acres.

ARTICLE II.

Subject to the provisions herein, this lease shall remain in force for a period of ninety days from date (hereinafter called "Primary Term"), and as long thereafter as this lease is maintained by the provisions hereof.

ARTICLE III.

NONE

ARTICLE IV.

1. After commencement of actual drilling of the leased premises, and prior to the discovery thereon and production therefrom of oil, gas, or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities, Lessee may maintain the rights granted herein by continuing such operations without the lapse of more than sixty (60) days between abandonment of one well and beginning the actual drilling of another.

2. After discovery and production of oil, gas or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities from the leased premises, the rights granted herein may be maintained in effect so long as such products are being produced in paying quantities. If the production thereof should cease from any cause, this lease shall terminate unless Lessee within sixty (60) days thereafter resumes or restores such production or commences additional actual drilling or actual reworking operations and continues such operations without the lapse of more than sixty (60) days between the abandonment of one well and commencement of actual reworking operations, resumption of production or commencement of actual drilling of another well.

3. Should Lessee, during the primary term hereof, complete a well on the leased premises capable of producing gas in paying quantities, but which Lessee is unable to produce because of lack of market or governmental restrictions then Lessee's rights hereunder may be maintained, in the absence of production of gas, if within thirty (30) days after the completion or shutting in of said well Lessee has paid to Lessor the sum of $1.00 per acre for each acre of land then covered by this lease, which payment shall maintain the lease in full force and effect for a period of one year from date such

well is completed or shut in for lack of market. Upon a similar payment within twelve (12) months from date such payment is due, Lessee's rights hereunder may be maintained for twelve (12) additional months; provided, however, that in no event shall Lessee's rights be so extended by shut-in payments for more than two (2) years.

ARTICLE V.

1. Lessee shall drill such wells as a prudent operator would drill in order to prevent drainage of oil, gas or other liquid or gaseous hydrocarbon minerals of like nature from the leased premises by a well on property not covered by this lease.

2. In addition to the obligation to protect the leased premises from drainage, Lessee agrees that if a well producing oil, gas or other liquid or gaseous hydrocarbon minerals of like nature in paying quantities is brought in on property not covered by this lease, and is within six hundred sixty (660) feet of the leased premises in the case of an oil well, or within thirteen hundred twenty (1320) feet in the case of a gas or condensate well, or within any unit or units which adjoin the leased premises, then Lessee shall commence actual drilling, within sixty (60) days after commencement of actual production from each well, of an offset well thereto on the leased premises, and shall diligently prosecute the drilling thereof. Any such offset well drilled by Lessee shall be completed in the same producing zone or zones, where practicable, as the well to be offset, and thereafter shall be operated in such manner as to provide proper protection from drainage of the leased premises.

3. Lessee may be relieved of the obligation of this article by filing in the office of the County Clerk of the County where the leased premises are located, within such sixty (60) day period, a release of all land covered by this lease except for forty (40) acres around each well producing, drilling or being reworked, or when a governmental spacing order exists, Lessor's acreage allotted to such a producing unit or unit in which a well is being drilled.

ARTICLE VI.

Anything in this lease to the contrary notwithstanding, actual drilling on or production from any unit or units formed by any State or Federal governmental authority embracing both land herein leased and other land not included in this lease, shall maintain this lease in force only as to that portion of Lessor's land included in such unit or units, whether or not said drilling or production is on or from the leased premises. This lease may be maintained in force as to the remainder of the leased premises in any manner specified in this lease.

ARTICLE VII.

If the estate or interest of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed, the covenants and agreements hereof shall extend to their heris, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a certified copy thereof.

ARTICLE VIII.

Lessee shall pay to Lessor, as royalty,

1. Thirty Percent (30%) of all oil, including distillate or condensate and other liquid hydrocarbons, produced and saved from the leased premises, which shall be delivered to Lessor's credit into any pipe line which the well or wells, or any of Lessee's tanks, may be connected, all free of cost of production and delivery. All oil and condensate shall be measured in tanks situated on the leased premises and such tanks shall not adjoin other tanks measuring oil or condensate in which Lessor has no interest or has a different interest. No liquid meters shall be used without Lessor's consent. Until further notice from Lessor, Lessee may purchase any royalty oil in Lessee's possession, paying the market price prevailing in the field where produced on the date same is run or sold; or, if there is no posted price in the field, the posted average price for oil of like grade and gravity prevailing in the general area in which the leased premises are located.

2. Thirty Percent (30%) of the value of all gas produced and saved or sold from the leased premises, delivered free of cost of production and delivery. Delivery is defined as made when the gas has been received by the first purchaser thereof. Value shall not be less than the market price then current for gas of like character and quality delivered to any other purchaser in that field.

Lessor hereby reserves unto itself, its successors and assigns, at its option, risk and expense, the right at any time and from time to time as long as this lease is in effect to take or have delivered to its designated purchaser, its share of gas in kind by giving the Lessee sixty (60) days prior written notice. In the event Lessor exercises this right, such gas shall be delivered at some reasonable point near the wellhead or the connecting pipeline at which point such gas shall be metered through a standard approved meter furnished by Lessor. Lessor also agrees to secure any authority or permit required from any governmental agency having jurisdiction, make all necessary reports to any such agency. The term "gas" as used in this article shall mean royalty gas, overriding royalty gas and working interest gas reserved to Lessor under a reversion option in this lease and shall include but not be limited to gas well gas, casinghead gas, and all gaseous substances produced from the leased premises.

3. Thirty Percent (30%) of the value of all plant products, including residue gas, free of extraction and plant or other process costs, where gas from the leased premises is processed by Lessee or through an affiliated company, or by any other party in a plant or process in or adjacent to the field in which the leased premises are located, or through arrangement on a royalty basis by Lessee with any other party in a plant or process not in or adjacent to the field wherein the leased premises are located. In this last event, Lessor shall be paid only its proportionate share of said royalty paid to Lessee.

4. In the situations covered by the preceding Paragraph 3, Lessor shall receive not less than Thirty Percent (30%) of the value of all residue gas at a price not less than the then current market price for residue gas of like character and quality delivered to any other purchaser in or adjacent to the field where produced.

5. Prior to entering into any contract for the sale of gas hereunder, Lessee shall give Lessor sixty (60) days' written notice of the terms which Lessee proposes to accept. Should Lessor object to such terms, Lessee agrees to meet with Lessor, at which meeting the parties shall endeavor in good faith to arrive at a mutually satisfactory solution. However, Lessor's consent thereto shall not be a condition of Lessee's right to enter into such a sales contract. Promptly after the execution of any contract for the sale of gas hereunder, Lessee shall furnish Lessor with a full and complete copy of such executed contract.

6. In the measurement of oil or other liquid hydrocarbons, 100% tank tables shall be used. Field tests, measurements, and corrections of crude oil shall be in keeping with the currently approved A.P.I. Code of Measuring, Sampling and Testing Crude Oil.

7. On or before the 25th day of each month, Lessee shall mail or deliver to Lessor an itemized statement (duly signed by an authorized representative of Lessee) showing the production during the preceding calendar month.

ARTICLE IX.

In the event Lessor considers that Lessee has failed to comply with any obligation, express or implied, Lessor shall give written notice to Lessee, and Lessee shall have sixty (60) days to comply with the obligations of this lease. This requirement of notice and granting of delay for performance does not apply to Lessee's failure to pay shut-in rental in accordance with Article IV-3, or comply with obligations relative to drilling and/or reworking operations, or protect the leased premises from drainage, or comply with the provisions of Article XII-4, as required by the terms of this lease.

ARTICLE X.

Except in the situations covered by Article V-3, which that article shall control, Lessee may deliver to Lessor a recordable instrument surrendering all or any portion of the leased premises at any time this lease is in effect, and thereby be relieved of all obligations thereafter accruing under this lease as to the portion surrendered.

ARTICLE XI.

1. Within ninety (90) days after the termination of this lease for any cause, as to all or any portion of the leased premises, Lessee shall remove from that portion of the leased premises upon which this lease has terminated any and all surface equipment which Lessee may have placed thereon and shall restore the leased premises as near as possible to the condition existing on the date of this lease.

2. All wells shall be plugged and abandoned in accordance with the rules and regulations of the governmental regulatory body having jurisdiction thereof.

ARTICLE XII.

1. Lessor warrants and agrees to defend the title to the leased premises against claims by, through or under it, and not otherwise.

2. Lessee may discharge any tax, mortgage or lien upon this land, and thereby shall become subrogated to such claim with the right to satisfy same out of royalties due under this lease.

3. If Lessor is shown to own less than the entire fee simple estate in the leased premises, either by admission or by judgment of competent court, then the royalties, and any amounts due Lessor under this lease shall be reduced proportionately. Lessee, however, shall not be entitled to claim or recover any monies already paid Lessor as bonus, rent, royalty or for any other reason.

4. It is a material consideration to the continued existence of this lease that Lessee has not, previous to the execution hereof, acquired, nor subsequent to the execution hereof, will acquire, an oil, gas or mineral lease covering the property herein leased from any person or persons or firm claiming an interest therein adverse to Lessor.

ARTICLE XIII.

1. Lessor may, at Lessor's own expense, have a representative on the leased premises during operations at all times, who shall be entitled to examine all cores, electrical logs, and other well data, and who may witness the checking or measuring of all hydrocarbons or minerals produced from the leased premises.

2. Lessee, at Lessor's request, shall furnish Lessor with complete information concerning any and all wells drilled on the leased premises or on premises with which the leased premises may be unitized, including but not limited to copies of all logs of wells, bottom-hole location surveys, core data, completion data, bottom-hole pressure data, and all other geologic or reservoir data which were obtained by Lessee from such wells.

3. In the event Lessee or its assigns applies to any State or Federal regulatory body for the formation of production and proration unit or units, or well spacing affecting the interest herein leased, it is essential to the continued existence of this lease that notice of same shall be given to Lessor at least fifteen (15) days before such application is made, and that there shall be given to Lessor at that same time a copy of such proposed application with all accompanying plats and supporting data.

ARTICLE XIV.

Lessor reserves the right to develop the leased premises for uses or purposes other than those for which it is herein leased, provided such does not unreasonably interfere with the rights herein granted to Lessee.

ARTICLE XV.

Lessee assumes all responsibility for any damage resulting from its operations under this lease, and shall pay any and all increase in taxes that may be brought about by buildings or other improvements constructed by Lessee or its assigns on the leased premises during the life of this lease.

ARTICLE XVI.

Lessee shall have the right to use, free of cost, gas, oil and water produced by Lessee on leased premises for all operations hereunder. When requested by Lessor, Lessee shall bury pipe line below plow depth. No well shall be drilled nearer than 200 feet to any residence or barn now on said premises without written consent of Lessor. Lessee shall pay for damages caused by all operations to growing crops on the leased premises. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

ARTICLE XVII.

1. In case of default by Lessee in the performance of any obligation hereunder, the mention herein of any right or remedy of Lessor with respect thereto shall not preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be entitled with respect to that or any other obligation of Lessee.

2. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, or as a result of some order, requisition or necessity of the government, the time of

such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

3. Any and all notice, information or data required to be given by Lessee to Lessor shall be given by mailing same postpaid registered mail, addressed to Fluor Oil and Gas Corporation, 615 Midland Tower Building, Midland, Texas, 79701, unless and until notice of change of address is given Lessee in writing. Any notice required to be given by Lessor to Lessee shall be given by mailing same postpaid registered mail, addressed to Doyle Hartman 508 C & K Petroleum Building Midland, Texas 79701 unless and until notice of change of address is given Lessor in writing.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

ATTEST:

By: _____ Assistant Secretary

FLUOR OIL AND GAS CORPORATION, Lessor

By: _____ Leroy Esterak Vice President

WITNESS:

_____

_____ Doyle Hartman Lessee

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 10th day of March, 19 80, by Leroy Esterak, Vice President of Fluor Oil and Gas Corporation, a corporation, on behalf of said corporation.

My Commission Expires: 5-15-80

_____
C. L. Ware
Notary Public in and for Midland County, Texas

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this _____ day of March, 19 80, by Doyle Hartman.

My Commission Expires: _____

_____
Notary Public in and for Midland County, Texas

Producer's 8—(Producer's Revised 1965) (New Mexico) Form 342 21067 Printed for sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE

O&G BOOK 325 PAGE 361

THIS AGREEMENT made this 4th day of March 19 80, between DANIEL L. GUTMAN, dealing in his sole and separate property

of New York, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Morgan Guaranty Trust Co. Bank at New York City, N.Y., which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 60 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee, and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. ~~Lessor hereby warrants and agrees to defend the title to said land~~ and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

[signature] (witness)
[signature]

[signature]
Daniel L. Gutman
(dealing in his sole and separate property)

Book 325 Page 362

New York

STATE OF XXXXXXXXX,

County of New York

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 11TH day of March, 19 80 by Daniel L. Gutman

My Commission expires MARCH 30, 1981

Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.

Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.

Notary Public

STATE OF

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission expires _____, 19____.

Notary Public

No. 21067

OIL AND GAS LEASE

NEW MEXICO

FROM

TO

Date _____, 19__

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF DONA ANA

I hereby certify that this instrument was filed for record on the 11th day of March A. D., 19 80, at 11:30 o'clock A.M., and was duly recorded in Book 325 at Page 361 of the Records of said County

Witness my hand and seal of office

County Clerk.

By Deputy.

STATE OF NEW MEXICO

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, President

of _____, a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

by _____, President

of _____, a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

8906 BOOK 318 PAGE 107

OIL AND GAS LEASE

THIS AGREEMENT dated this 10th day of May, 1979, by and between

GENERAL CRUDE OIL COMPANY, P. O. Box 2252, Houston, Texas 77001

(hereinafter referred to as "Lessor")

and JAMES A. DAVIDSON, P. O. Box 494, Midland, Texas 79702

(hereinafter referred to as "Lessee"),

W I T N E S S E T H :

That Lessor, for and in consideration of the sum of TEN AND NO/100 DOLLARS, ($10.00) cash in hand paid, and other valuable consideration, receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants and agreements herein contained, and subject to the terms and provisions hereinafter set forth, hereby demises, grants, leases and lets exclusively unto Lessee, for the sole purposes of (a) investigating, exploring, prospecting and drilling for and producing and owning oil, gas, casinghead gas and casinghead gasoline, condensate and any other liquid and gaseous hydrocarbon minerals, and sulphur (the words "Minerals" and "Mineral" being used herein to refer to such substances and no others; provided, however, that sulphur shall be covered by this lease and included within the terms "Minerals" and "Mineral", only if produced incidental to or in conjunction with the production of or processing for sale of any liquid or gaseous hydrocarbons produced from the leased premises), and (b) (but not exclusive of similar use by Lessor, its successors, assigns, grantees or licensees) of laying pipe lines, building tanks, power stations, telephone lines, roads and structures (other than refineries and gasoline plants), for the purposes of producing, saving and taking care of and owning said Minerals, and treating and processing and transporting the same, and conducting the aforesaid operations. The land hereby leased is situated in the County/~~Parish~~ of Lea, State of New Mexico, and is described as follows:

T-21-S, R-36-E
Section 13: NE/4

This lease is subject to all encumbrances of record and to any and all public and private easements in, on, under, over and across said lands. For the purposes of this lease said land shall be considered as containing 160.00 acres, whether there actually be more or less.

Wherever herein the term "leased premises" is used, it shall be taken and understood to mean such of the above described lands as is at the time subject to this lease.

1. TERM OF LEASE: Subject to the other provisions herein contained, this lease shall be for a term of one (1) year(s) from and after this date (herein called "primary term"), and so long thereafter as a mineral is produced in paying quantities from the leased premises, or this lease is being maintained in any other manner provided for herein.

~~2. CONTINUATION DURING PRIMARY TERM. This lease shall terminate on _____, 19___, unless on or before said date Lessee either (1) commences~~ the actual drilling of a well on the leased premises in search of a Mineral and thereafter prosecutes such drilling to completion or abandonment, or (2) pays or tenders to Lessor a rental of _____ DOLLARS ($) per acre (herein called "rental") for the leased premises, which payment shall extend for twelve (12) months, the time within which drilling may be commenced. Thereafter, annually, in like manner and upon like payment or tenders, the commencement of drilling may be deferred for periods of twelve (12) months each during the primary term. If on any anniversary date during the primary term there be neither drilling nor reworking in progress on the leased premises, nor production of a Mineral therefrom, this lease shall terminate unless on or before said anniversary date Lessee makes or resumes the payment of rental as herein set forth; provided that, if drilling or reworking be abandoned at any time within ninety (90) days prior to any such anniversary date, or if production ceases within such ninety (90) day period, Lessee shall have ninety (90) days after such abandonment of drilling or reworking or such cessation of production in which to commence drilling or reworking on the leased premises or to make such rental payment, and the commencement of such drilling or reworking or the payment of such rental within such ninety (90) day period shall have the same effect as though the drilling or reworking had been commenced or the payment made on or before said anniversary date. If abandonment of drilling or reworking or cessation of production occurs during a twelve (12) month period for which rental has not been paid, but more than ninety (90) days prior to the next anniversary date (or the end of the primary term, if it be during the last year of the primary term), this lease shall terminate unless Lessee, within ninety (90) days following such abandonment or cessation of production, commences further drilling or reworking or pays that proportionate part of the rental for such twelve (12) month period which the number of days between the end of the last mentioned ninety (90) day period and the next anniversary date hereof (or the end of the primary term, if it be during the last ~~year of the primary term) bears to the full twelve (12) month period.~~

2. If ~~such~~ abandonment of drilling or reworking or cessation of production occurs less than ninety (90) days before the end of the primary term, this lease will remain in force for ninety (90) days from such abandonment or cessation of production. If at the expiration of the primary term or the ninety (90) day period provided for in the preceding sentence Lessee is engaged in drilling or reworking on the leased premises, this lease shall continue so long as such drilling or reworking operations are prosecuted continuously.

Operations shall be deemed to be prosecuted continuously for all purposes of this lease if not more than ninety (90) days elapse between the cessation of operations on one well and the commencement of the actual drilling or reworking of another well.

3. PROSECUTION OF DRILLING OPERATIONS: Upon the commencement of the drilling of each well under this lease, Lessee shall be obligated to conduct the drilling with reasonable diligence and in accordance with good operating practices in the oil and gas industry in a bona fide and serious effort to produce one or more Minerals in paying quantities, until such well is completed as a producer of a Mineral in paying quantities, or until such well is abandoned as non-productive at the conclusion of a serious and bona fide effort.

4. ROYALTY: For purposes of this lease, the term "royalty share", wherever used herein, shall mean the fraction one-fourth (1/4). Lessee covenants and agrees to pay and deliver royalties to Lessor as follows:

(a) On oil, including condensate and other liquid hydrocarbons, the royalty share of that produced and saved from the leased premises; provided, however, that until Lessor gives Lessee sixty (60) days written notice that Lessor elects to take its royalty oil in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall purchase Lessor's royalty oil, paying therefor the market value of such oil. In the event sulphur is produced in conjunction with oil, or is extracted from oil, Lessee shall make available to Lessor its royalty share of such sulphur, if Lessor elects to take in kind, or pay Lessor the market value thereof. In any case, Lessor shall bear a proportionate share of the costs of extracting the sulphur from oil.

(b) On gas, including casinghead gas or other gaseous hydrocarbons produced from the leased premises, the royalty share of that produced and saved from the leased premises; provided, however, that until Lessor gives Lessee sixty (60) days written notice that Lessor elects to take its royalty gas in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall pay Lessor the market value of the royalty share of such gas. In the event sulphur is produced in conjunction with gas, or is extracted from gas, Lessee shall make available to Lessor its royalty share of such sulphur if Lessor elects to take in kind, or pay Lessor the market value thereof. In either case, Lessor shall bear a proportionate share of the costs of extracting the sulphur from the gas.

(c) If Lessee itself or through an affiliate uses gas produced under this lease in the manufacture or extraction of gasoline or other products in a plant in which the Lessee or an affiliate owns an interest, Lessor shall be entitled to receive the royalty share of such products extracted; provided, however, that until Lessor gives Lessee sixty (60) days prior written notice that Lessor elects to take its royalty share of such products in kind (which right Lessor may exercise from time to time, and also may countermand from time to time on like written notice) Lessee shall purchase Lessor's royalty share of such products, paying the market value of such products. In either event Lessor shall be obligated to bear its proportionate share of the direct costs and expenses (exclusive of overhead) incurred in such extraction or manufacture or the royalty share of such products. Royalty on residue gas after processing shall be paid pursuant to the provisions of Paragraph 4(b) above.

(d) It is expressly stipulated that Lessor, at its option and from time to time, upon giving sixty (60) days prior written notice to Lessee, may elect to take in kind its royalty share of any Mineral produced hereunder. In the event Lessor so elects to take in kind its royalty share of any Mineral, Lessor shall install the necessary facilities to take its proportionate share of such production at its cost and expense. Any contract entered into by Lessee for the sale of any Mineral produced under this lease shall be made expressly subject to Lessor's right to take in kind. Lessee represents and warrants that it has not heretofore entered into any contract for the sale of any Mineral produced under this lease which would commit or otherwise affect any Mineral produced hereunder. Lessee expressly is prohibited from selling gas produced from the leased premises to an interstate market, and from commingling such gas with other gas which is in interstate commerce. Lessee shall furnish Lessor true copies of all contracts entered into by Lessee for the sale or disposition of any Mineral produced under this lease.

(e) If at any time there is located on the leased premises a well or wells proven capable by actual tests (or other data which Lessor finds satisfactory) of producing gas in paying quantities and such well is shut-in because of lack of market or marketing facilities or governmental restrictions, then Lessee may maintain this lease in force and effect as to the well tract for such well (as defined in Paragraph 7 hereof) by paying Lessor annually the sum of Five and no/100------- DOLLARS ($ 5.00) per acre for the number of acres contained in such well tract; the first such payment to be made within thirty (30) days after the date on which such well was shut-in, and subsequent payments to be made on or before the respective anniversary dates of the shutting in of the well. So long as such annual payments are being made such well will be considered as producing gas in paying quantities, and such payment will serve to continue this lease in effect as to the well tract on which such well is located; provided, however, that Lessee shall not be entitled to maintain this lease as to a well tract by such annual payments for any period in excess of two (2) consecutive years.

5. TAXES: Lessor and Lessee shall bear in proportion to their respective participations in the production hereunder, all taxes levied on the severance or production of the Minerals produced under this lease. Lessee shall pay such taxes and deduct the part thereof due by Lessor from amounts payable to Lessor hereunder, and shall furnish a statement of all taxes so paid and deducted at the time of payment to Lessor. Any and all taxes, license fees and other governmental charges assessed against the works, machinery, structures, and other facilities constructed or used by Lessee in connection with its operations hereunder shall be borne and paid by Lessee alone.

6. PAYMENTS BY LESSEE: Lessee shall make all payments due Lessor by check of Lessee mailed or delivered to General Crude Oil Company, P. O. Box 2252, Houston, Texas 77001 Attention: Land Department.

7. DEVELOPMENT OF PREMISES: In the event that a Mineral or Minerals in paying quantities are discovered on the leased premises or on lands pooled or unitized therewith, Lessee agrees that it will commence the actual drilling of a development well on the leased premises on or before ninety (90) days following the date on which the discovery well is completed (or on or before ninety (90) days following the inclusion of the leased premises or a portion thereof in a unit on which there is situated a well capable of producing a Mineral in paying quantities), and thereafter not allow more than ninety (90) days to elapse between the cessation of operations on one well and the commencement of the actual drilling of the next. Lessee shall be given credit for so much of the time in each such ninety (90) day period as is not utilized because of drilling by Lessee sooner than required, and such credit may be used to extend subsequent drilling intervals in such manner as Lessee may determine; provided, however, that at no time may Lessee accumulate more than three hundred sixty-five (365) days credit. It is provided, however, that during the primary term of this lease, the Lessee may avoid the continuous drilling obligation imposed under this paragraph by paying rentals pursuant to the provisions of Paragraph 2 hereof, calculated on the number of acres then comprising the leased premises and not contained within well tracts as defined in this Paragraph 7.

For all purposes of this lease, a "well tract" shall be deemed to be a tract of land surrounding such well producing a Mineral in paying quantities, which shall consist of forty (40) acres if the well is producing oil or one hundred sixty (160) acres if the well is producing gas or gas and condensate, to be selected by Lessee in as nearly a square form as is practicable, or, in the event a unit has been established for the well, that portion of the leased premises contained in each such unit.

If Lessee fails to commence timely a required development well, or, if during the primary term, fails to pay rental on that portion of the leased premises not contained within any well tract, then notwithstanding anything herein contained to the contrary, this lease will terminate as to all of the leased premises except as to any portions contained in well tracts. If thereafter the production of Minerals on any well tract ceases from any cause, this lease shall terminate as to such well tract unless Lessee within ninety (90) days after cessation of production commences reworking operations or the actual drilling of a new well thereon (or, if during the primary term, pays rental as to such well tract pursuant to the provisions of Paragraph 2 hereof, calculated on the number of acres contained within such well tract), and in such event, this lease will continue in effect as to such well tract so long as such drilling or reworking is prosecuted continuously until production in paying quantities is restored.

In addition to the above development obligation, Lessee shall conduct such drilling and producing operations as a prudent operator would do under the same or similar circumstances, and the development and production of any one Mineral will not relieve the lessee of its obligation to develop and produce any other Minerals which can be produced from the leased premises in paying quantities.

Lessee further covenants and agrees that Lessee will conduct all operations on the leased premises in a good and workmanlike manner, and in accordance with the standard of the best industry practices in like operations, and that Lessee will comply with all legal requirements relating to production to oil or gas, and to operations relating thereto, and particularly all laws relating to fire hazard, to fire prevention and to the plugging of abandoned holes and to pollution of surface and underground water supplies. If any well hereafter is completed on adjacent land (whether or not owned by Lessor) which is capable of producing a Mineral in paying quantities, Lessee shall be obligated to drill on the leased premises such well or wells as a prudent operator under the same or similar circumstances would drill to protect the leased premises from drainage.

8. TERMINATION AS TO DEEPER HORIZONS: At the end of the primary term of this lease or upon cessation of continuous drilling or reworking operation after the end of the primary term as provided in Paragraph 2, this lease will terminate automatically as to all horizons situated below the base of the deepest zone then producing in paying quantities from a well located on the leased premises or on other lands unitized with the leased premises. Upon such termination as to deeper horizons Lessor, its successors, lessees or assigns, thereafter shall have the right to reasonable use of the leased premises, but without unreasonable interference with Lessee's rights, for the purposes of investigating, exploring, prospecting and drilling for, producing and owning Minerals from the horizons as to which this lease has terminated.

9. VOLUNTARY RELEASE: Lessee may at any time execute and deliver to Lessor and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage surrendered except those arising from prior acts or ommissions of Lessee; and, if during the primary term, rentals may be reduced proportionately according to acreage.

10. LIABILITY OF LESSEE: Lessee assumes all risk and liability of any kind and nature incident to, occasioned by, or resulting in any manner, directly or indirectly, from Lessee's operations hereunder; agrees to keep the lands duly and fully protected against liens of every character arising in connection with, or resulting from, said operations; and agrees to indemnify and hold harmless Lessor against any and all liens and claims of any kind for damages occasioned by, or on account of, said operations and against any and all claims for property damage, personal injury or death sustained by any person or persons whomsoever, natural or corporate, in connection with, or resulting from Lessee's operations hereunder, and whether or not involving active or passive negligence on the part of Lessor or its agents, contractors or employees.

11. REDUCTION IN PAYMENTS: If Lessee owns less than the entire mineral estate or less than the entire undivided interest in the mineral rights relating to any portion of the leased premises, rentals, shut-in payments and royalties hereinabove provided for may be reduced proportionately to the interest of the Lessor therein.

12. USE OF LEASED PREMISES:

(a) The provisions of Section (b) of this Paragraph shall apply only where Lessor owns all or a part of the surface interest in the lands covered by this lease and shall not be in derogation of the rights of any other partial owners.

(b) Lessee will so conduct its operations hereunder so as not to interfere unreasonably with Lessor or with its tenant(s) in the use of the surface of the lands covered by this lease, and Lessee will build and use only such roads as are reasonably necessary to conduct operations under this lease, such roads to be built and used in such manner as to avoid, insofar as possible, interference

with Lessor's or with its tenant's operations on the surface of the lands covered by this lease; provided further, that Lessee agrees that by no later than thirty (30) days prior to the construction of any road or to the commencement of operations in or about any drilling site, it will furnish to Lessor map or plat showing the proposed location thereof. Lessor and its employees, agents, servants and assigns shall have the right in common with Lessee to use such roads in such manner as not to interfere unreasonably with Lessee's operations. Lessee will provide at Lessee's expense all necessary protective measures to prevent any loss or damage to the property of Lessee on account of any operations by Lessor or its tenant(s) including protection for pipe lines and telephone lines. Unless first consented to in writing by Lessor, no well shall be drilled nearer than two hundred (200) feet to any structure now or hereafter placed on the leased premises. When requested by Lessor, Lessee will bury pipe lines to below ordinary plow depth or to such greater depth as Lessor deems necessary for its operations. Lessee will pay for all damages to the surface of the leased lands or suffered by any tenant of Lessor caused by or arising out of operations under this lease. Pits and excavations made during drilling operations will be filled by Lessee and the surface restored, as nearly as reasonably possible, to its original condition; and if Lessee shall fail to do so, the cost to Lessor of such filling and restoration shall be paid by Lessee. Lessee's obligations under this Paragraph shall be in addition to, and shall not in any way modify or diminish its obligations under Paragraph 10 hereof.

13. USE OF OIL, GAS AND WATER BY LESSEE: Lessee shall have free use of oil and gas, and water from Lessee's own water wells located on the leased premises, for drilling and reworking operations on the leased premises, (but not in connection with unit operations without Lessor's prior written consent) and the royalty on oil and gas shall be computed after deducting any so used; but Lessee shall pay royalty on oil and gas used for any other purpose, and on oil and gas used off the leased premises for any purpose whatsoever.

14. REMOVAL OF LESSEE'S PROPERTY: Lessee shall have the right at any time during or within ninety (90) days after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing; provided that, Lessor shall have the right to acquire any fresh water wells drilled by Lessee on the leased premises by paying Lessee the salvage value of the equipment in and on such well less the cost of salvage. All property and fixtures not removed within such ninety (90) day period will become the property of the Lessor, except that if Lessor requires that any of such property be removed, Lessee shall remove the same promptly, or, in the event Lessee fails so to do, Lessor may remove same at the cost, risk and expense of Lessee.

15. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto but no assignment of this lease shall be made by Lessee, in whole or in part, unless the written consent of Lessor shall have been first obtained. Any attempt to make such an assignment without first obtaining Lessor's written consent thereto shall be void. No sale or assignment by either party shall be binding on the other unless the latter shall have first been furnished with a recordable instrument evidencing the same.

16. EXCLUSION OF WARRANTY. This lease is granted without any coverant of title or warranty of title of any kind whatsoever, expressed or implied, and without any recourse against the Lessor in the event of any failure of title, not even for the return of the consideration paid herefor, or any delay rentals or shut-in payments made hereunder. Lessee shall have the right to purchase, pay or redeem any mortgage, tax or other lien on the leased premises and be subrogated to the rights of the holder thereof. If Lessee obtains a title opinion or title insurance policy on any portion of the leased premises, Lessor will be provided a copy of such title material. Lessee shall not undertake any title curative work with respect to the leased premises without the prior approval of Lessor, nor shall Lessee acquire any lease or other interest from any adverse claimant without Lessor's prior written consent, and violation of the provisions of this sentence shall constitute a denial of Lessor's title resulting in automatic termination of the lease.

17. FORCE MAJUERE: In the event Lessee is prevented from conducting drilling or reworking operations hereunder, or from producing Minerals from the leased premises by reason of force majeure, Lessee shall give Lessor prompt written notice of the force majeure with reasonably full particulars concerning it, and if such drilling or reworking operations or production of Minerals are necessary to continue this lease in force and effect as to any of the leased premises, this lease shall not terminate if Lessee pays Lessor at the rate of Five and no/100---------- DOLLARS ($ 5.00) per day during the time Lessee is so prevented from performing. Payments shall be made within ten (10) days following the end of each thirty (30) day period, or portion thereof, during which such condition of force majeure persists. This lease may not be maintained pursuant to the provisions of this Paragraph 17 during any period in excess of one (1) year for each occurrence of force majeure. The term "force majeure" as used herein shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment and any other cause (other than inability to make money payments) whether of the kind specifically enumerated herein or otherwise, which is not reasonably within the control of Lessee.

18. CLEARANCE OF TITLE: Upon the expiration or termination of this lease as to any of the leased premises (including termination as to deeper horizons pursuant to provisions of Paragraph 8 hereof), Lessee agrees to execute a quitclaim deed or release, properly acknowledged and entitled to be recorded, discharging and releasing all right, title and interest of Lessee from any and all further claim under this lease and removing any cloud cast by this lease on the title to such lands or horizons. Such deed or release shall be executed and delivered to Lessor within ninety (90) days after the expiration or termination hereof as to all or any part of the leased premises, failing which, Lessor shall have the right to file suit to cancel this lease as a cloud on the title to said lands and Lessee covenants and agrees to pay all costs of suit incident to such cancellation and all damages and expenses sustained by Lessor, including attorneys' fees, as a result of said failure. The obligations of Lessee under this Paragraph 18 shall be in addition to, and not in substitution for, any imposed by the statutes of the state in which the leased premises are located.

19. INSPECTION, RECORDS AND INFORMATION: Lessee will furnish Lessor a copy of any survey on the leased premises made by or for Lessee. Lessee agrees that Lessor, acting by or through any agent or representative authorized by Lessor, at Lessor's risk, will have the right at all times to inspect any machinery, equipment, well or operation of Lessee upon the leased premises, or on land unitized therewith, Lessee promptly will furnish Lessor complete copies of all logs and electrical surveys run in any wells located on the leased premises or on land unitized therewith, showing formations encountered and the identification of such formation as determined by Lessee or its geologists or paleontologists. Lessee agrees to furnish Lessor promptly with copies of daily drilling reports and daily mud log reports on all wells drilled on the leased premises or on lands unitized therewith, and to notify Lessor at least twenty-four (24) hours prior to conducting any testing, coring, logging or completion operations on any such well. The results of all tests, including drill stem tests, formation tests, and core analyses, conducted on any well on the leased premises or on lands unitized therewith shall be sent to Lessor promptly upon receipt by Lessee. Lessor also shall be provided all dipmeter and velocity surveys, including Lessee's interpretations thereof, as well as cuts and samples taken from the mud or from coring. All information required to be furnished Lessor shall be mailed to 502 Vaughn Building, Midland, Texas 79701, Attn.: Land Dept., (915) 684-5736, until such time as we have notified Lessee in writing of change of address for Lessor.

20. WAIVER: The failure of Lessor to insist in one or more instances upon strict compliance by Lessee with any of the provisions of this lease, or to take advantage of any right hereunder, shall not be construed as a waiver of any such provision, nor the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

21. WHOLE AGREEMENT, AMENDMENTS: This lease represents the whole agreement between the parties with respect to the land herein described, and no representations or agreements made by either party, or by any representative of either party, in the negotiations leading to this lease or otherwise, which are not set forth in this lease, shall be binding on such party. No change in, addition to, modification or amendment of, this lease, or any provision hereof, shall hereinafter be made except by an agreement in writing signed by each of the parties hereto.

22. ATTORNEY'S FEES: If Lessor brings suit to compel performance of, or to recover for breach of any covenant or condition herein contained, or for declaratory relief, and prevails therein, Lessee agrees to pay to Lessor reasonable attorney fees in addition to the amount of judgment and costs.

23. TIME OF THE ESSENCE: In this lease, time is of the essence.

IN WITNESS WHEREOF, this instrument has been executed by the parties on the dates of their acknowledgments set forth below, but effective as of the date first above set forth.

LESSOR:

GENERAL CRUDE OIL COMPANY

Attest:

F. A. Eudy

F. A. EUDY
ASSISTANT SECRETARY

By: G. E. Gotschall

G. E. Gotschall, Vice President

LESSEE:

James A. Davidson

STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared G. E. GOTSCHALL, known to me to be the person whose name is subscribed to the foregoing instrument as Vice President of GENERAL CRUDE OIL COMPANY, a corporation, and acknowledged to me that he executed the same as the act and deed of said corporation, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 22 day of May, 1979.

Mary Wallace
Notary Public in and for Harris County, Texas

My Commission Expires: May 31, 1981

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared JAMES A. DAVIDSON, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 3RD day of JULY, 1979.

NOTARY PUBLIC COUNTY OF MIDLAND, TEXAS

Leigh M Cerboskas
Notary Public in and for Midland County, Texas
LEIGH M. CERBOSKAS
My Commission Expires: MY COMMISSION EXPIRES JULY 31, 1980

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUL 20 1979
at 1:20 o'clock P M
and recorded in Book 318
Page 107
Jane Rice Smith, County Clerk
By D Bingham Deputy

8366

BOOK 317 PAGE 302

Form 88 P-C (2-56) With 640 Acres Pooling Provision

OIL AND GAS LEASE 5829

Form 310 Hall-Poorbaugh Press Roswell, New Mexico

THIS AGREEMENT made this 21st day of May, 19 79, between W. L. PICKENS and wife RUTH GARDNER PICKENS

Lessor (whether one or more), whose address is: Dallas, Texas and JAMES A. DAVIDSON (P. O. Box 494--Midland, Texas 79702) Lessee, WITNESSETH:

1. Lessor in consideration of --Ten-- Dollars

($ 10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in LEA County, NEW MEXICO, to-wit:

T-21-S, R-36-E, N.M.P.M.

Section 13: NE/4

It is agreed that the fraction "one-quarter" (1/4) shall be substituted for the fraction "one-eighth" (1/8) in all cases where the later appears in Paragraph 3 hereof.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder. three (3)

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and oil or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of The New Mexico Oil Conservation Commission, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and the production from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of production of oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of the instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis - that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that proportion of the total oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from the land covered by this lease. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of the lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee, either before or after the commencement of production, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities shall be brought in on adjacent land and within 330 feet of and draining to the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells or to take such other measures as may be reasonably necessary to protect the leased premises from drainage, which operations would be conducted with due diligence under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right to use free of cost, during or after the expiration of this lease, to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When requested by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of said land, royalties or rentals hereunder, howsoever effected, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until sixty (60) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a part hereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. This lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this agreement shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. Lessee is granted the right of ingress and egress along with the right to conduct such operations on said land as may be necessary for the full enjoyment of the rights herein granted. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations hereon or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, any such covenant is suspended and Lessee shall not be liable for damages for failure to comply therewith during such time. This lease may be extended while and so long as Lessee is prevented, by any such cause, from drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

11. Notwithstanding anything stated herein to the contrary, it is understood and agreed that this lease shall terminate at the end of the primary term (as said primary term may be extended under Paragraph 5) as to any part of the above described land which is not at such time included in a proration unit prescribed by the Oil Conservation Commission of New Mexico for a well capable of producing in paying quantities.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

(W. L. Pickens)

(Ruth Gardner Pickens)

INDIVIDUAL ACKNOWLEDGMENT

STATE OF TEXAS §
County of Dallas §

The foregoing instrument was ackonwledged before me this 21st day of May, 1979 by W. L. Pickens and wife Ruth Gardner Pickens

Notary Public

My Commission expires May 11, 1980.

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUN 1 1979

at 1:40 o'clock P M
and recorded in Book 317
Page 302
Jane Rice Smith County Clerk
By Bess Newton Deputy

5829

Producers 88 Rev. (XXXXXXXXX(2-55)
With 640 Acres Pooling Provision

6439
(XXXXXXXXXXXXXXXXXX)

Book 317 Page 109

Form 310
Hall-Poorbaugh Press
Roswell, New Mexico

OIL AND GAS LEASE

THIS AGREEMENT made this 18th day of May, 19 79, between E. D. BERRYMAN and wife, INA BELL BERRYMAN

Lessor (whether one or more), whose address is: Eunice, New Mexico and JAMES A. DAVIDSON (P. O. Box 494-Midland, Texas 79702) Lessee, WITNESSETH:

1. Lessor in consideration of --Ten-- Dollars ($10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in LEA County, NEW MEXICO, to-wit:

T-21-S, R-36-E, N.M.P.M.

Section 13: NE/4

It is agreed that the fraction "one-quarter" (1/4) shall be substituted for the fraction "one-eighth" (1/8) in all cases where the later appears in Paragraph 3 hereof.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ~~ten~~ three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of The New Mexico Oil Conservation Commission, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis, that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of [illegible] operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit [illegible] by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or [illegible] land and within [illegible] feet of and draining the lease premises, or land pooled therewith, [illegible] prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. [illegible] of this lease to remove all property and fixtures placed by Lessee on said land, [illegible] Lessee will bury all pipe lines below ordinary plow depth, and no well shall be [illegible]

7. [illegible] and the [illegible] hereof shall extend to their heirs, successors and assigns [illegible] shall operate to enlarge the obligations or diminish the rights of [illegible] days after Lessee shall have been furnished by registered [illegible] In the event of assignment [illegible] of a portion thereof who [illegible] Lessee may withhold payment thereof unless and until furnished with a [illegible]

8. [illegible] a forfeiture or termination of this lease nor cause a termination or reversion [illegible] at any time [illegible] and Lessee, if [illegible] this instrument, [illegible] prudent operator [illegible] acres of the area retained hereunder and capable [illegible] acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder [illegible]

9. [illegible] that Lessee at its option may discharge any tax, mortgage or other lien [illegible] royalties [illegible] If Lessor [illegible] then the royalties to be paid Lessor shall be reduced [illegible] it shall nevertheless be binding upon the party or parties [illegible]

10. [illegible] and this lease shall be extended while and so long [illegible] from the leased premises; and [illegible] in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this [illegible]

E. D. Berryman
(E. D. Berryman)

Ina Bell Berryman
(Ina Bell Berryman)

Lessor

RECEIVED JUN 6 1979

BOOK 317 PAGE 110

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO,
County of Lea } ss.

The foregoing instrument was acknowledged before me this 18th day of May,

19 79 by E. D. Berryman and wife, Ina Bell Berryman

My Commission expires August 2, 1981. Notary Public

NOTARY PUBLIC STATE OF NEW MEXICO

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,

19____ by _____

My Commission expires _____, 19____. Notary Public

5139

Producers 88 Rev. (10 Year Lease) (5-66)
With 640 Acres Pooling Provision

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 19____

No. _____

Term _____

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 25 1979

at 1:00 o'clock P. M.
and recorded in Book 317
Page 109
Jane Rice Smith, County Clerk
By Ben Newton, Deputy

This instrument was filed for record on the _____ day of _____, 19____,

at _____ o'clock _____ M., and duly recorded in Book _____, Page _____,

of the records of this office.

_____ County Clerk

By _____, Deputy

When recorded return to

21066

Producer's 88—(Producer's Revised 1965) (New ...ical Form 342 Printed c...r sale by Hall-Poorbaugh Press, Roswell, N. M.

OIL & GAS LEASE Paid BOOK 325 PAGE 359

THIS AGREEMENT made this 4th day of March 19 80, between

DANIEL L. GUTMAN, Successor Trustee under the Will of Max Gutman, deceased

of New York, New York
(Post Office Address)

herein called lessor (whether one or more) and JAMES A. DAVIDSON (P. O. Box 494, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of $ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Republic National Bank Bank at Dallas, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estate or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land covered by this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 90 days after the abandonment of said operations, lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil and gas from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When requested by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change or division in the ownership of the land, or in the executory rights or royalties or payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee, and no change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the decedent in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the person entitled to such payment. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or a failure to comply with any other provision of this lease, such default shall not affect this lease in so far as it covers a part of said land upon which lessee or any assignee thereof shall properly or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. ~~Lessor hereby warrants and agrees to defend the title to the land~~ and agrees that lessee, at its option may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of grantee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether or not lessor has acquired any interest since the execution hereof), then the royalties, shut-in royalty, rental, and other payments hereunder to be paid lessor shall be reduced to such proportion thereof as the interest therein which he owns bears to the whole and undivided fee simple estate therein. If lessor should own a smaller interest in the land than the entire fee simple estate, or should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, express or implied, of this agreement, as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Daniel L. Gutman, Successor Trustee
under the Will of Max Gutman, deceased

Book 325 Page 360

New York

STATE OF ~~NEW MEXICO~~,
County of NEW YORK

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 4th day of March, 1980 by Daniel L. Gutman, in the capacity therein stated

My Commission expires MARCH 30, 1981

Maxwell B. Chwatsky
Notary Public

STATE OF NEW MEXICO,
County of [illegible]

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__ by _____

My Commission expires _____, 19____

Notary Public

STATE OF NEW MEXICO,
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__ by _____

My Commission expires _____, 19____

Notary Public

STATE OF _____
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__ by _____

My Commission expires _____, 19____

Notary Public

No. 21066

OIL AND GAS LEASE
NEW MEXICO

FROM _____

TO _____

Date _____, 19__

Section _____ Township _____, Range _____

No. of Acres _____

Term _____

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on the 11th day of March A. D., 19 80, at 11:30 o'clock A m., and was duly recorded in Book 325 at Page 359 of the Records of said County.

By _____ (County Clerk)
Deputy

STATE OF NEW MEXICO
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__

by _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19__

by _____ President

of _____ a _____ corporation

on behalf of said corporation.

My Commission Expires: _____

Notary Public

Producer's 88 – (Producer's Revised 1965) (New [illegible] Form 342 [illegible] Printed or [illegible] sale by Hall [illegible] Press, Roswell, N. M.

OIL & GAS LEASE

THIS AGREEMENT made this 22nd day of March, 19 80, between

Texaro Oil Company

801 Preston State Bank Building of Dallas, Texas 75225
(Post Office Address)

herein called lessor (whether one or more) and Doyle Hartman (P. O. Box 10426, Midland, Texas 79702), lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the [illegible] herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of [illegible], exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

T-21-S, R-36-E, NMPM

Section 13: NE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, -1/4- of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of -1/4- of the gas so sold or used, provided that on gas sold at the wells the royalty shall be -1/4- of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to ~~the amount of delay rentals provided for in this lease~~ [illegible] for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, ~~unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of~~ $ 160.00 ~~which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term.~~ Payment of shut-in royalty shall be made to lessor at above address. Payment or tender ~~may be made to the lessor or to the credit of the lessor in the~~ [illegible] ~~bank at~~ [illegible] which bank, ~~or any successor thereof,~~ shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by ~~certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.~~

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, ~~or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production.~~ If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the decedent or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, ~~and if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. [illegible] this paragraph shall be [illegible]~~

9. Should lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon, or from producing oil or gas therefrom by reason of [illegible] or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby ~~warrants and agrees to defend the title to said land and~~ agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply ~~rentals and~~ royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, ~~rentals,~~ and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the ~~rentals and~~ shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. See Attached Paragraph 12.

Executed the day and year first above written.

[signature]

TEXARO OIL COMPANY

By: [signature] V.P.

Title: [signature] V.P.

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ..... day of .....,

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF NEW MEXICO,

County of .....

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ..... day of .....,

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF NEW MEXICO,

County of .....

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ..... day of .....,

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

STATE OF .....

County of .....

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ..... day of .....,

19 ..... by .....

.....

My Commission expires ....., 19.....

.....
Notary Public

No. .....

OIL AND GAS LEASE
NEW MEXICO

FROM .....

TO .....

Date ....., 19..

Section ....., Township ....., Range .....

No. of Acres .....

County, New Mexico

Term .....

STATE OF NEW MEXICO
COUNTY OF .....

I hereby certify that this instrument was filed for record on the ..... day of .....

A. D. 19..., at ..... o'clock ..... M., and was duly recorded in Book ..... at Page ..... of the Records of said County.

By .....
Deputy

.....
County Clerk

STATE OF ~~XXXXXXXXXX~~ Texas

County of [illegible]

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 19th day of March, 19 80,

by [illegible] and [illegible] President

of Texaco Oil Company a Texas corporation

on behalf of said corporation.

My Commission Expires: May 6, 1981

[illegible]
Notary Public

STATE OF .....

County of .....

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this ..... day of ....., 19....

by .....

President

of .....

corporation

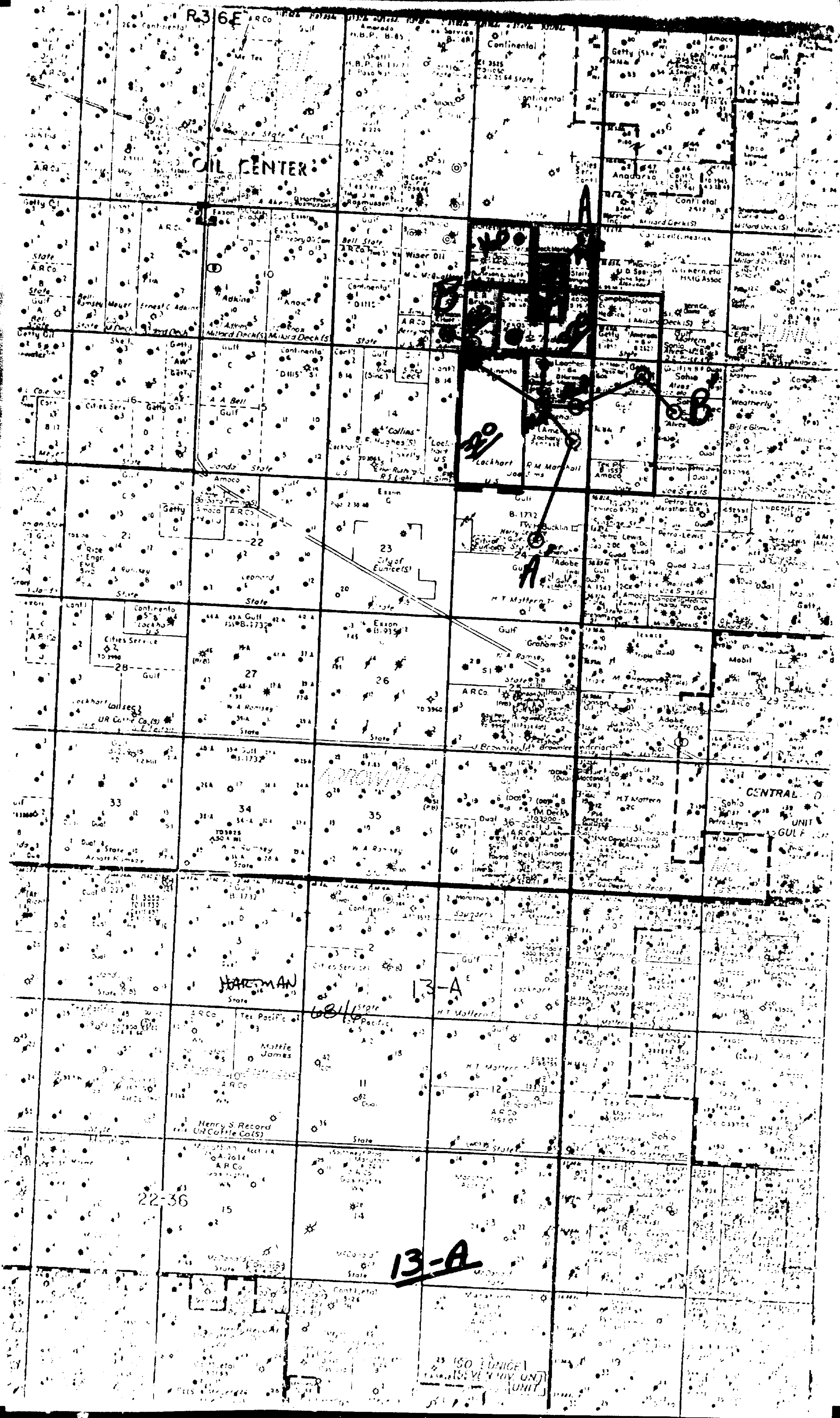
on behalf of said corporation.

My Commission Expires: .....

.....
Notary Public

This paragraph to be attached to
and made a part of that Oil and Gas Lease
dated March 17th, 1980
Texaro Oil Company and Doyle Hartman

12. Notwithstanding anything to the contrary herein contained, production from a pooled unit or units embracing land covered hereby and other land shall maintain this lease in force only as to land included in such unit or units. ~~The lease may be maintained in force as to the remainder of the land in any manner herein provided for, provided that if it be by rental payment, rentals shall be payable only on the number of acres not included in such unit or units.~~



R36E
OIL CENTER
Continental
Getty
Gulf
Amoco
Exxon
Texaco
Sohio
A
B
Lockhart
Collins
City of Eunice (S)
23
24
Graham-St
CENTRAL
UNIT
GULF
HARTMAN
13-A
6816
22-36
H.T. Mattern
Henry S. Record
UR Cattle Co. (S)
W.A. Ramsey
Mattie James
State

EXAMINER HEARING
OIL CONSERVATION DIVISION
EXHIBIT NO. 15
CASE NO. 6846

April 3, 1980

Arco Oil and Gas Company
Post Office Box 1610
Midland, Texas 79702

Attention: Mr. Kurt Krehbiel

Re: New Mexico Oil Conservation Division
Case No. 6846

Dear Mr. Krehbiel:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

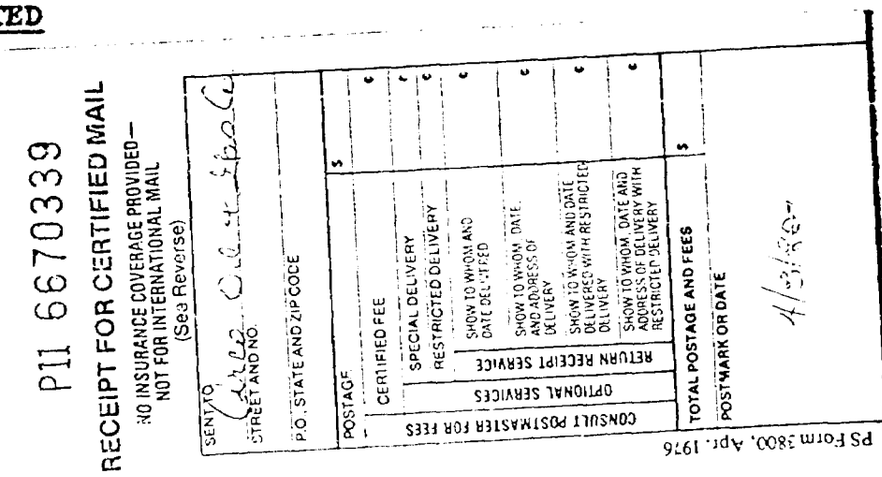
Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED



March 31, 1980

Fluor Oil and Gas Corporation
Fluor Minerals, Ltd.
615 Midland Tower Building
Midland, Texas 79701

Re: New Mexico Oil Conservation Division
Case 6846

Gentlemen:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE(

Hartman - Case 6846

SEND: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery.....
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Fluor Oil & Gas Corp.
615 Midland Tower Building
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 66703337 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY | POSTMARK
APR 0-3 1980

5. ADDRESSEE'S ADDRESS (Only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

PS Form 3811, Jan. 1979 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Mr. James H. Isbell
727 Midland Tower Building
Midland, Texas 79701

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Isbell:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670336

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
STREET AND NO.
P.O., STATE AND ZIP CODE

POSTAGE $
CERTIFIED FEE
SPECIAL DELIVERY
RESTRICTED DELIVERY
SHOW TO WHOM AND DATE DELIVERED
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY
RETURN RECEIPT SERVICE
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY
CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
TOTAL POSTAGE AND FEES $
POSTMARK OR DATE

3/31/80

PS Form 3800, Apr. 1976

March 31, 1980

Mr. Gary E. Leascher
Post Office Box 8046
Midland, Texas 79703

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Leascher:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

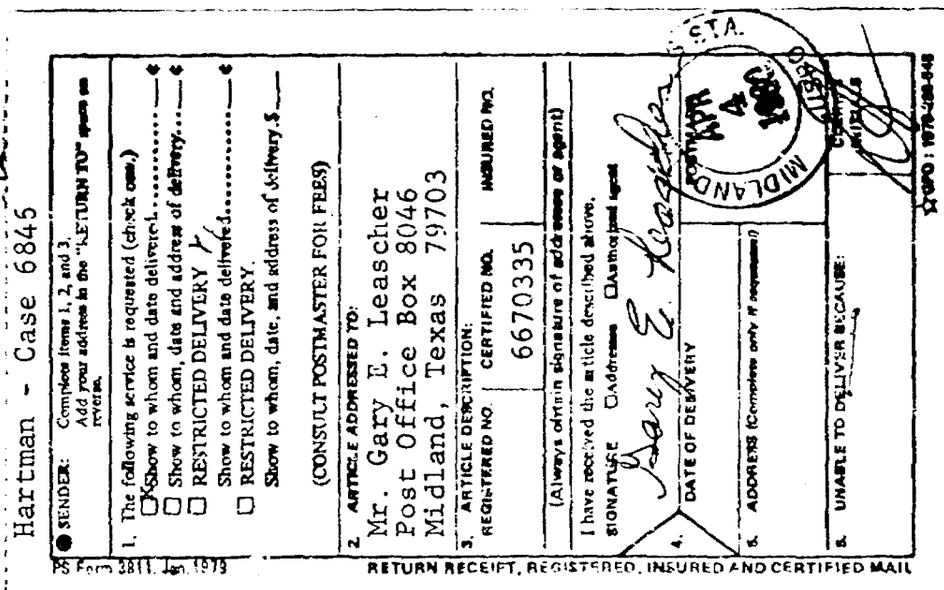
William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Hartman - Case 6845



March 31, 1980

Ms. Cynthia D. Leascher
Post Office Box 8046
Midland, Texas 79703

Re: New Mexico Oil Conservation Division
Case 6846

Dear Ms. Leascher:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQ

Hartman - Case 6846

SENDER: Complete Items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered
☐ Show to whom, date and address of delivery
☐ RESTRICTED DELIVERY
Show to whom and date delivered
☐ RESTRICTED DELIVERY
Show to whom, date, and address of delivery

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ms. Cynthia D. Leascher
Post Office Box 8046
Midland, Texas 79703

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
6670334

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Mary E. Leascher

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK
APR 4 1980

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Mr. Michael Sullivan
Post Office Box 8046
Midland, Texas 79703

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Sullivan:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Hartman - Case 6846

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....¢
☐ Show to whom, date and address of delivery.....¢
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Mr. Michael Sullivan
Post Office Box 8046
Midland, Texas 79703

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6670333 | INSURED NO.
(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent
Mary E. Lysander

4. DATE OF DELIVERY
APR 1980
POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1978 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Ms. Gail Sullivan
Post Office Box 8046
Midland, Texas 79703

Re: New Mexico Oil Conservation Division
Case 6846

Dear Ms. Sullivan:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQ

Doyle Hartman- Case 6846

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery.....
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ms. Gail Sullivan
Post Office Box 8046
Midland, Texas 79703

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6670332 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Mary E. Woodson

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK
APR 4 1980

CLERK'S INITIALS

PS Form 3811, Jan. 1978 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Texarc Oil Company
810 Preston State Bank Building
811 Preston Road
Dallas, Texas 75240

Re: New Mexico Oil Conservation Division
Case 6846

Gentlemen:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Hartman - Case 6846

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....¢
☐ Show to whom, date and address of delivery.....¢
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.$____
(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Texaro Oil Company
811 Preston Road
Dallas, Texas 75240

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6570331 | INSURED NO.
(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent
Paula Daughtry

4. DATE OF DELIVERY APR 3 1980 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

PS Form 3811, Jan. 1979 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆GPO: 1979-288-848

March 31, 1980

Ms. Betti G. Guttag
16 Sutton Place
New York City, New York 10022

Re: New Mexico Oil Conservation Division
Case 6846

Dear Ms. Guttag:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

Doyle Hartman - Case 6846

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....
- ☐ Show to whom, date and address of delivery.....
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ms. Betti G. Guttag
16 Sutton Place
New York, New York 10022

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6670330 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

POSTMARK 08

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

7. CLERK'S INITIALS

PS Form 3811, Jan. 1979 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Mr. Jack Guttag
16 Sutton Place
New York City, New York 10022

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Guttag:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

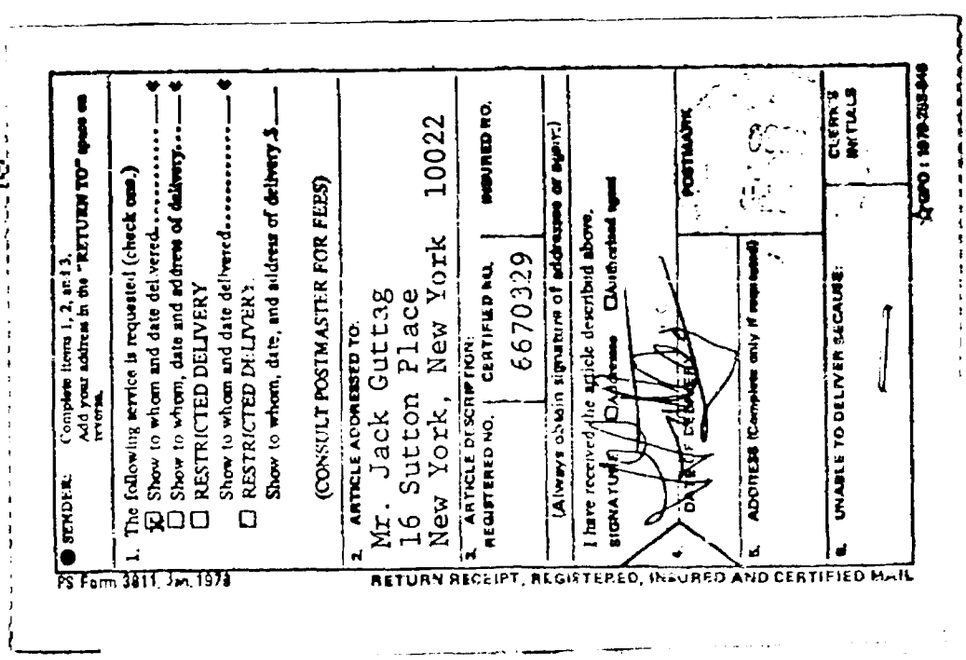
Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE


SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery....
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery $

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Mr. Jack Guttag
16 Sutton Place
New York, New York 10022

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 6670329 | INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK

CLERK'S INITIALS

PS Form 3811, Jan. 1978 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

March 31, 1980

Mr. Charles Gutman
51 East 42nd Street
New York City, New York 10017

Re: New Mexico Oil Conservation Division
Case 6846

Dear Mr. Gutman:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670328

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Charles Gutman
STREET AND NO.
P.O., STATE AND ZIP CODE

POSTAGE	$
CERTIFIED FEE	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
TOTAL POSTAGE AND FEES	$
POSTMARK OR DATE	3/31/80

PS Form 3800, Apr. 1976

March 31, 1980

Ms. Edith G. Socolow
45 East 82nd Street
New York City, New York 10028

Re: New Mexico Oil Conservation Division
Case 6846

Dear Ms. Socolow:

Enclosed is a copy of the docket for the April 9, 1980 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670327

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED – NOT FOR INTERNATIONAL MAIL (See Reverse)

SENT TO
STREET AND NO.
P.O. STATE AND ZIP CODE

POSTAGE	$
CERTIFIED FEE	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
TOTAL POSTAGE AND FEES	$
POSTMARK OR DATE	

3/31/80

PS Form 3800, Apr. 1976

DOCKET MAILED

Date 3/14/80

(Bill is pending
Copies to Parties)
3/19/80

LOCATIONS. LEA COUNTY, NEW MEXICO.

CONTINUED TO APRIL 9

READVERTISED