

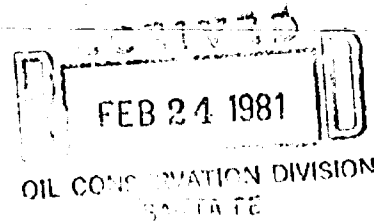
CASE NO.

7144

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APPLICATION,  
Transcripts,  
Small Exhibits,  
ETC.

*Morris R. Antweil*  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240



February 20, 1981

*File*

*Case 7144*

*Author*

*AS*

Mr. L. F. Brown  
Route 2 - Box 384  
Lubbock, Texas 79415

RE: Re-Entry No. 1 Townsend  
Section 10-T13S-R38E  
Lea County, New Mexico

Dear Mr. Brown:

Enclosed is a copy of New Mexico Oil Conservation Division Order No. R-6593 which pools the mineral interests in the S/2 of Section 10-T13S-R38E, Lea County, New Mexico, for our re-entry of the No. 1 Townsend well. Also enclosed, as required by Provision (3) of said Order, is a copy of our AFE Cost Estimate for the proposed re-entry.

We again request that you consider leasing your interest on the terms presented to you by Don Blackmar.

Yours Very Truly,

MORRIS R. ANTWEIL

*R. M. Williams*

R. M. Williams

pb

Enclosures

✓cc: NM Oil Conservation Division

AFE COST ESTIMATE  
RE-ENTRY NO. 1 TOWNSEND  
SEC. 10-T135-R38E

| ITEM   | TANGIBLE         | INTANGIBLE       | TOTAL            |
|--|------------------|------------------|------------------|
| <u>Re-entry to Base of<br/>9 5/8" Casing</u> |                  |                  |                  |
| Roads, Location, and Damages                 | \$               | \$ 5,000         | \$ 5,000         |
| Well Service Unit - 7 Days                   |                  | 16,800           | 16,800           |
| Reverse Units & Tools                        |                  | 25,000           | 25,000           |
| Mud & Water                                  |                  | 5,000            | 5,000            |
| 9 5/8" Casing-1580' @ \$15.00/ft.            | 23,700           |                  | 23,700           |
| 9 5/8" Casing Bowl                           |                  | 3,600            | 3,600            |
| Wellhead & Connections                       | 2,000            |                  | 2,000            |
| Supervision & Expenses                       |                  | 1,000            | 1,000            |
| Transportation & Misc. Labor                 |                  | 2,000            | 2,000            |
| Contingencies                                |                  | 10,900           | 10,900           |
| <b>COST TO BASE 9 5/8" CASING</b>            | <b>\$25,700</b>  | <b>\$ 69,300</b> | <b>\$95,000</b>  |
| <u>Re-entry Below 9 5/8" Casing</u>          |                  |                  |                  |
| Location                                     | \$               | \$ 5,000         | \$ 5,000         |
| Move-in, Rig-up Rig                          |                  | 45,000           | 45,000           |
| Daywork-Drill-out - 4 days<br>@ \$7,000/day  |                  | 28,000           | 28,000           |
| Daywork-Operations - 3 days<br>@ \$7,000/day |                  | 21,000           | 21,000           |
| Bits   |                  | 2,000            | 2,000            |
| Mud & Water                                  |                  | 30,000           | 30,000           |
| Logging Service                              |                  | 26,900           | 26,900           |
| DST Service - 2 DST's                        |                  | 5,000            | 5,000            |
| Rental Tools & Equipment                     |                  | 3,000            | 3,000            |
| Supervision & Expenses                       |                  | 2,000            | 2,000            |
| Transportation & Misc. Labor                 |                  | 4,000            | 4,000            |
| Contingencies                                |                  | 13,100           | 13,100           |
| <b>COST FROM 9 5/8" CASING TO 12,000'</b>    | <b>-</b>         | <b>\$185,000</b> | <b>\$185,000</b> |
| <u>Completion Costs</u>                      |                  |                  |                  |
| 5 1/2" Casing - 12,000' @ \$8.80/ft.         | \$105,600        | \$               | \$105,600        |
| Cement & Service - 5 1/2" Casing             |                  | 9,000            | 9,000            |
| Daywork - 1 day @ \$7,000/day                |                  | 7,000            | 7,000            |
| Well Service Unit                            |                  | 10,000           | 10,000           |
| Perforating Service                          |                  | 6,000            | 6,000            |
| Tubing - 2 3/8" - 11,500' @<br>\$4.30/ft.    | 49,500           |                  | 49,500           |
| Rental Tools & Equipment                     |                  | 4,000            | 4,000            |
| Acid Treatment                               |                  | 8,000            | 8,000            |
| Wellhead & Connections                       | 5,000            |                  | 5,000            |
| Battery Facilities                           | 30,000           |                  | 30,000           |
| Supervision & Expenses                       |                  | 3,000            | 3,000            |
| Transportation & Misc. Labor                 |                  | 5,000            | 5,000            |
| Contingencies                                |                  | 7,900            | 7,900            |
| <b>COMPLETION COSTS</b>                      | <b>\$190,100</b> | <b>\$ 59,900</b> | <b>\$250,000</b> |
| <b>TOTAL AFE COST</b>                        | <b>\$215,800</b> | <b>\$314,200</b> | <b>\$530,000</b> |

APPROVAL:

by \_\_\_\_\_

date \_\_\_\_\_

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
28 January 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Morris R. Antweil for  
compulsory pooling, Lea County, New  
Mexico.

CASE  
7144

BEFORE: Daniel S. Nutter

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

For the Applicant:

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



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I N D E X

R. M. WILLIAMS

Direct Examination by Mr. Carr

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Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, Memorandum

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Applicant Exhibit Three, Letter

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Applicant Exhibit Four, AFE

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7144.

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MR. PADILLA: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico.

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MR. CARR: May it please the Examiner, I'm William F. Carr with the law firm Campbell, Byrd, and Black of Santa Fe, New Mexico, appearing on behalf of the Applicant.

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I have one witness, Mr. Bob Williams, and we request that the record reflect that he is under oath.

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MR. NUTTER: Mr. Williams is still under oath.

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Williams, are you familiar with the application of Morris R. Antweil in Case 7144?

A.

Yes, I am.

Q.

And are you familiar with the subject acreage?

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A. Yes, I am.

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Q And you have previously qualified as an expert witness in petroleum engineering before this Commission, have you not?

6

A. Yes, sir.

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MR. CARR: Are the witness' qualifications acceptable?

9

MR. NUTTER: They are.

10

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Q Mr. Williams, will you briefly state what Morris R. Antweil seeks with this application?

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A. Yes. We seek the compulsory pooling of all the mineral interests for the re-entry of a well located in Unit J of Section 10, Township 13 South, Range 38 East, Lea County.

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The pooling would of course be dependent on the type of completion that might be realized here. We'll be evaluating and testing several formations, the San Andres, the Wolfcamp, the Atoka, and the Mississippian.

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If a gas well is realized we would request the pooling of the south half of Section 10. Of course, if an oil well was the result of our re-entry this pooling might result only in a 40-acre pool.

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2 contained thereon for the Examiner?

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4 area of our application. The proposed -- the location of the  
5 proposed re-entry is shown in Section 10 and the proposed  
6 pooled unit are the 320 acres that would result if a gas com-  
7 pletion is affected, is shown in yellow.

8 Q Is the proposed -- is the well which is  
9 the subject of this hearing drilled at a standard location?

10 A Yes, it's a standard location for the  
11 320 or, of course, if it resulted in a 40, it would be stand-  
12 ard.

13 Q Mr. Williams, how many mineral owners  
14 are you seeking to pool with this application today?

15 A In this -- in the east half of Section  
16 10 there is one mineral interest owner, L. F. Brown, who has  
17 18 acres under that 320 acres that is an unleased mineral  
18 interest.

19 MR. NUTTER: That's an undivided 18  
20 acres.

21 A 18 acres undivided under the 320, being  
22 the east half.

23 Q Will you now refer to Antweil Exhibit  
24 Number Two and explain to the Examiner what this is?

25 A Exhibit Number Two is a memorandum de-

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2 tailing our efforts to obtain a lease from Mr. Brown. Don E.  
3 Blackmar was our landman, our agent in this effort, and he  
4 has detailed his efforts in securing this lease. He has  
5 pointed out here there are 24 owners in the east half of  
6 Section 10. 23 of those have been leased and these include  
7 people of good oil and gas knowledge, such as Clarence Hinkle  
8 and George Hunker, Bill Ross, and -- but we have been unable  
9 for some reason to obtain a lease from Mr. L. F. Brown.

10 Attached to the memorandum is our cor-  
11 respondence with Mr. Brown, copies of the leases that have  
12 been offered to Mr. Brown, copies of the drafts that have  
13 been sent to Mr. Brown for a lease.

14 Q In your opinion has Morris R. Antweil  
15 made a good faith effort to obtain the voluntary joinder of  
16 Mr. Brown in this well?

17 A Yes, we have.

18 Q Will you please refer to what has been  
19 marked Exhibit Number Three and explain this to the Examiner?

20 A Exhibit Three is a letter that I sent  
21 to Mr. Brown enclosing a copy of the docket of this hearing  
22 and calling his attention to the forced pooling consideration  
23 that's -- hearing is under consideration.

24 Q Will you now refer to Antweil Exhibit  
25 Number Four?

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2 A Exhibit Four is our AFE cost estimate  
3 for the re-entry of this well. The itemized estimated costs  
4 have been broken down in three groups, the re-entry to the  
5 base of the 9-5/8ths, which we would do with a reverse circu-  
6 lating unit and a well service unit, to see if this -- the  
7 9-5/8ths can be successfully repaired and entered before a  
8 rig is moved to the location.

9 Then the re-entry below the 9-5/8ths  
10 casing, cleaning the hole out to 12,000 feet, and then the  
11 completion costs if the logging and drill stem testing indi-  
12 cates a completion attempt is feasible.

13 The total cost of a successful re-entry  
14 is estimated at \$530,000.

15 Q Mr. Williams, in your opinion are these  
16 costs in line with what other operators in the area would  
17 charge for similar work?

18 A Yes, they are.

19 Q In your opinion is the re-entry of this  
20 well a high risk venture?

21 A The re-entry, we feel, carries substantial  
22 mechanical risk. 9-5/8ths casing was cut off and pulled in  
23 the red bed interval, which is a difficult re-entry, and the  
24 re-entry may be aborted at that point if the successful re-  
25 entry to the 9-5/8ths cannot be made.

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2 Also, it is a wellbore that was evaluated  
3 when the well was drilled by Midwest and considered at that  
4 point to be not to justify running casing. We feel the econ-  
5 omics have changed some and we're willing to take an attempt  
6 at re-entering and completing this wellbore.

7 I might point out that -- that the one  
8 interest that we seek to pool here, compulsory, Mr. Brown,  
9 he, if a portion of his interest is pooled for this re-entry,  
10 he will have, still have unleased minerals in the northeast  
11 quarter of Section 10 that, if we're successful in this at-  
12 tempt, he will have an increased value then of those unleased  
13 minerals.

14 So we would ask for a risk factor of  
15 200 percent penalty to compensate us for assuming the risk  
16 on his 18/320 acre interest.

17 Q Mr. Williams, have you made an estimate  
18 of the overhead and administrative costs for drilling and  
19 producing the well?

20 A Yes. Currently the overhead rates that  
21 we're charging on operating agreements and the ones that we  
22 are agreeing to on operating agreements of -- of other parties,  
23 would place a well of this category in the range of \$200 --  
24 \$2500 overhead during drilling and \$250 during production.  
25 That's per month rates.

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Q. And these costs are in line with what other operators in the area are charging?

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A. Yes. We've executed operating agreements for other parties with rates in this range or higher.

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MR. NUTTER: What was your monthly cost while drilling?

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A. \$2500 drilling and --

MR. NUTTER: I got the other.

A. -- \$250 producing.

Q. And you recommend that these figures be incorporated into any order which results from this hearing?

A. Yes, that's what we would request.

Q. Does Morris R. Antweil request to be designated as operator of this well?

A. Yes, we do.

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.

Q. Were Exhibits One through Four prepared by you or under your direction and supervision?

A. Yes, they were.

MR. CARR: At this time, Mr. Examiner, we would offer into evidence Applicant's Exhibits One through



Four.

MR. NUTTER: Applicant's Exhibits One through Four will be admitted in evidence.

MR. CARR: I have nothing further on direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Williams, you said that Mr. Brown owned 18 acres in undivided interest in the south half or the east half?

A In the east half.

Q Okay, so --

A We would only be pooling actually 9 of his acres if we got the south half pooled for a gas well, or we'd only be pooling 2-1/4 acres if we ended up with a 40-acre unit.

Q All right, so -- so his percent of the total unit here for the south half wouldn't be 5-1/2 percent. It would be about 2-3/4 percent.

A It would be 9 acres on the 320, yes, sir.

Q Now the application also mentioned that you had not obtained an agreement from Helen Tantalo.

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A. That lease has subsequently been obtained.

Q. Okay, so she is out of this pooling ac-  
tion --

A. Yes, sir.

Q. -- and Brown is the only outstanding  
interest, then.

A. The only unleased interest.

Q. Okay.

MR. NUTTER: Are there any further ques-  
tions of Mr. Williams? 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 7144?

We'll take the case under advisement.

(Hearing concluded.)

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Bk. 4 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7144 heard by me on 1/28 1981.  
[Signature] Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
28 January 1981

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I N D E X

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E X H I B I T S

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2 MR. NUTTER: We'll call next Case Number  
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A. That lease has subsequently been obtained.

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Q. Okay, so she is out of this pooling action --

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A. Yes, sir.

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Q. -- and Brown is the only outstanding interest, then.

8

A. The only unleased interest.

9

Q. Okay.

10

11

MR. NUTTER: Are there any further questions of Mr. Williams? He may be excused.

12

Do you have anything further, Mr. Carr?

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MR. CARR: Nothing further, Mr. Nutter.

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MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7144?

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We'll take the case under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is  
a complete and correct transcript of the proceedings in  
the Examination of Case No. 7144  
heard by me on 1/28 1981.  
 Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION



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. 7144  
Order No. R-6593

APPLICATION OF MORRIS R. ANTWEIL  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 28, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of February, 1981, 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 the applicant, Morris R. Antweil, seeks an order pooling all mineral interests in the San Andres formation underlying the NW/4 SE/4 of Section 10, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, and in the Wolfcamp through Mississippian formations underlying the S/2 of said Section 10.
- (3) That the applicant proposes to dedicate said lands to an old well previously drilled and plugged in the NW/4 SE/4 of said Section 10 which the applicant proposes to re-enter and test in the San Andres and/or Wolfcamp through Mississippian formations.
- (4) That there are interest owners in each of the afore-said proposed proration units who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each

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Case No. 7144  
Order No. R-6593

interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the hydrocarbons underlying said lands, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the re-entry and recompletion of the well.

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

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

(11) That \$2500.00 per month while workover operations are being carried out and \$250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed

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Case No. 7144  
Order No. R-6593

in amount to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled units to commence re-entry operations on the subject well to which said units are dedicated on or before April 1, 1981, the order pooling said units should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, are hereby pooled in the San Andres formation underlying the NW/4 SE/4 of Section 10, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, to form a standard 40-acre oil proration unit and in the Wolfcamp through Mississippian formations underlying the S/2 of said Section 10 to form a standard 320-acre gas spacing and proration unit to be dedicated to a well previously drilled and abandoned in the NW/4 SE/4 of said Section 10, which the applicant proposes to re-enter.

PROVIDED HOWEVER, that the operator of said units shall commence re-entry operations on said well on or before the first day of April, 1981, and shall thereafter continue such operations on said well with due diligence to a depth sufficient to test the San Andres and/or Wolfcamp through Mississippian formations.

PROVIDED FURTHER, that in the event said operator does not commence re-entry operations on said well on or before the first day of April, 1981, 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 workover operations not be carried out to completion, or abandonment, of said well within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Morris R. Antweil is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within 90 days prior to commencing workover operations on said well, the operator shall furnish the Division and each known working interest owner in the subject units an itemized schedule of estimated well costs.

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Case No. 7144  
Order No. R-6593

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

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

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

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

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

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Case No. 7144  
Order No. R-6593

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

(9) That \$2500.00 per month while re-entry and workover operations are being carried out and \$250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

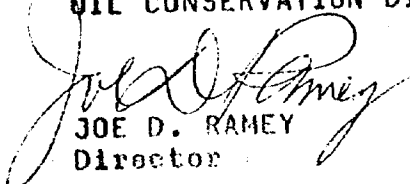
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall 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.

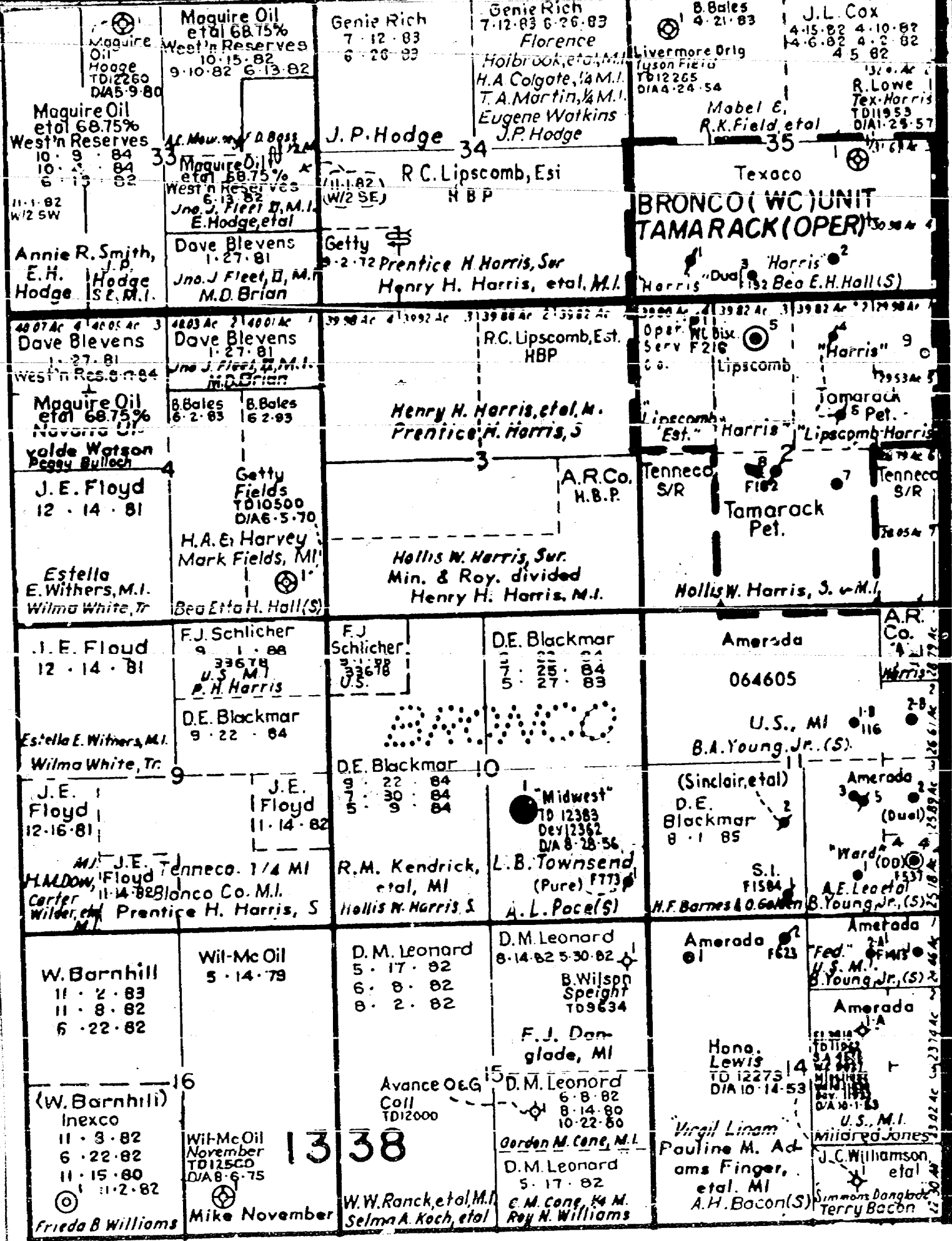
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

S E A L  
fd/



M E M O R A N D U M

1. The primary area of interest centered on Section 10, T-13-S, R-38-E, N.M.P.M., Lea County, New Mexico. The mineral estate of this land is divided among 39 individual owners: 24 owners in the E/2 of the section and 15 owners in the W/2 of the section. Numerous of these owners are people having a good knowledge of the oil and gas industry, such as Clarence E. Hinkle and George H. Hunker, Jr. (both highly qualified oil and gas attorneys), School of Law of the University of New Mexico, New Mexico Military Institute, the Trust Department of The First National Bank of Roswell as Trustee of the J. Hiram Dow Trust, H. Dillard Schenck (an owner of many mineral interests in West Texas and Southeastern New Mexico), W. G. Ross (an oil operator in Midland, Texas), Helen Shelton Tantalo of Midland, Texas, represented by her attorney Mr. Boyd Laughlin in Midland, et al. Leases were obtained from all interest owners (excepting L. F. Brown, a/k/a Forrest Brown, of Lubbock, Texas) using the most commonly used lease form No. 342 (Printed by Hall-Poorbaugh Press) for New Mexico lands. This same form was submitted to Mr. Brown.
2. In securing our leases, a bonus of \$50 per acre was paid for either a three, four or five year lease, a 3/16 royalty, and the customary \$1 per acre rental, which was prepaid at the time of settlement is securing a paid-up lease.
3. Considerable difficulty was had in locating Mr. Brown, whose interest consists of an 18/320 undivided in the E/2 of Section 10, being the tract where two deep dry holes (see Exhibit "A") have previously been drilled. Mr. Brown was first contacted on August 31, 1980, at which time during a 26 minute telephone conversation it was explained that we were leasing the said Section 10, that we had leases in hand from approximately 95% of the owners, what we were paying, and he was offered the same terms for a 3-year lease. He indicated his willingness to join the other owners, so a lease and appropriate draft were mailed to him on September 5, 1980 (see Exhibit "B").
4. No response was received from Mr. Brown by September 24, 1980, so he was called on that day and talked to for 8 minutes, urging him to execute and hand the lease to his bank for collection. He explained he was having considerable eye trouble, having to see doctors, etc., but still indicated he would go along with the others and get his lease to us.
5. Called Mr. Brown again on October 12, 1980, talked to him for 16 minutes, answered several questions he asked, and he again stated he would be getting his lease to us soon.

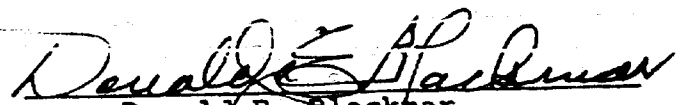
|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| APP                       | EXHIBIT NO. 2 |
| CASE NO.                  | 7144          |



6. Nothing further was heard from him. On a trip to Lubbock on October 13th, an effort was made to see him personally, but calls to his home were without success in reaching him.
7. Still no response from Mr. Brown by October 27th. Another effort was made to call him when the writer was in Lubbock on that date, but his telephone didn't answer. So on November 3, 1980, a letter was written to him (see Exhibit "C"), enclosing copies of executed leases from W. G. Ross, H. Dillard Schenck and C. E. Alexander, showing that the same lease form as submitted to him had been readily acceptable to these men (all keenly knowledgeable as to lease forms), since he appeared to be objecting to the terms and provisions of the lease form upon the advice of his attorney.
8. With there being no further response from Mr. Brown, Mr. Fred J. Schlicher and the writer drove to Lubbock on December 10, 1980, found Mr. Brown home and visited with him personally to answer any questions he might have concerning the terms of the lease and to try to get him to cooperate in granting us the lease sent the first time. At this time he expressed that he had difficulty reading the small print of the lease and objected to there being no continuous development clause and that he didn't like the idea of having his acreage maybe pooled with other lands, etc.. We promised to see if we might find another lease form that might be more acceptable to him and that we would be back in touch with him.
9. Accordingly, a revised lease was drafted that contained a continuous development provision (see Exhibit "D"), which we had photographed or blown-up 60% in size to assist his ability to read, and again asked him to either accept the concession to a continuous development program or to join in drilling on his land by participation, etc.. Even the letter to him was all typed in capital letters to help him with his reading problem.
10. Nothing further was heard from him, so on January 4, 1981, he was again called. He said he had been away during the Holidays in Arizona, etc., so I told him I would like to meet with him the next day in a final effort to trade with him. Accordingly, a meeting was had with him the next day about noon, he and the writer had lunch together, and he afterwards explained that because of some legal matter, the nature of which he would not disclose to me, his lawyer would not let him sign any legal instruments. Without being clear about the matter, he said it had to do with the interest belonging to his oldest daughter, etc.. On this occasion he was advised that unless he could resolve his problem shortly we had no choice but to force pool his interest, since we had a right becoming available very soon. At this time he said he was completely agreeable to granting a lease on the terms offered him, but because of his lawyer's advise he could do nothing "now".



11. On January 16, 1981, Mr. R. M. Williams of Antweil Oil Co. wrote Mr. Brown of the pending hearing to be held January 28, 1981, in Santa Fe, N. M. before the New Mexico Oil Conservation Commission to compulsory pool his interest in the proposed well in the SE/4 of Section 10-13S-38E, NMPM, New Mexico (see Exhibit "E").
12. In a final effort, the writer wrote Mr. Brown advising that the offer still stood for his granting a lease on the same terms acceptable to the many other interest owners and that his interest would not be forced pooled if he could and would grant us his lease on or before January 26, 1981 (see Exhibit "F").

  
Donald E. Blackmar

Dated this 26th day of January, 1981,  
in Roswell, New Mexico.

# EXHIBIT "A"

|    |   |     |   |
|----|---|-----|---|
| 25 | Sarah Burrus, Jr.<br>R.J. Field, Jr.        | 26  | Sarah Burrus, Jr.<br>R.J. Field, Jr.  |
| 27 | H.M. Field et al, MI<br>R.J. Field et al    | 28  | Eugene Hodge  |
| 29 | J.P. Hodge                                  | 30  | Walter B. Walker<br>Est, et al, MI<br>Eugene Hodge, S & C   |
| 31 | Sp Union Supply<br>2-1-84<br>10-3317<br>18E | 32  | Westn<br>Reserves<br>5-10-84<br>2-10-81   |
| 33 | Tenneco<br>1-4 MI<br>-31                    | 34  | J.M. Alcorn<br>5-10-78  |
| 35 | E.F. Kamegoy, et al, MI<br>Alvin Breckan, S | 36  | Florence<br>Holtbrook, et al, MI<br>A.C. Cogswell, et al, MI<br>T.A. Meritt, et al, MI<br>Eugene Hodge, S<br>J.P. Hodge |
| 37 | State                                       | 38  | R.C. Lipscomb, Esq.<br>HBP  |
| 39 | BRONCO-W                                    | 40  | BRONCO (WC) UNIT<br>TAMARACK (OPER)   |
| 41 | State                                       | 42  | State   |
| 43 | State                                       | 44  | State   |
| 45 | State                                       | 46  | State   |
| 47 | State                                       | 48  | State   |
| 49 | State                                       | 50  | State   |
| 51 | State                                       | 52  | State   |
| 53 | State                                       | 54  | State   |
| 55 | State                                       | 56  | State   |
| 57 | State                                       | 58  | State   |
| 59 | State                                       | 60  | State   |
| 61 | State                                       | 62  | State   |
| 63 | State                                       | 64  | State   |
| 65 | State                                       | 66  | State   |
| 67 | State                                       | 68  | State   |
| 69 | State                                       | 70  | State   |
| 71 | State                                       | 72  | State   |
| 73 | State                                       | 74  | State   |
| 75 | State                                       | 76  | State   |
| 77 | State                                       | 78  | State   |
| 79 | State                                       | 80  | State   |
| 81 | State                                       | 82  | State   |
| 83 | State                                       | 84  | State   |
| 85 | State                                       | 86  | State   |
| 87 | State                                       | 88  | State   |
| 89 | State                                       | 90  | State   |
| 91 | State                                       | 92  | State   |
| 93 | State                                       | 94  | State   |
| 95 | State                                       | 96  | State   |
| 97 | State                                       | 98  | State   |
| 99 | State                                       | 100 | State   |

DONALD E. BLACKMAR  
P. O. BOX 608  
ROSWELL, NEW MEXICO 88201  
September 5, 1986

COPY

TELEPHONE  
505 622 6903

Mr. L. F. Brown  
Route 2, Box 384

Lubbock, Texas 79415

RE: Your 18/320 or a 18-acre interest in the E/2 of  
Section 10, T-13-S, R-38-E, N.M.P.M., Lea County, N. M.

Dear Mr. Brown:

Pursuant to our discussion, enclosed is an Oil and Gas Lease for your execution, attached to which is a draft in the amount of \$936.00, which is a settlement on the basis of \$50 per acre bonus, plus a prepayment of the customary \$1 per acre rental in buying the two year paid-up lease.

At your earliest convenience, will you please follow these instructions in the handling of this business:

1. Before a Notary Public, you will please sign the lease, signing as your name(s) is/are spelled at the red checkmark, after which the Notary will complete the acknowledgment at the top of the backside of the lease.
2. Endorse the draft just as you would any check you wish-  
ed to cash or deposit.
3. Last, hand the now executed lease and endorsed draft to the Collection Department of your bank, asking them to please forward the entire item for collection.
4. The copy of the lease is for your records.

Thank you very much for joining the other mineral owners in granting your lease to us, and we sincerely hope we may be successful in bringing your property into production for you.

Sincerely yours,

Donald E. Blackmar

DEB:ms

Enclosures - 3

9/20/86 - I want to trouble you to  
get this in soon,  
etc.

9/20/86 - said would get done in  
this coming week.

# OIL & GAS LEASE

THIS AGREEMENT made this 31st day of August 1980, between

L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384 of Lubbock, Texas 79415  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N.M., 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee shall be: (a) on oil, and on other liquid hydrocarbons saved at the well 3/16 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 \$ 320.00 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 Lubbock National Bank (Acct.# ) Bank

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

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

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

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

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

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

11. Lessee, its 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; hereupon 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under paragraph 3 hereof.

Executed the day and year first above written.

Social Security Number

L. F. Brown

## COLLECTION DRAFT

Courtesy Of  
The First National Bank of Roswell  
Roswell, N. M.

No. Roswell, New Mexico August 31 1980  
Place

FIFTEEN (15) DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE.

Pay to the order of L. F. BROWN

\$ 936.00

Without Exchange

For O&GL - E/2 Section 10-13S-38E, NMPM, Lea County, N. M.

Bonus: \$900.00; prepayment of rentals: \$1 x 18 ac. x 2 yrs. = \$36

First National Bank of Roswell

To P O Box 1977, Roswell, N.M. 88201

Notify: Donald E. Blacknar

P O Box 608 - City

Phone: 622-6903

FOR COLLECTION ONLY

DONALD E. BLACKMAR

P. O. BOX 606

MOSWELL, NEW MEXICO 88312

(EXHIBIT "C")

COPY

3 November 1980

Mr. L. F. Brown  
Route 2, Box 384  
Lubbock, Texas 79415

Dear Forrest:

I had to run back over to Lubbock last Monday (27th) afternoon so that Nell, my wife, could see the eye doctor again the next morning -- they had made a bust in filling the lens prescription, etc..

Anyway, I tried calling you several times while there in town on Tuesday, just taking a chance I might reach you, and hoping I might arrange to meet you with your attorney to discuss any questions you might have regarding the lease form used in preparing the lease submitted to you.

Since I didn't get the opportunity to see you, I am taking the liberty of enclosing copies of three leases secured from other mineral owners in the same land where your mineral interest is, which I hope will give you assurance of the equitableness of the lease form presented to you. This form is the most commonly used form today on New Mexico lands. It is one I have had examined by lawyers of mineral owners from whom I have leased for the past fifteen years, and I have never had any one of them knowledgeable in oil and gas matters turn it down. It is strictly limited to oil and gas alone, leaving others minerals untouched. The three leases are from neighboring sizable spreads on minerals in New Mexico as well as West Texas. W. G. (Bill) Ross is an independent oil operator with substantial holdings who lives in Midland. H. Dillard (Dick) Schenck has hundreds of mineral interests in Lea County alone, has been in the business since 1930, so certainly knows what he is signing. And C. E. Alexander is quite a wealthy landowner in Lea County and the form has always been acceptable to him.

But I will be glad to have your attorney look it over and then give me a call to discuss any of its terms and provisions he might have hesitancy about.

We are trying to wind this leasing up, want to order an abstract of title examination as soon as your lease is in, so your attention and courtesy in helping us will be appreciated.

Sincerely,

DEB:ms

Donald E. Blackmar



327 914  
OIL & GAS LEASE  
27 May 80  
THIS AGREEMENT made this 27 day of May 1980, Between  
H. Dillard Schenck, Individually and as personal representative of the Estate of  
L. Kirby Schenck, Deceased; and Kirby D. Schenck, dealing in his sole and separate  
property, P. O. Box 1225, Lovington, N. M. 88260  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P.O. Box 608, Roswell, N. M. 88201, 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  
Lea  
following described land in \_\_\_\_\_ County, New Mexico, to-wit:

Township 13 South - Range 38 East, N. M. P. M.  
Section 10: E $\frac{1}{2}$

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 30 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, or which 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 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 \$ 320.00 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 credit of the lessor in the

Liberty National

Bank

at Lovington, New Mexico 88260

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 pro-portion unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

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

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

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

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

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

11. Lessee, its 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. Notwithstanding any of the foregoing provisions herein contained to the contrary and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the Lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 2 hereof.

Executed and day and year first above written.

H. Dillard Schenck, Individually

Kirby D. Schenck

OIL & GAS LEASE

BOOK 331 PAGE 147

THIS AGREEMENT made this 26th day of August

1980

between

C. F. ALEXANDER, dealing in his own and separate property,

Route 1, Box 40

Lovington, N. M. 88260

(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N.M., 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 payments 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 \$ 320.00 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

Liberty National Bank

Bank

Lovington, New Mexico 88260

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 production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

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

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

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessor'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, lessor 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 lessor'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.

12. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

C. F. Alexander



## OIL &amp; GAS LEASE

BOOK 331 PAGE 141

THIS AGREEMENT made the 30th day of September 1980, between  
W. G. ROSS and his wife, VEE K. ROSS,

P. O. Box 86

of Midland, Texas 79702  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N.M., 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 agreement 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually

2. Subject to the other provisions herein contained, this lease shall remain in force 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well 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 gasous 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 mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 \$ 320.00 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 First National Bank of Midland

Midland, Texas 79701

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank for 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 change 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 production 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 stove 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. Nothing 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; then upon 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

W. G. Ross  
Vee K. Ross

W. G. Ross

19 DECEMBER 1980

MR. L. F. BROWN  
ROUTE 2, BOX 384  
LUBBOCK, TEXAS 79415

RE: YOUR 18/320 OR A 18-ACRE INTEREST IN THE E/2 OF SECTION 10-13S-  
38E, N.M.P.M., LEA COUNTY, NEW MEXICO

DEAR FORREST:

PURSUANT TO OUR VARIOUS VISITS, ENCLOSED IS A NEWLY PREPARED OIL AND GAS LEASE FOR YOUR EXECUTION, ATTACHED TO WHICH IS A DRAFT IN THE AMOUNT OF \$936.00, WHICH IS A SETTLEMENT ON THE BASIS OF \$50 PER ACRE BONUS, PLUS A PREPAYMENT OF THE CUSTOMARY \$1 PER ACRE RENTAL IN BUYING THE THREE YEAR PAID-UP LEASE.

AFTER LAST VISITING WITH YOU AND CHECKING THE VARIOUS LEASES FORMS, THIS PARTICULAR FORM IS THE BEST AVAILABLE FROM THE STANDPOINT OF BEING FAIR TO THE MINERAL OWNER AND THE OPERATOR. AS MENTIONED, IT WAS PREPARED BY LEGAL REPRESENTATIVES FROM MAJOR COMPANIES, INDEPENDENT OPERATORS, LEASE BROKERS, AND MINERAL OWNERS THAT WAS HELD BACK IN 1965. IT IS THE MOST COMMONLY USED LEASE FORM TODAY. THE SAME IDENTICAL FORM WAS USED IN SECURING LEASES COVERING SECTION 10 THAT INVOLVED ALMOST 50 MINERAL OWNERS, INCLUDING CLARENCE E. HINKLE AND GEO. M. HUNKER, JR. (BOTH OUTSTANDING ATTORNEYS KNOWING THEIR OIL AND GAS LAW). THE FIRST NATIONAL BANK OF ROSWELL. ACTING AS TRUSTEE. BOARD OF REGENTS OF THE UNIVERSITY OF NEW MEXICO, NEW MEXICO MILITARY INSTITUTE, W. G. ROSS (OIL OPERATOR IN MIDLAND, TX), H. D. SCHENCK (A LARGE MINERAL OWNER IN TEXAS, OKLAHOMA AND NEW MEXICO), AND MANY OTHERS WITH PLENTY OF SAVVY IN THE INDUSTRY, SO YOU ARE NOT BEING ASKED TO SIGN ANY LEASE FORM NOT ACCEPTABLE TO PEOPLE WHO KNOW THE INS AND OUTS OF THE BUSINESS.

THE LEASE PREPARED FOR YOU CONTAINS THE CONTINUOUS DEVELOPMENT PROVISION (PARAGRAPH 12), WHICH WE DID NOT EXTEND TO ANY OF THE OTHERS. IN KNOWING HOW RADICAL THE AREA HAS BEHAVED IN THE PAST, WE HAVE TO HAVE ENOUGH TIME OF PRODUCTION HISTORY TO EVALUATE THE DRILLING OF THE NEXT WELL. BUT YOU CAN BE SURE THAT IF THE PRODUCTION IS COMMERCIAL, WE MAKE IT A PRACTICE OF DRILLING UP ACREAGE THAT HAS THE PROMISE OF BEING PRODUCTIVE RATHER THAN SPENDING HARD DOLLARS JUST DRILLING WILDCATS, BECAUSE YOU KNOW THE PERCENTAGE OF WINS DOING THAT!

SINCE WE HAVE ALL THE OTHER INTERESTS LEASED, IT IS NECESSARY THAT WE HAVE YOUR LEASE TO GIVE US THE FULL LEASEHOLD INTEREST. WITHOUT IT, OF COURSE, YOU HAVE THE OPTION TO PARTICIPATE BY PAYING YOUR SHARE OF THE COST AS TO YOUR INTEREST; OTHERWISE, OUR ONLY RECOURSE IS TO FORCE POOL YOUR INTEREST. THIS IS SOMETHING WE DO NOT LIKE TO DO BECAUSE OF

THE HEAVY PENALTY IT PUTS ON THE MINERAL OWNER. FOR QUITE SOME TIME NOW THE NEW MEXICO OIL CONSERVATION COMMISSION'S FORCED POOLING DECISIONS HAVE IMPOSED A PENALTY THAT ALLOWS THE OPERATOR TO RECOVER 300% OF ALL DRILLING AND COMPLETION COSTS, PLUS ALL OPERATION EXPENSES UNTIL PAYOUT TIME, AS APPLIED AGAINST ANY UNLEASED INTEREST. NEEDLESS TO SAY, THIS POINT IN TIME OFTEN IS NOT REACHED BEFORE THE WELL QUITS PRODUCING OR ELSE THERE IS JUST A SHORT LIFE REMAINING IN THE WELL. THE WELL COST IN THIS VENTURE IS ESTIMATED AT \$640,000 TO CASING POINT, PLUS AN ADDITIONAL \$340,000 TO COMPLETE THE WELL IF CASING IS RUN, ETC.. SUCH A COST APPLIED AGAINST YOUR INTEREST (A 5.625%) WOULD BE A BASE PRICE OF \$36,000 TO CASING POINT, PLUS \$19,125 TO COMPLETE.

WE ASK YOUR COURTESY OF COOPERATION BY GRANTING YOUR LEASE TO US WITHIN THE NEXT SEVEN DAYS, OTHERWISE, WE WILL HAVE TO BEGIN THE FORCED-POOLING PROCEEDINGS, BECAUSE WE EXPECT TO HAVE A RIG AVAILABLE IN THE NEXT FEW WEEKS.

THANK YOU, AND I WISH YOU AND MRS. BROWN A MERRY CHRISTMAS.

SINCERELY YOURS,

DEB:MS

DONALD E. BLACKMAR

P. S. I HOPE TYPING THIS LETTER IN THE LARGER TYPE WILL HELP YOU, AND YOU WILL FIND THE LARGEST BLOK-UP COPY OF THE LEASE THAT WE COULD HAVE MADE HERE IN ROSWELL, AS PROMISED TO YOU.

D. E. B.

# OIL & GAS LEASE

THIS AGREEMENT MADE THIS 18 day of December, 1980, between

L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384

of Lubbock, Texas 79415  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N. M., 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 \$ 320.00 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 Lubbock National Bank (Acct.No. ) Bank

at Lubbock, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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

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

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

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

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessor'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/heir 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. Despite anything herein contained to the contrary, it is agreed that this lease calls for the commencement of drilling operations of the first well within one year from the date hereof, and thereafter shall drill the same with due diligence to completion of same either as a producer of oil or gas or abandonment as a dry hole. If such a well is not so commenced and drilled, this lease shall forthwith terminate and lessee shall thereupon release all interest in this lease. If the first well is timely commenced and drilled, Lessee shall not later than one year following the completion of the first well, commence continuous developments operations upon the leased premises and shall prosecute such operations with no more than one year elapsing between the completion of a given well and the commencement

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 of ownership of the land, or in the ownership of or interest in the land, shall be binding upon lease for any purpose until 30 days after leasee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

11. Lessee, its 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. Despite anything herein contained to the contrary, it is agreed that this lease calls for the commencement of drilling operations of the first well within one year from the date hereof, and thereafter shall drill the same with due diligence to completion of same either as a producer of oil or gas or abandonment as a dry hole. If such a well is not so commenced and drilled, this lease shall forthwith terminate and Lessee shall thereupon release all interest in this lease. If the first well is timely commenced and drilled, Lessee shall not later than one year following the completion of the first well, commence continuous developments operations upon the leased premises and shall prosecute such operations with no more than one year elapsing between the completion of a given well and the commencement of the next succeeding well, with the understanding that at such time as such operations are no longer prosecuted, this lease shall terminate as to all of the land above described except that acreage included in each New Mexico Oil Conservation Commission proration unit upon which Lessee shall have drilled and completed a well productive of oil and/or gas. Time permitted between wells which is not used shall be cumulative, and any unused time between wells may be used thereafter by Lessee to extend any period between given wells thereafter drilled. Unused time shall be calculated on the basis of official reports filed with the New Mexico Oil Conservation Commission reflecting the commencement and completion date of each well.

13. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

Social Security Number

L. F. Brown

(EXHIBIT "E")

Morris R. Antweil  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240

COPY

DEB

January 16, 1981

Mr. L. P. Brown  
Route 2 - Box 384  
Lubbock, Texas 79415

RE: E/2 Section 10-T13S-R38E  
Lea County, New Mexico

Dear Mr. Brown:

Don Blackmar has been in contact with you regarding an oil and gas lease on your interest under the captioned lands. All the other interests have now been leased, and we are prepared to re-enter the existing well in the SE/4 of Section 10 to test the San Andres, Wolfcamp, Atoka, Morrow and Mississippian.

Enclosed is a copy of our Application to the New Mexico Oil Conservation Division for a hearing to compulsory pool your interest for our proposed well. The Application was filed with the Division on 6 January 1981 and the hearing will be set for 28 January 1981. The Helen Tantaio interest has now been leased and will be dropped from the hearing.

We request that you reconsider leasing this interest at this time.

Sincerely,

MORRIS R. ANTWEIL



R. M. Williams

pa

Enclosure

bcc: LDM Associates  
Roswell



DONALD E. BLACKMAR  
P. O. BOX 608  
ROSWELL, NEW MEXICO 88201

JANUARY 20, 1981

TELEPHONE  
505 622 6903

(EXHIBIT "F")

MR. L. F. BROWN  
ROUTE 2, BOX 384  
LUBBOCK, TEXAS 79415

RE: YOUR 18/320 ON A 18-ACRE INTEREST IN THE E/2 OF SECTION 10-  
13S-38E, N.M.P.M., LEA COUNTY, NEW MEXICO

DEAR FORREST:

FOLLOWING OUR LAST VISIT TOGETHER IN LUBBOCK, WE WERE UNABLE TO COME UP WITH ANY VALID SOLUTION TO HANDLE THE LEGAL DELAY YOU INDICATED YOU WERE HAVING TO CONTEND WITH RELATIVE TO EXECUTING AN OIL AND GAS LEASE ON YOUR ABOVE DESCRIBED INTEREST. THAT BEING THE CASE AND YOU HAVE SO BEEN ADVISED BY THE OFFICE OF MORRIS R. ANTWEIL OUR ONLY RECOURSE WAS TO PROCEED WITH THE FORCED POOLING PROCEDURE.

THE HEARING AS YOU KNOW IS SCHEDULED FOR JANUARY 28 in SANTA FE, BUT IF YOUR LEGAL SITUATION CHANGES ON OR BEFORE JANUARY 26 SO THAT YOU CAN EXECUTE A VALID LEASE TO US WITH THE APPROVAL OF YOUR ATTORNEY, THE PROCEEDINGS CAN BE DISPENSED WITH. IN TAKING A LEASE FROM YOU DURING THIS INTERIM THE TERMS OF THE LEASE WOULD BE IDENTICAL TO THOSE THAT HAVE BEEN ACCEPTABLE TO THE OTHER INTEREST OWNERS IN THE SAME LAND, AND SUCH A LEASE IS ENCLOSED HERewith, ALONG WITH A DRAFT IN SETTLEMENT. PLEASE BE SURE TO NOTIFY US THAT YOU HAVE BEEN ABLE TO EXECUTE THIS NEW LEASE AND THAT IT IS FORTHCOMING IN SUFFICIENT TIME FOR US TO WITHDRAW THE FORCED POOLING PROCEEDINGS NOW SCHEDULED.

SINCERELY YOURS,

DONALD E. BLACKMAR

DEB/rs  
Encl.

part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the proportion of the annual rental, royalty, bonus, 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. Lessor, 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 lessor 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof. Executed the day and year first above written.

Social Security Number

L. F. Brown

# OIL & GAS LEASE

THIS AGREEMENT made this 20th day of January 1981, between  
L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384

of Lubbock, Texas 79415

(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P.O. Box 608, Roswell, N.M. 88201

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 agreement 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 term 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 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 lessor shall pay or tender to the lessor a rental of \$ 320.00 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 to the Lubbock National Bank Bank

at Lubbock, 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 for 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 production 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 is 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 for more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or loses the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

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

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

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

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

11. Lessee, its 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof. Executed the day and year first above written.

Social Security Number

L. F. Brown



TEXAS  
STATE OF NEW MEXICO

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of LUBBOCK

The foregoing instrument was acknowledged before me this 1 day of 1981 by L. F. BROWN, a/k/a Forrest Brown, dealing in his own property.

My Commission expires 19 Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires 19 Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires 19 Notary Public

STATE OF

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of

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

My Commission expires 19 Notary Public

No.

OIL AND GAS LEASE  
NEW MEXICO

FROM

L. F. BROWN

TO

Donald E. Blackmar

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

COLLECTION DRAFT

Courtesy Of  
The First National Bank of Roswell  
Roswell, N.M.

No. Roswell, New Mexico January 20th 1981  
Place

FIFTEEN (15) DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE.

Pay to the order of L. F. BROWN

\$ 936.00

Without Exchange

For O&GL - E/2 Section 10-13S-38E, N.M.P.M., Lea County, N. M.

Bonus: \$900.00; prepayment of rentals: \$1 x 18 ac. x 2 yrs. = \$36

First National Bank of Roswell

To P O Box 1977, Roswell, N.M. 88201

Notify: Donald E. Blackmar

P O Box 608 - City  
Phone: 622-6903

FOR COLLECTION ONLY

Donald E. Blackmar

Morris R. Antweil  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240

January 20, 1981

Mr. L. F. Brown  
Route 2, Box 384  
Lubbock, Texas 79415

RE: E/2 Section 10-T13S-R38E  
Lea County, New Mexico

Dear Mr. Brown:

Enclosed is a copy of New Mexico Oil Conservation Division Docket No. 4-81 of the hearings set for 28 January 1981 in Santa Fe, New Mexico. Your attention is directed to Case No. 7144 which will effect your unleased minerals.

If the compulsory pooling is granted by the Oil Conservation Division, you will have the opportunity to join in the well as a working interest owner and pay your share of the costs or permit your interest to be compulsory pooled and receive a 1/8 royalty interest until we recover our costs plus the risk penalty set by the Division.

We again request that you consider leasing this interest on the terms presented to you by Don Blackmar.

Yours Very Truly,  
MORRIS R. ANTWEIL

R. M. Williams

RMW:pa

Enclosure

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| App                       | EXHIBIT NO. 3 |
| CASE NO.                  | 7144          |

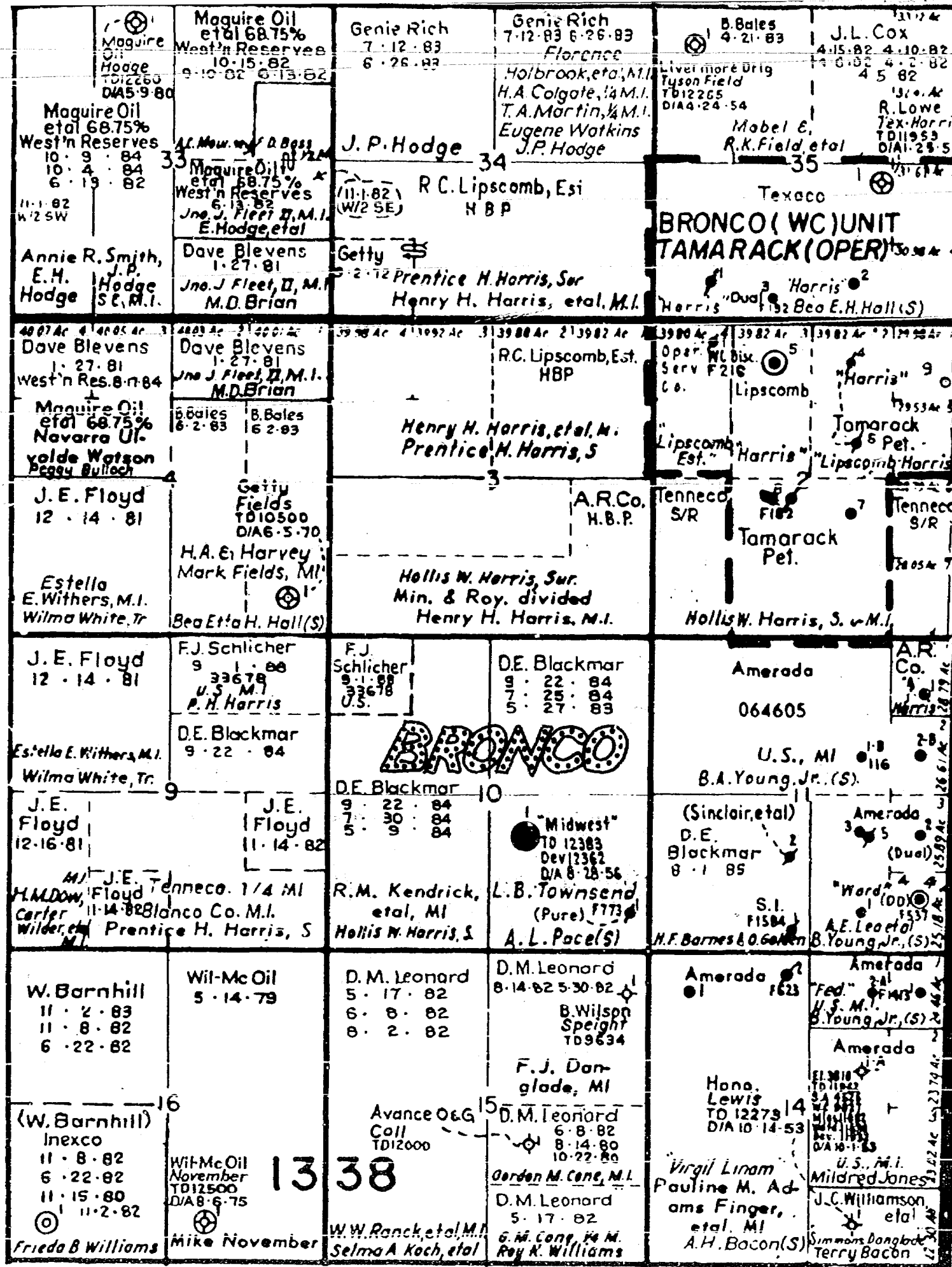
AFE COST ESTIMATE  
RE-ENTRY NO. 1 TOWNSEND  
SEC. 10-T135-R38E

| ITEM   | TANGIBLE         | INTANGIBLE       | TOTAL            |
|--|------------------|------------------|------------------|
| <u>Re-entry to Base of<br/>9 5/8" Casing</u> |                  |                  |                  |
| Roads, Location, and Damages                 | \$               | \$ 5,000         | \$ 5,000         |
| Well Service Unit - 7 Days                   |                  | 16,800           | 16,800           |
| Reverse Units & Tools                        |                  | 25,000           | 25,000           |
| Mud & Water                                  |                  | 5,000            | 5,000            |
| 9 5/8" Casing-1580' @ \$15.00/ft.            | 23,700           |                  | 23,700           |
| 9 5/8" Casing Bowl                           |                  | 3,600            | 3,600            |
| Wellhead & Connections                       | 2,000            |                  | 2,000            |
| Supervision & Expenses                       |                  | 1,000            | 1,000            |
| Transportation & Misc. Labor                 |                  | 2,000            | 2,000            |
| Contingencies                                |                  | 10,900           | 10,900           |
| <b>COST TO BASE 9 5/8" CASING</b>            | <b>\$25,700</b>  | <b>\$ 69,300</b> | <b>\$95,000</b>  |
| <u>Re-entry Below 9 5/8" Casing</u>          |                  |                  |                  |
| Location                                     | \$               | \$ 5,000         | \$ 5,000         |
| Move-in, Rig-up Rig                          |                  | 45,000           | 45,000           |
| Daywork-Drill-out - 4 days<br>@ \$7,000/day  |                  | 28,000           | 28,000           |
| Daywork-Operations - 3 days<br>@ \$7,000/day |                  | 21,000           | 21,000           |
| Bits   |                  | 2,000            | 2,000            |
| Mud & Water                                  |                  | 30,000           | 30,000           |
| Logging Service                              |                  | 26,900           | 26,900           |
| DST Service - 2 DST's                        |                  | 5,000            | 5,000            |
| Rental Tools & Equipment                     |                  | 3,000            | 3,000            |
| Supervision & Expenses                       |                  | 2,000            | 2,000            |
| Transportation & Misc. Labor                 |                  | 4,000            | 4,000            |
| Contingencies                                |                  | 13,100           | 13,100           |
| <b>COST FROM 9 5/8" CASING TO 12,000'</b>    | <b>-</b>         | <b>\$185,000</b> | <b>\$185,000</b> |
| <u>Completion Costs</u>                      |                  |                  |                  |
| 5 1/2" Casing - 12,000' @ \$8.80/ft.         | \$105,600        | \$               | \$105,600        |
| Cement & Service - 5 1/2" Casing             |                  | 9,000            | 9,000            |
| Daywork - 1 day @ \$7,000/day                |                  | 7,000            | 7,000            |
| Well Service Unit                            |                  | 10,000           | 10,000           |
| Perforating Service                          |                  | 6,000            | 6,000            |
| Tubing - 2 3/8" - 11,500' @<br>\$4.30/ft.    | 49,500           |                  | 49,500           |
| Rental Tools & Equipment                     |                  | 4,000            | 4,000            |
| Acid Treatment                               |                  | 8,000            | 8,000            |
| Wellhead & Connections                       | 5,000            |                  | 5,000            |
| Battery Facilities                           | 30,000           |                  | 30,000           |
| Supervision & Expenses                       |                  | 3,000            | 3,000            |
| Transportation & Misc. Labor                 |                  | 5,000            | 5,000            |
| Contingencies                                |                  | 7,900            | 7,900            |
| <b>COMPLETION COSTS</b>                      | <b>\$190,100</b> | <b>\$ 59,900</b> | <b>\$250,000</b> |
| <b>TOTAL AFE COST</b>                        | <b>\$215,800</b> | <b>\$314,200</b> | <b>\$530,000</b> |

APPROVAL:

by \_\_\_\_\_  
date \_\_\_\_\_

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| App                       | EXHIBIT NO. 4 |
| CASE NO.                  | 7144          |



☒ Proposed Re-entry  
☐ Proposed Pooled Unit

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION DIVISION  
 App. EXHIBIT NO. 1  
 CASE NO. 7144

MORRIS R. ANTWEIL  
 Hobbs, New Mexico  
 BRONCO AREA  
 Land Plat  
 Eddy County, New Mexico  
 Scale 1"=2000'


M E M O R A N D U M

1. The primary area of interest centered on Section 10, T-13-S, R-38-E, N.M.P.M., Lea County, New Mexico. The mineral estate of this land is divided among 39 individual owners: 24 owners in the E/2 of the section and 15 owners in the W/2 of the section. Numerous of these owners are people having a good knowledge of the oil and gas industry, such as Clarence E. Hinkle and George H. Hunker, Jr. (both highly qualified oil and gas attorneys), School of Law of the University of New Mexico, New Mexico Military Institute, the Trust Department of The First National Bank of Roswell as Trustee of the J. Hiram Dow Trust, H. Dillard Schenck (an owner of many mineral interests in West Texas and Southeastern New Mexico), W. G. Ross (an oil operator in Midland, Texas), Helen Shelton Tantalo of Midland, Texas, represented by her attorney Mr. Boyd Laughlin in Midland, et al. Leases were obtained from all interest owners (excepting L. F. Brown, a/k/a Forrest Brown, of Lubbock, Texas) using the most commonly used lease form No. 342 (Printed by Hall-Poorbaugh Press) for New Mexico lands. This same form was submitted to Mr. Brown.
2. In securing our leases, a bonus of \$50 per acre was paid for either a three, four or five year lease, a 3/16 royalty, and the customary \$1 per acre rental, which was prepaid at the time of settlement is securing a paid-up lease.
3. Considerable difficulty was had in locating Mr. Brown, whose interest consists of an 18/320 undivided in the E/2 of Section 10, being the tract where two deep dry holes (see Exhibit "A") have previously been drilled. Mr. Brown was first contacted on August 31, 1980, at which time during a 26 minute telephone conversation it was explained that we were leasing the said Section 10, that we had leases in hand from approximately 95% of the owners, what we were paying, and he was offered the same terms for a 3-year lease. He indicated his willingness to join the other owners, so a lease and appropriate draft were mailed to him on September 5, 1980 (see Exhibit "B").
4. No response was received from Mr. Brown by September 24, 1980, so he was called on that day and talked to for 8 minutes, urging him to execute and hand the lease to his bank for collection. He explained he was having considerable eye trouble, having to see doctors, etc., but still indicated he would go along with the others and get his lease to us.
5. Called Mr. Brown again on October 12, 1980, talked to him for 16 minutes, answered several questions he asked, and he again stated he would be getting his lease to us soon.

|                           |                      |
|---------------------------|----------------------|
| BEFORE EXAMINER NUTTER    |                      |
| OIL CONSERVATION DIVISION |                      |
| <i>APP</i>                | EXHIBIT NO. <u>2</u> |
| CASE NO.                  | <u>7144</u>          |

6. Nothing further was heard from him. On a trip to Lubbock on October 13th, an effort was made to see him personally, but calls to his home were without success in reaching him.
7. Still no response from Mr. Brown by October 27th. Another effort was made to call him when the writer was in Lubbock on that date, but his telephone didn't answer. So on November 3, 1980, a letter was written to him (see Exhibit "C"), enclosing copies of executed leases from W. G. Ross, H. Dillard Schenck and C. E. Alexander, showing that the same lease form as submitted to him had been readily acceptable to these men (all keenly knowledgeable as to lease forms), since he appeared to be objecting to the terms and provisions of the lease form upon the advice of his attorney.
8. With there being no further response from Mr. Brown, Mr. Fred J. Schlicher and the writer drove to Lubbock on December 10, 1980, found Mr. Brown home and visited with him personally to answer any questions he might have concerning the terms of the lease and to try to get him to cooperate in granting us the lease sent the first time. At this time he expressed that he had difficulty reading the small print of the lease and objected to there being no continuous development clause and that he didn't like the idea of having his acreage maybe pooled with other lands, etc.. We promised to see if we might find another lease form that might be more acceptable to him and that we would be back in touch with him.
9. Accordingly, a revised lease was drafted that contained a continuous development provision (see Exhibit "D"), which we had photographed or blown-up 60% in size to assist his ability to read, and again asked him to either accept the concession to a continuous development program or to join in drilling on his land by participation, etc.. Even the letter to him was all typed in capital letters to help him with his reading problem.
10. Nothing further was heard from him, so on January 4, 1981, he was again called. He said he had been away during the Holidays in Arizona, etc., so I told him I would like to meet with him the next day in a final effort to trade with him. Accordingly, a meeting was had with him the next day about noon, he and the writer had lunch together, and he afterwards explained that because of some legal matter, the nature of which he would not disclose to me, his lawyer would not let him sign any legal instruments. Without being clear about the matter, he said it had to do with the interest belonging to his oldest daughter, etc.. On this occasion he was advised that unless he could resolve his problem shortly we had no choice but to force pool his interest, since we had a right becoming available very soon. At this time he said he was completely agreeable to granting a lease on the terms offered him, but because of his lawyer's advise he could do nothing "now".

11. On January 16, 1981, Mr. R. M. Williams of Antweil Oil Co. wrote Mr. Brown of the pending hearing to be held January 28, 1981, in Santa Fe, N. M. before the New Mexico Oil Conservation Commission to compulsory pool his interest in the proposed well in the SE/4 of Section 10-13S-38E, NMPM, New Mexico (see Exhibit "E").
12. In a final effort, the writer wrote Mr. Brown advising that the offer still stood for his granting a lease on the same terms acceptable to the many other interest owners and that his interest would not be forced pooled if he could and would grant us his lease on or before January 26, 1981 (see Exhibit "F").

  
Donald E. Blackmar

Dated this 26th day of January, 1981,  
in Roswell, New Mexico.



EXHIBIT "A"

|                             |  |  |  |  |  |  |  |
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| ARCO MI<br>C.D. Hodge       |  | H.M. Field et al, MI<br>R.K. Field et al |  | H.M. Field et al, MI<br>R.K. Field et al |  | H.M. Field et al, MI<br>R.K. Field et al |  |
| BTA<br>10-11-71             |  | Tenneco<br>1-4-81                        |  | J.P. Hodge                               |  | J.P. Hodge                               |  |
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| So Union Supply<br>16-11-71 |  | Tenneco<br>1-4-81                        |  | J.P. Hodge                               |  | J.P. Hodge                               |  |
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DONALD E. BLACKMAR

P. O. BOX 608

ROSWELL, NEW MEXICO 88201

September 5, 1980

COPY

TELEPHONE

303 622 6903

Mr. L. F. Brown  
Route 2, Box 384

763-9936

Lubbock, Texas 79415

RE: Your 18/320 or a 18-acre interest in the E/2 of  
Section 10, T-13 S, R-38-E, N.M.P.M., Lea County, N. M.

Dear Mr. Brown:

Pursuant to our discussion, enclosed is an Oil and Gas Lease for your execution, attached to which is a draft in the amount of \$936.00, which is a settlement on the basis of \$50 per acre bonus, plus a prepayment of the customary \$1 per acre rental in buying the two year paid-up lease.

At your earliest convenience, will you please follow these instructions in the handling of this business:

1. Before a Notary Public, you will please sign the lease, signing as your name(s) is/are spelled at the red checkmark, after which the Notary will complete the acknowledgment at the top of the backside of the lease.
2. Endorse the draft just as you would any check you wished to cash or deposit.
3. Last, hand the now executed lease and endorsed draft to the Collection Department of your bank, asking them to please forward the entire item for collection.
4. The copy of the lease is for your records.

Thank you very much for joining the other mineral owners in granting your lease to us, and we sincerely hope we may be successful in bringing your property into production for you.

Sincerely yours,

DEB:ms

Donald E. Blackmar

Enclosures - 3

9/20/80 - Thanks for trouble, we'll  
get lease in soon,  
etc.

9/20/80 - said would get lease in  
this coming week.

# OIL & GAS LEASE

THIS AGREEMENT made this 31st day of August 1960 between

L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384

of Lubbock, Texas 79415  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N.M. 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 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 gasous 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 \$ 320.00 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 Lubbock National Bank (Acct. #) Bank

at Lubbock, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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

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

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

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

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

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

11. Lessee, its 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

Social Security Number

L. F. Brown

**COLLECTION DRAFT**

Courtesy Of  
The First National Bank of Roswell  
Roswell, N. M.

No. \_\_\_\_\_ Roswell, New Mexico \_\_\_\_\_ August 31 1978  
Place

FIFTEEN (15) DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE.

Pay to the order of L. F. BROWN

\$ 936.00

Without Exchange

For O&GL - E/2 Section 10-13S-38E, NMPM, Lea County, N. M.

Bonus: \$900.00; prepayment of rentals: \$1 x 18 ac. x 2 yrs. = \$36

First National Bank of Roswell  
To P O Box 1977, Roswell, N.M. 88201  
Notify: Donald E. Blackmar  
P O Box 603 - City  
Phone: 622-6903

FOR COLLECTION ONLY

(EXHIBIT "C")

COPY

3 November 1980

Mr. L. F. Brown  
Route 2, Box 384  
Lubbock, Texas 79415

Dear Forrest:

I had to run back over to Lubbock last Monday (27th) afternoon so that Nell, my wife, could see the eye doctor again the next morning -- they had made a bust in filling the lens prescription, etc..

Anyway, I tried calling you several times while there in town on Tuesday, just taking a chance I might reach you, and hoping I might arrange to meet you with your attorney to discuss any questions you might have regarding the lease form used in preparing the lease submitted to you.

Since I didn't get the opportunity to see you, I am taking the liberty of enclosing copies of three leases secured from other mineral owners in the same land where your mineral interest is, which I hope will give you assurance of the equitableness of the lease form presented to you. This form is the most commonly used form today on New Mexico lands. It is one I have had examined by lawyers of mineral owners from whom I have leased for the past fifteen years, and I have never had any one of them knowledgeable in oil and gas matters turn it down. It is strictly limited to oil and gas alone, leaving others minerals untouched. The three leases are from neighboring sizable spreads on minerals in New Mexico as well as West Texas. W. G. (Bill) Ross is an independent oil operator with substantial holdings who lives in Midland. H. Dillard (Dick) Schenck has hundreds of mineral interests in Lea County alone, has been in the business since 1930, so certainly knows what he is signing. And C. E. Alexander is quite a wealthy landowner in Lea County and the form has always been acceptable to him.

But I will be glad to have your attorney look it over and then give me a call to discuss any of its terms and provisions he might have hesitancy about.

We are trying to wind this leasing up, want to order an abstract of title examination as soon as your lease is in, so your attention and courtesy in helping us will be appreciated.

Sincerely,

DEB:ms

Donald E. Blackmar

327 314  
27

OIL & GAS LEASE

80

THIS AGREEMENT made this 27 day of May 1980, between  
H. Dillard Schenck, Individually and as personal representative of the Estate of

L. Kirby Schenck, Deceased; and Kirby D. Schenck, dealing in his sole and separate  
property, P. O. Box 1225 Lovington, N. M. 88260  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P.O. Box 608, Roswell, N. M. 88201, 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 agreement 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

Lea

following described land in \_\_\_\_\_ County, New Mexico, to-wit:

township 13 South - Range 38 East, N. M. P. M.

Section 10: E $\frac{1}{2}$

320

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise \_\_\_\_\_ 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, ~~one-eighth~~ <sup>one-half</sup> of that produced and saved from said land, same to be delivered at the well 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 ~~one-eighth~~ <sup>one-half</sup> of the gas so sold or used, provided that on gas sold at the wells the royalty shall be ~~one-eighth~~ <sup>one-half</sup> 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 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 \$ 320.00 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 \_\_\_\_\_ Lovington, New Mexico 88260, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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

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

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

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

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

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

11. Lessee, its heirs, 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. Notwithstanding any of the foregoing provisions herein contained to the contrary and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the Lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed and day and year first above written.

H. Dillard Schenck, Individually

Kirby D. Schenck





THIS AGREEMENT made the 30th day of September 1980, between

W. G. ROSS and his wife, VEE K. ROSS,

P. O. Box 86

of Midland, Texas 79702  
(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N.M., 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:

Township 13 South - Range 38 East, N.M.P.M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 herewith, 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 \$ 320.00 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 First National Bank of Midland Bank

Midland, Texas 79701

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 production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

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

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

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

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

12. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

W. G. Ross  
Vee K. Ross

W. G. Ross

(EXHIBIT "D")

19 DECEMBER 1980

MR. L. F. BROWN  
ROUTE 2, BOX 384  
LUBBOCK, TEXAS 79415

RE: YOUR 18/320 OR A 18-ACRE INTEREST IN THE E/2 OF SECTION 10-13S-38E, N.M.P.M., LEA COUNTY, NEW MEXICO

DEAR FORREST:

PURSUANT TO OUR VARIOUS VISITS, ENCLOSED IS A NEWLY PREPARED OIL AND GAS LEASE FOR YOUR EXECUTION, ATTACHED TO WHICH IS A DRAFT IN THE AMOUNT OF \$936.00, WHICH IS A SETTLEMENT ON THE BASIS OF \$50 PER ACRE BONUS, PLUS A PREPAYMENT OF THE CUSTOMARY \$1 PER ACRE RENTAL IN BUYING THE THREE YEAR PAID-UP LEASE.

AFTER LAST VISITING WITH YOU AND CHECKING THE VARIOUS LEASES FORMS, THIS PARTICULAR FORM IS THE BEST AVAILABLE FROM THE STANDPOINT OF BEING FAIR TO THE MINERAL OWNER AND THE OPERATOR. AS MENTIONED, IT WAS PREPARED BY LEGAL REPRESENTATIVES FROM MAJOR COMPANIES, INDEPENDENT OPERATORS, LEASE BROKERS, AND MINERAL OWNERS THAT WAS HELD BACK IN 1965. IT IS THE MOST COMMONLY USED LEASE FORM TODAY. THE SAME IDENTICAL FORM WAS USED IN SECURING LEASES COVERING SECTION 10 THAT INVOLVED ALMOST 50 MINERAL OWNERS, INCLUDING CLARENCE E. HINKLE AND GEO. M. HUNKER, JR. (BOTH OUTSTANDING ATTORNEYS KNOWING THEIR OIL AND GAS LAW), THE FIRST NATIONAL BANK OF ROSWELL, ACTING AS TRUSTEE, BOARD OF REGENTS OF THE UNIVERSITY OF NEW MEXICO, NEW MEXICO MILITARY INSTITUTE, W. G. ROSS (OIL OPERATOR IN MIDLAND, TX), H. D. SCHENCK (A LARGE MINERAL OWNER IN TEXAS, OKLAHOMA AND NEW MEXICO), AND MANY OTHERS WITH PLENTY OF SAVVY IN THE INDUSTRY, SO YOU ARE NOT BEING ASKED TO SIGN ANY LEASE FORM NOT ACCEPTABLE TO PEOPLE WHO KNOW THE INS AND OUTS OF THE BUSINESS.

THE LEASE PREPARED FOR YOU CONTAINS THE CONTINUOUS DEVELOPMENT PROVISION (PARAGRAPH 12), WHICH WE DID NOT EXTEND TO ANY OF THE OTHERS. IN KNOWING HOW RADICAL THE AREA HAS BEHAVED IN THE PAST, WE HAVE TO HAVE ENOUGH TIME OF PRODUCTION HISTORY TO EVALUATE THE DRILLING OF THE NEXT WELL. BUT YOU CAN BE SURE THAT IF THE PRODUCTION IS COMMERCIAL, WE MAKE IT A PRACTICE OF DRILLING UP ACREAGE THAT HAS THE PROMISE OF BEING PRODUCTIVE RATHER THAN SPENDING HARD DOLLARS JUST DRILLING WILD-CATS, BECAUSE YOU KNOW THE PERCENTAGE OF WINS DOING THAT!

SINCE WE HAVE ALL THE OTHER INTERESTS LEASED, IT IS NECESSARY THAT WE HAVE YOUR LEASE TO GIVE US THE FULL LEASEHOLD INTEREST. WITHOUT IT, OF COURSE, YOU HAVE THE OPTION TO PARTICIPATE BY PAYING YOUR SHARE OF THE COST AS TO YOUR INTEREST; OTHERWISE, OUR ONLY RECOURSE IS TO FORCE POOL YOUR INTEREST. THIS IS SOMETHING WE DO NOT LIKE TO DO BECAUSE OF



MR. FORREST BROWN:

PAGE 2

THE HEAVY PENALTY IT PUTS ON THE MINERAL OWNER. FOR QUITE SOME TIME NOW THE NEW MEXICO OIL CONSERVATION COMMISSION'S FORCED POOLING DECISIONS HAVE IMPOSED A PENALTY THAT ALLOWS THE OPERATOR TO RECOVER 300% OF ALL DRILLING AND COMPLETION COSTS, PLUS ALL OPERATION EXPENSES UNTIL PAYOUT TIME, AS APPLIED AGAINST ANY UNLEASED INTEREST. NEEDLESS TO SAY, THIS POINT IN TIME OFTEN IS NOT REACHED BEFORE THE WELL QUITS PRODUCING OR ELSE THERE IS JUST A SHORT LIFE REMAINING IN THE WELL. THE WELL COST IN THIS VENTURE IS ESTIMATED AT \$640,000 TO CASING POINT, PLUS AN ADDITIONAL \$340,000 TO COMPLETE THE WELL IF CASING IS RUN, ETC.. SUCH A COST APPLIED AGAINST YOUR INTEREST (A 5.625%) WOULD BE A BASE PRICE OF \$36,000 TO CASING POINT, PLUS \$19,125 TO COMPLETE.

WE ASK YOUR COURTESY OF COOPERATION BY GRANTING YOUR LEASE TO US WITHIN THE NEXT SEVEN DAYS, OTHERWISE, WE WILL HAVE TO BEGIN THE FORCED-POOLING PROCEEDINGS, BECAUSE WE EXPECT TO HAVE A RIG AVAILABLE IN THE NEXT FEW WEEKS.

THANK YOU, AND I WISH YOU AND MRS. BROWN A MERRY CHRISTMAS.

SINCERELY YOURS,

DEB:MS

DONALD E. BLACKMAR

P. S. I HOPE TYPING THIS LETTER IN THE LARGER TYPE WILL HELP YOU, AND YOU WILL FIND THE LARGEST BLOK-UP COPY OF THE LEASE THAT WE COULD HAVE MADE HERE IN ROSWELL, AS PROMISED TO YOU.

D. E. B.

# OIL & GAS LEASE

THIS AGREEMENT made this 18 day of December 1980, between

L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384

of Lubbock, Texas 79415

(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P. O. Box 608, Roswell, N. M., 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:

Township 13 South - Range 38 East, N. M. P. M.

Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, such as to be delivered at the well 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 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 \$ 320.00 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 Lubbock National Bank (Acct. No. ) Bank

at Lubbock, Texas, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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

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

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

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

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

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

11. Lessee, its/heir 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. Despite anything herein contained to the contrary, it is agreed that this lease calls for the commencement of drilling operations of the first well within one year from the date hereof, and thereafter shall drill the same with due diligence to completion of same either as a producer of oil or gas or abandonment as a dry hole. If such a well is not so commenced and drilled, this lease shall forthwith terminate and Lessee shall thereupon release all interest in this lease. If the first well is timely commenced and drilled, Lessee shall not later than one year following the completion of the first well, commence continuous developments operations upon the leased premises and shall prosecute such operations with no more than one year elapsing between the completion of a given well and the commencement

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

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

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

11. Lessee, its 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. Despite anything herein contained to the contrary, it is agreed that this lease calls for the commencement of drilling operations of the first well within one year from the date hereof, and thereafter shall drill the same with due diligence to completion of same either as a producer of oil or gas or abandonment as a dry hole. If such a well is not so commenced and drilled, this lease shall forthwith terminate and Lessee shall thereupon release all interest in this lease. If the first well is timely commenced and drilled, Lessee shall not later than one year following the completion of the first well, commence continuous developments operations upon the leased premises and shall prosecute such operations with no more than one year elapsing between the completion of a given well and the commencement of the next succeeding well, with the understanding that at such time as such operations are no longer prosecuted, this lease shall terminate as to all of the land above described except that acreage included in each New Mexico Oil Conservation Commission proration unit upon which Lessee shall have drilled and completed a well productive of oil and/or gas. Time permitted between wells which is not used shall be cumulative, and any unused time between wells may be used thereafter by Lessee to extend any period between given wells thereafter drilled. Unused time shall be calculated on the basis of official reports filed with the New Mexico Oil Conservation Commission reflecting the commencement and completion date of each well.

13. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof.

Executed the day and year first above written.

Social Security Number

L. F. Brown

(EXHIBIT "E")

Morris R. Antweil  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, New Mexico 88240

COPY

DEB

January 16, 1981

Mr. L. P. Brown  
Route 2 - Box 384  
Lubbock, Texas 79415

RE: E/2 Section 10-T13S-R36E  
Lea County, New Mexico

Dear Mr. Brown:


Don Blackmar has been in contact with you regarding an oil and gas lease on your interest under the captioned lands. All the other interests have now been leased, and we are prepared to re-enter the existing well in the SE/4 of Section 10 to test the San Andres, Wolfcamp, Atoka, Morrow and Mississippian.

Enclosed is a copy of our Application to the New Mexico Oil Conservation Division for a hearing to compulsory pool your interest for our proposed well. The Application was filed with the Division on 6 January 1981 and the hearing will be set for 28 January 1981. The Helen Tantalo interest has now been leased and will be dropped from the hearing.

We request that you reconsider leasing this interest at this time.

Sincerely,

MORRIS R. ANTWEIL

  
R. M. Williams

pa

Enclosure

bcc: LDM Associates  
Roswell

DONALD E. BLACKMAR  
P. O. BOX 608  
ROSWELL, NEW MEXICO 86201

JANUARY 20, 1981

TELEPHONE  
505 622 6903

(EXHIBIT "F")

MR. L. F. BROWN  
ROUTE 2, BOX 384  
LUBBOCK, TEXAS 79415

RE: YOUR 16/320 ON A 18-ACRE INTEREST IN THE E/2 OF SECTION 10-  
13S-38E, N.M.P.M., LEA COUNTY, NEW MEXICO

DEAR FORREST:

FOLLOWING OUR LAST VISIT TOGETHER IN LUBBOCK, WE WERE UNABLE TO COME UP WITH ANY VALID SOLUTION TO HANDLE THE LEGAL DELAY YOU INDICATED YOU WERE HAVING TO CONTEND WITH RELATIVE TO EXECUTING AN OIL AND GAS LEASE ON YOUR ABOVE DESCRIBED INTEREST. THAT BEING THE CASE AND YOU HAVE SO BEEN ADVISED BY THE OFFICE OF MORRIS R. ANTWEIL OUR ONLY RECOURSE WAS TO PROCEED WITH THE FORCED POOLING PROCEDURE.

THE HEARING AS YOU KNOW IS SCHEDULED FOR JANUARY 28 in SANTA FE, BUT IF YOUR LEGAL SITUATION CHANGES ON OR BEFORE JANUARY 26 SO THAT YOU CAN EXECUTE A VALID LEASE TO US WITH THE APPROVAL OF YOUR ATTORNEY, THE PROCEEDINGS CAN BE DISPENSED WITH. IN TAKING A LEASE FROM YOU DURING THIS INTERIM THE TERMS OF THE LEASE WOULD BE IDENTICAL TO THOSE THAT HAVE BEEN ACCEPTABLE TO THE OTHER INTEREST OWNERS IN THE SAME LAND, AND SUCH A LEASE IS ENCLOSED HEREWITH, ALONG WITH A DRAFT IN SETTLEMENT. PLEASE BE SURE TO NOTIFY US THAT YOU HAVE BEEN ABLE TO EXECUTE THIS NEW LEASE AND THAT IT IS FORTHCOMING IN SUFFICIENT TIME FOR US TO WITHDRAW THE FORCED POOLING PROCEEDINGS NOW SCHEDULED.

SINCERELY YOURS,

DONALD E. BLACKMAR

DEB/rs  
Encl.

part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein expressed or not) then the royalties, shut-in royalties, bonuses, 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. Lessor, 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 lessor 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof. Executed the day and year first above written.

Social Security Number

L. F. Brown

THIS AGREEMENT made this 20th day of

January

1981, between

L. F. BROWN, a/k/a Forrest Brown, dealing in his separate property,

Route 2, Box 384

of Lubbock, Texas 79415

(Post Office Address)

herein called lessor (whether one or more) and DONALD E. BLACKMAR, P.O. Box 608, Roswell, N.M. 88201, 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:

Township 13 South - Range 38 East, N.M.P.M.Section 10: E/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 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 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.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well 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 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 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 \$ 320.00 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 Lubbock National Bank Bank

at Lubbock, Texas

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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

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

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

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessor 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 lessor'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 lessor 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. Notwithstanding any of the foregoing provisions herein contained to the contrary, and particularly Paragraph 4 relating to the payment of annual rentals, it is specifically understood and agreed that all rentals due hereunder have been paid to the lessor at the date of execution and delivery of this lease, and that this lease shall continue in full force and effect for its entire term as stated in Paragraph 2 hereof without the payment of any such rental. The statements in Paragraph 4 relating to the annual rental and depository bank are inserted herein solely for the payment of royalty under Paragraph 3 hereof. Executed the day and year first above written.

Social Security Number

L. F. Brown



TEXAS  
STATE OF NEW MEXICO

County of LUBBOCK

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 1 day of 1  
1981 by L. F. BROWN, a/k/a Forrest Brown, dealing in his own property.

My Commission expires 1, 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. \_\_\_\_\_

OIL AND GAS LEASE  
NEW MEXICO

FROM

L. F. BROWN

TO

Donald E. Blackmar

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.

No. \_\_\_\_\_ Roswell, New Mexico \_\_\_\_\_ January 20th 1981  
Place

FIFTEEN (15) DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE.

Pay to the order of L. F. BROWN

\$ 936.00

Without Exchange

For O&GL - E/2 Section 10-13S-38E, N.M.P.M., Lea County, N. M.

Bonus: \$900.00; prepayment of rentals: \$1 x 18 ac. x 2 yrs. = \$36

First National Bank of Roswell

To P O Box 1977, Roswell, N.M. 88201

Notify: Donald E. Blackmar

P O Box 608 - City

Phone: 622-6903

FOR COLLECTION ONLY

*Donald E. Blackmar*

COLLECTION DRAFT

Courtesy Of  
The First National Bank of Roswell  
Roswell, N. M.

Morris R. Antweil  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240

January 20, 1981

Mr. L. F. Brown  
Route 2, Box 384  
Lubbock, Texas 79415

RE: E/2 Section 10-T13S-R38E  
Lea County, New Mexico

Dear Mr. Brown:

Enclosed is a copy of New Mexico Oil Conservation Division Docket No. 4-81 of the hearings set for 28 January 1981 in Santa Fe, New Mexico. Your attention is directed to Case No. 7144 which will effect your unleased minerals.

If the compulsory pooling is granted by the Oil Conservation Division, you will have the opportunity to join in the well as a working interest owner and pay your share of the costs or permit your interest to be compulsory pooled and receive a 1/8 royalty interest until we recover our costs plus the risk penalty set by the Division.

We again request that you consider leasing this interest on the terms presented to you by Don Blackmar.

Yours Very Truly,

MORRIS R. ANTWEIL

R. M. Williams

RMW:pa

Enclosure

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| APP                       | EXHIBIT NO. 3 |
| CASE NO.                  | 7144          |



AFE COST ESTIMATE  
RE-ENTRY NO. 1 TOWNSEND  
SEC. 10-T135-R38E\

| ITEM   | TANGIBLE         | INTANGIBLE       | TOTAL            |
|--|------------------|------------------|------------------|
| <u>Re-entry to Base of<br/>9 5/8" Casing</u> |                  |                  |                  |
| Roads, Location, and Damages                 | \$               | \$ 5,000         | \$ 5,000         |
| Well Service Unit - 7 Days                   |                  | 16,800           | 16,800           |
| Reverse Units & Tools                        |                  | 25,000           | 25,000           |
| Mud & Water                                  |                  | 5,000            | 5,000            |
| 9 5/8" Casing-1580' @ \$15.00/ft.            | 23,700           |                  | 23,700           |
| 9 5/8" Casing Bowl                           |                  | 3,600            | 3,600            |
| Wellhead & Connections                       | 2,000            |                  | 2,000            |
| Supervision & Expenses                       |                  | 1,000            | 1,000            |
| Transportation & Misc. Labor                 |                  | 2,000            | 2,000            |
| Contingencies                                |                  | 10,900           | 10,900           |
| <b>COST TO BASE 9 5/8" CASING</b>            | <b>\$25,700</b>  | <b>\$ 69,300</b> | <b>\$95,000</b>  |
| <u>Re-entry Below 9 5/8" Casing</u>          |                  |                  |                  |
| Location                                     | \$               | \$ 5,000         | \$ 5,000         |
| Move-in, Rig-up Rig                          |                  | 45,000           | 45,000           |
| Daywork-Drill-out - 4 days<br>@ \$7,000/day  |                  | 28,000           | 28,000           |
| Daywork-Operations - 3 days<br>@ \$7,000/day |                  | 21,000           | 21,000           |
| Bits   |                  | 2,000            | 2,000            |
| Mud & Water                                  |                  | 30,000           | 30,000           |
| Logging Service                              |                  | 26,900           | 26,900           |
| DST Service - 2 DST's                        |                  | 5,000            | 5,000            |
| Rental Tools & Equipment                     |                  | 3,000            | 3,000            |
| Supervision & Expenses                       |                  | 2,000            | 2,000            |
| Transportation & Misc. Labor                 |                  | 4,000            | 4,000            |
| Contingencies                                |                  | 13,100           | 13,100           |
| <b>COST FROM 9 5/8" CASING TO 12,000'</b>    | <b>-</b>         | <b>\$185,000</b> | <b>\$185,000</b> |
| <u>Completion Costs</u>                      |                  |                  |                  |
| 5 1/2" Casing - 12,000' @ \$8.80/ft.         | \$105,600        | \$               | \$105,600        |
| Cement & Service - 5 1/2" Casing             |                  | 9,000            | 9,000            |
| Daywork - 1 day @ \$7,000/day                |                  | 7,000            | 7,000            |
| Well Service Unit                            |                  | 10,000           | 10,000           |
| Perforating Service                          |                  | 6,000            | 6,000            |
| Tubing - 2 3/8" - 11,500' @<br>\$4.30/ft.    | 49,500           |                  | 49,500           |
| Rental Tools & Equipment                     |                  | 4,000            | 4,000            |
| Acid Treatment                               |                  | 8,000            | 8,000            |
| Wellhead & Connections                       | 5,000            |                  | 5,000            |
| Battery Facilities                           | 30,000           |                  | 30,000           |
| Supervision & Expenses                       |                  | 3,000            | 3,000            |
| Transportation & Misc. Labor                 |                  | 5,000            | 5,000            |
| Contingencies                                |                  | 7,900            | 7,900            |
| <b>COMPLETION COSTS</b>                      | <b>\$190,100</b> | <b>\$ 59,900</b> | <b>\$250,000</b> |
| <b>TOTAL AFE COST</b>                        | <b>\$215,800</b> | <b>\$314,200</b> | <b>\$530,000</b> |

APPROVAL:

by \_\_\_\_\_  
date \_\_\_\_\_

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| APP                       | EXHIBIT NO. 4 |
| CASE NO. 7144             |               |

Dockets Nos. 5-81 and 6-81 are tentatively set for February 11 and 25, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 28, 1981

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 7135: Application of Celeste C. Cryenberg for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cottonwood Draw Unit Area, comprising 2555 acres, more or less, of State lands in Township 16 South, Range 24 East.
- CASE 7119: (Continued from January 14, 1981, Examiner Hearing)
- Application of Shell Oil Company for a unit agreement, Bernalillo and Sandoval Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the West Mesa Unit Area, comprising 26,722 acres, more or less, of State, Federal, and fee lands in Townships 10, 11, and 12 North, Ranges 1 and 2 East.
- CASE 7136: Application of Hanson Oil Corporation for amendment of R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the elimination of the NE/4 of Section 26, Township 18 South, Range 30 East, from the Potash-Oil Area as defined by Order No. R-111-A as amended. In the alternative, applicant seeks an exception to the casing and cementing rules of R-111-A for its wells to be drilled within the NE/4 of said Section 26.
- CASE 7137: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Blanco Mesaverde production in the wellbores of its wells located in: Sections 1 thru 5, and 7, 8, 21, 22, 24, and 25 in Township 26 North, Range 6 West; Sections 13, 14, 23, 24, and 26 in Township 26 North, Range 7 West; and Sections 33 thru 35 in Township 27 North, Range 6 West.
- CASE 7138: Application of Wiser Oil Company for a special gas-oil ratio limitation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a special gas-oil ratio limitation of 6000 to one, retroactive to May 1, 1980, for the Hardy-Drinkard Pool.
- CASE 7051: (Continued from December 30, 1980, Examiner Hearing)
- Application of Petro Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry and Drinkard production in the wellbore of its L. G. Warlick "B" Well No. 2 located in Unit G of Section 19, Township 21 South, Range 37 East.
- CASE 7139: Application of Yates Petroleum Corporation for amendment of Division Order No. R-6367, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6367 to designate Yates Petroleum Corporation as the operator of the two proration units pooled by said order, replacing McClellan Oil Corporation as operator.
- CASE 7140: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 21 South, Range 26 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1650 feet from the East line of said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7100: (Continued from January 14, 1981, Examiner Hearing)
- Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Travis 24 State Com Well No. 1 in Unit H of Section 24, Township 18 South, Range 28 East.
- CASE 7141: Application of P & O Oil Field Service for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NW/4 of Section 25, Township 25 South, Range 36 East.

CASE 7142: Application of Getty Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Otero-Gallup and Basin-Dakota production in the wellbores of its Farming "E" Wells No. 1 in Unit I and No. 3 in Unit E of Section 2, Township 24 North, Range 6 West.

CASE 7143: Application of Morris R. Antweil for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the South and West lines of Section 28, Township 18 South, Range 25 East, the W/2 of said Section 28 to be dedicated to the well.

CASE 7144: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NW/4 SE/4 and in the Wolfcamp thru Mississippian formations underlying the S/2 of Section 10, Township 13 South, Range 38 East, to be dedicated to an existing well located in the NW/4 SE/4 of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7129: (Continued from January 14, 1981, Examiner Hearing)

Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6940: (Continued from January 14, 1981, Examiner Hearing)

Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7145: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting vertical limits, and extending horizontal limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Berry-Morrow Gas Pool. The discovery well is Getty Oil Company Getty 6 State Com Well No. 1 located in Unit K of Section 6, Township 21 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM  
Section 6: Lots 9, 10, 11, 12, 13,  
14, 15, and 16

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Santa Rosa production and designated as the Cooper-Santa Rosa Gas Pool. The discovery well is O. H. Berry J. L. Isbell Well No. 5Y located in Unit A of Section 15, Township 24 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM  
Section 15: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the South Corbin-Bone Springs Pool. The discovery well is Southland Royalty Company Federal 21 Com Well No. 1 located in Unit L of Section 21, Township 18 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM  
Section 21: SW/4

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the West Lynch-Morrow Gas Pool. The discovery well is The Superior Oil Company West Lynch Deep Unit Well No. 1 located in Unit D of Section 28, Township 20 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
Section 28: S/2

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Blinebry production and designated as the West Nadine-Blinebry Pool. The discovery well is Tamarack Petroleum Company, Inc. Speight Well No. 1 located in Unit D of Section 9, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 9: NW/4

(f) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka-Morrow production and designated as the Nonombre Atoka-Morrow Gas Pool. The discovery well is Amoco Production Company State FO Well No. 3 located in Unit F of Section 32, Township 13 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Section 32: W/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Southwest Quahada Ridge-Atoka Gas Pool. The discovery well is Perry R. Bass Big Eddy Unit Well No. 71 located in Unit F of Section 7, Township 22 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 29 EAST, NMPM  
Section 7: N/2

(h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Abo production and designated as the Skaggs-Abo Gas Pool. The discovery well is Conoco, Inc. Britt B Well No. 27 located in Unit G of Section 15, Township 20 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 15: NE/4

(i) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Granite Wash production and designated as the Tanneyhill-Granite Wash Pool. The discovery well is Energy Reserves Group, Inc. Bledsoe Well No. 1 located in Unit H of Section 11, Township 6 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM  
Section 11: NE/4

(j) CONTRACT the vertical limits of the Nonombre-Pennsylvanian Pool in Lea County, New Mexico, to the Cisco, Canyon, and Strawn formations only and redesignate said Nonombre-Pennsylvanian Pool to Nonombre-Upper Pennsylvanian Pool. (All wells in said pool are producing from the Upper Penn formation and a gas well has been completed in the Atoka-Morrow formations for which a new Atoka-Morrow gas pool is being created.)

(k) EXTEND the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 14: W/2

(l) EXTEND the Antelope Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 14: All

- (m) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 9: All  
Section 10: W/2

- (n) EXTEND the Atoka-Yaso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 26: SW/4 SW/4  
Section 27: S/2 S/2

- (o) EXTEND the Avalon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM  
Section 36: N/2 SE/4

- (p) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 35: N/2

- (q) EXTEND the East Burton Flat-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM  
Section 8: W/2  
Section 9: W/2

- (r) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM  
Section 25: E/2

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 1: Lots 9, 10, 11, 12, 13,  
14, 15, and 16

- (s) EXTEND the Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 9: S/2

- (t) EXTEND the Comanche Stateline Tansill-Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 21: E/2

- (u) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 10: S/2

- (v) EXTEND the South Culebra Bluff-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 13: W/2

- (w) EXTEND the Dollarhide Tubb-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 38 EAST, NMPM  
Section 18: SW/4

- (x) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 24: S/2

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM  
Section 14: E/2

- (y) EXTEND the Esperanza-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPH  
Section 10: S/2 NE/4

- (z) EXTEND the Eunice Monument Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPH  
Section 27: SW/4

- (aa) EXTEND the East Grama Ridge-Lower Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPH  
Section 2: NW/4  
Section 3: NE/4

- (bb) EXTEND the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPH  
Section 1: E/2

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPH  
Section 6: All

- (cc) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPH  
Section 13: N/2

- (dd) EXTEND the Hoag Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPH  
Section 27: All

- (ee) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPH  
Section 13: SE/4  
Section 24: NE/4

- (ff) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPH  
Section 5: E/2

- (gg) EXTEND the Malaga-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPH  
Section 3: W/2

- (hh) EXTEND the West Malaga-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPH  
Section 9: N/2

- (ii) EXTEND the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPH  
Section 24: NE/4

- (jj) EXTEND the Maljamar-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPH  
Section 28: W/2

- (kk) EXTEND the East Millman Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPH  
Section 24: NW/4 NE/4

- (ll) EXTEND the Nadine Drinkard-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 27: NE/4

- (mm) EXTEND the North Osudo-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM  
Section 31: E/2  
Section 32: All

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM  
Section 16: All

- (nn) EXTEND the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 24: N/2 SE/4

- (oo) EXTEND the South Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM  
Section 2: Lots 1 and 2

- (pp) EXTEND the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 1: E/2

- (qq) EXTEND the Runyan Ranch-Abo Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM  
Section 8: S/2  
Section 9: SW/4

- (rr) EXTEND the Sioux Tansill-Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 17: E/2

- (ss) EXTEND the Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 9: W/2  
Section 16: NW/4  
Section 17: N/2

- (tt) EXTEND the Teas-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM  
Section 11: N/2

- (uu) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM  
Section 25: SW/4

- (vv) EXTEND the Travis-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM  
Section 14: SE/4

- (ww) EXTEND the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 10: W/2

(xx) EXTEND the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 10: All

(yy) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 20: E/2  
Section 33: S/2  
Section 34: S/2

(zz) EXTEND the Turkey Track Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 27: E/2 NW/4



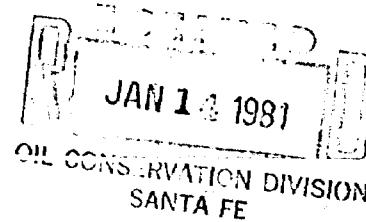
CAMPBELL AND BLACK, P.A.

LAWYERS

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

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

January 13, 1981



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

*Case 7144*

Re: Application of Morris R. Antweil for  
Compulsory Pooling, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Morris R. Antweil 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 January 28, 1981.

Very truly yours,

*William F. Carr*  
William F. Carr

WFC:lr

Enclosures

cc: Mr. Bob Williams

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED  
JAN 1 1931  
OIL CONSERVATION DIVISION  
SANTA FE

IN THE MATTER OF THE APPLICATION  
OF MORRIS R. ANTWEIL FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 7144

APPLICATION

Comes now, MORRIS R. ANTWEIL, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the San Andres formation under the NW/4 SE/4 and in the Wolfcamp, Atoka, Morrow and Mississippian formations in and under the S/2 of Section 10, Township 13 South, Range 38 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 88.6% of the working interest in and under the S/2 of Section 10, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to an existing Devonian Well drilled at an orthodox location 1980 feet from the South and East lines of said Section 10.
3. Applicant has sought and obtained either voluntary agreement for pooling or farm-out from all other working interest owners in the S/2 of said Section 10 except L. F. Brown, owner of a 5.6% undivided interest and Helen S. Tantalo, owner of a 3.1% undivided working interest.

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

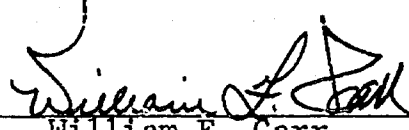
5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

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

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By

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

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS  
SANTA FE DIVISION

IN THE MATTER OF THE APPLICATION  
OF MORRIS R. ANTWEIL FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 7144

APPLICATION

Comes now, MORRIS R. ANTWEIL, by and through its under-  
signed attorneys and, as provided by Section 70-2-17, New Mexico  
Statutes Annotated, 1978 Compilation, hereby makes application  
for an order pooling all of the mineral interests in the San  
Andres formation under the NW/4 SE/4 and in the Wolfcamp, Atoka,  
Morrow and Mississippian formations in and under the S/2 of  
Section 10, Township 13 South, Range 38 East, N.M.P.M., Lea  
County, New Mexico, and in support thereof would show the  
Division:

1. Applicant is the owner of 88.6% of the working  
interest in and under the S/2 of Section 10, and appli-  
cant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced  
pooled unit to an existing Devonian Well drilled at an  
orthodox location 1980 feet from the South and East lines  
of said Section 10.
3. Applicant has sought and obtained either voluntary  
agreement for pooling or farm-out from all other working  
interest owners in the S/2 of said Section 10 except  
L. F. Brown, owner of a 5.6% undivided interest and  
Helen S. Tantalo, owner of a 3.1% undivided working  
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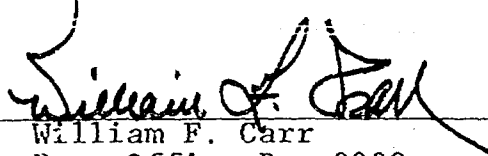
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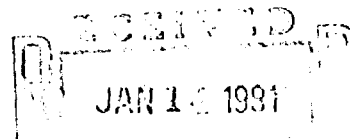
WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By

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



BEFORE THE OIL CONSERVATION DIVISION  
SANTA FE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF MORRIS R. ANTWEIL FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 7144

APPLICATION

Comes now, MORRIS R. ANTWEIL, by and through its under-  
signed attorneys and, as provided by Section 70-2-17, New Mexico  
Statutes Annotated, 1978 Compilation, hereby makes application  
for an order pooling all of the mineral interests in the San  
Andres formation under the NW/4 SE/4 and in the Wolfcamp, Atoka,  
Morrow and Mississippian formations in and under the S/2 of  
Section 10, Township 13 South, Range 38 East, N.M.P.M., Lea  
County, New Mexico, and in support thereof would show the  
Division:

1. Applicant is the owner of 88.6% of the working  
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cant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced  
pooled unit to an existing Devonian Well drilled at an  
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interest owners in the S/2 of said Section 10 except  
L. F. Brown, owner of a 5.6% undivided interest and  
Helen S. Tantalo, owner of a 3.1% undivided working  
interest.

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


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

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

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By

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

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. 7144

Order No. R- 6593

APPLICATION OF MORRIS R. ANTWEIL FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 28,  
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        day of February, 19 81, 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 the applicant, Morris R. Antweil,  
seeks an order pooling all mineral interests in the San Andres  
formation underlying the NW/4 SE/4  
Wolfcamp through Mississippian formations underlying the S/2  
of Section 10, Township 13 South, Range 38 East  
NMPM,       , Lea County, New  
Mexico, and in the        of said Section 10.

(3) That the applicant proposes to dedicate said  
lands to an oil well previously drilled and  
plugged in the NW/4 SE/4 of ~~Section~~ said Section  
10 which the applicant proposes to re-enter  
and test in the San Andres and/or  
Wolfcamp through Mississippian  
formations



~~(3) That the applicant has <sup>drilled a well</sup> ~~the right to drill~~ and proposes to dedicate the NW/4 SE/4 of said Section 10 to this well.~~  
~~to ~~drill~~ ~~a well~~~~

(4) That there are interest owners in <sup>each of the aforesaid</sup> ~~the~~ proposed proration units who have not agreed to pool their interests.

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

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the <sup>re-entry and recompletion</sup> ~~drilling~~ of the well.

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

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

*workover operations are being carried out*

(11) That \$ 2500.00 per month while ~~drilling~~ and \$ 250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence ~~drilling of the~~ *re-entry operations on the subject* well to which said units ~~is~~ *are* dedicated on or before April 1, 1981, the order pooling said units should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, *are hereby pooled* in the San Andres formation underlying the NW/4 SE/4 ~~and in the~~ *Wolfcamp through Mississippian* formations underlying the S/2 of Section 10, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, *to form a standard 40-acre oil proration unit and in the* ~~of Section 10~~ *to form a standard* 320- acre gas spacing and proration unit to be dedicated to a well ~~to be drilled~~ *previously drilled and abandoned* ~~drilled~~ in the NW/4 SE/4 of said Section 10, *which the applicant proposes to re-enter.*

PROVIDED HOWEVER, that the operator of said units shall *re-entry operations on* commence ~~the drilling of~~ said well on or before the first day of, April, 1981, and shall thereafter continue ~~the drilling~~ *such operations* on said well with due diligence to a depth sufficient to test the San Andres and/or Wolfcamp through Mississippian formations.

PROVIDED FURTHER, that in the event said operator does not *re-entry operations on* commence ~~the drilling of~~ said well on or before the first day of April, 1981, 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.

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

(2) That Morris R. Antweil is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within 90 days prior to commencing *workover operations on* said well, the operator shall furnish the Division and each known working interest owner in the subject units an itemized schedule of estimated well costs.

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the *re-entry and recompletion* ~~drilling~~ of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$ 2500.00 per month while ~~drilling~~ *re-entry workover operations are being carried out* and \$ 250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Order No.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall 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.

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

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

# Memo

From

FLORENE DAVIDSON  
ADMINISTRATIVE SECRETARY

To Called in by Bill Carr  
11/7/81

Morris R. Antweil

Compulsory Pooling

10-135-38E

Lea County

NW1/4 SE1/4 - San Andres

S1/2 - Wolfcamp, Atoka,  
Morrow, and Mississippian

Dedicated to an existing well

1980/5 + E

OIL CONSERVATION COMMISSION-SANTA FE