

RELEASE 3-11-93

PHONE 684-8421

TEJAS OPERATORS, INC.

P.O. BOX 58
MIDLAND, TEXAS 79702

OIL CONSERVATION DIVISION
RECEIVED

1993 FEB 25 AM 9 25

February 23, 1993

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Dear Sir:

Enclosed is an application for authorization to inject for a salt water disposal well. A copy of the legal notice which will be published in the Artesia Daily Press will be sent to you as soon as we receive it. The offset operators listed below will receive a copy of this application. If you have any questions, please contact me. Thank you.

Sincerely,

J.M. Simpson

cc: Santa Fe Energy Resources
1616 Voss Road Ste 1000
Houston, Texas 77057-2684

Monsanto
% BHP Petroleum
5847 San Felipe Ste 3600
Houston, Texas 77057-3011

TXO
% Marathon
Houston, Texas 77253-3128



333 Clay
P.O. Box 4648
Houston, Texas 77210-4648

(713) 646-4100

Owen H. Mobley
Vice President Operations
(713) 646-4393

June 8, 1993

State of New Mexico
Energy & Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088
Attn: Mr. David Catanach

RE: Amended Order No. SWD 505
Tejas Operators
Rohmer Well No. 1
Sec. 23, T22S, R27E
Unit E, 1980 FNL, 1980 FWL
Eddy County, New Mexico

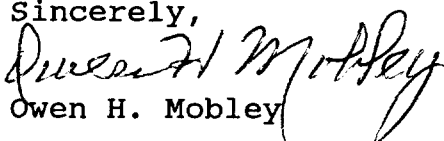
Dear Mr. Catanach:

In furtherance of our June 4, 1993 letter requesting an amendment to Order No. SWD 505 please find enclosed the following documents:

1. Release of Surface Lease - Mr. J. M. Simpson, President of Tejas Operators, Inc., released the Business-Surface Lease and Salt Water Disposal Lease dated March 12, 1993.
2. Bill of Sale, Transfer and Assignment - Mr. J. M. Simpson, President of Tejas Operators, Inc., assigned their interest in the above referenced well-bore to Scurlock Permian Corporation.
3. Salt Water Disposal Lease - Ray Dunaway, Jim Dunaway, Jerry Dunaway, Darlene Cowart leased the above referenced surface to Scurlock Permian Corporation for the operation of a commercial salt water disposal facility.

Please contact the undersigned if you have any questions or require any further information. Thank you for your assistance.

Sincerely,


Owen H. Mobley



SUBSIDIARY OF ASHLAND OIL, INC.

N/R



333 Clay
P.O. Box 4648
Houston, Texas 77210-4648

(713) 646-4100

Owen H. Mobley
Vice President Operations
(713) 646-4393

June 4, 1993

State of New Mexico
Energy & Minerals Department
Oil Conservation Division
Attention: Mr. David Catanach
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

RE: Amended Order No. SWD 505
Tejas Operators
Rohmer Well No. 1
Sec. 23, T22S, R27E
Unit E, 1980 FNL, 1980 FWL
Eddy County, New Mexico

Dear Mr. Catanach:

Scurlock Permian Corporation hereby requests to amend the above referenced order. In lieu of the open hole system from 2154' to 5400' with maximum injection pressure of 431 p.s.i., we propose the following:

1. Set a cement plug in open hole at approximately 4200'.
2. Run 5-1/2" casing from 4150' to surface.
3. Cement 5-1/2" casing with +600 sacks cement.
4. Perforate the Delaware formation 3880' - 4030'.
5. Acidize and sand frac injection interval as required.
6. Inject through 2-7/8" plastic lined tubing with a packer located at approximately 3800'.
7. Set average daily volume at 2500 barrels per day.
8. Set maximum injection pressure at 775 p.s.i., in accord with upper perforations. 776

Should further information be required to grant this request, please advise.

Sincerely,

Owen H. Mobley
Owen H. Mobley

BILL OF SALE, TRANSFER AND ASSIGNMENT

THIS BILL OF SALE, is made and entered into this 27th day of May, 1993 by and between Tejas Operators, Inc., with a mailing address of P.O. Box 58 Midland, Texas 79702 (hereinafter referred to as "Seller") and Scurlock Permian Corporation, a Kentucky corporation, with a mailing address of P.O. Box 4648, Houston, Texas 77210-4648 (hereinafter referred to as "Purchaser").

WITNESSETH:

WHEREAS, Purchaser desires to purchase from Seller, and Seller to sell to Purchaser all of its right, title and interest in and to the following described personal property (hereinafter referred to as the "Property"):

the permit or similar administrative approval from the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, all other authorization from any governmental agency and any other interest Seller has to the now abandoned Santa Fe Energy Rohmer Well #1 (hereinafter referred to as the "Well"), located 1980 feet from the north line and 1980 feet from the west line of Section 23, T-22-S, R-27-E, Eddy County, New Mexico.

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller does hereby sell, assign, convey and transfer to Purchaser all of Seller's right, title and interest, legal and equitable, in and to the Property described above, subject to the following terms and conditions:

1. This Bill of Sale is contingent upon Purchaser obtaining a permit or similar administrative approval from the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and any other necessary authorization from any governmental agency to operate the Well as a commercial salt water disposal well. Seller shall cooperate, as necessary, with Purchaser's application for a permit or similar administrative approval from the Oil Conservation Division.
2. This Bill of Sale is further contingent upon a successful re-completion of the Well by Purchaser, at its expense, such that Purchaser can operate the Well as a commercial salt water disposal well.
3. If Purchaser: (i) receives the permit or similar administrative approval from the Oil Conservation Division, (ii) any other necessary authorization from any governmental agency, (iii) accomplishes successful re-completion of the Well, and (iv) operates the Well as a commercial salt water disposal well, Purchaser agrees to pay the sum of two (2) cents per barrel for each barrel of fluid injected into or through the Well. Said sum to be mailed on or before the twentieth (20th) of the month following the calendar month of injection of the fluid into the Well.

Purchaser shall pay this sum on a monthly basis to be paid as set forth herein:

- a. Julian M. Simpson 80% of \$0.02 = \$0.016/bbl
P.O. Box 58
Midland, Texas 79702
- b. Audra Carby *Am* 20% of \$0.02 = \$0.004/bbl
2600 Cimmaron
Midland, Texas 79705

4. In the event Purchaser, its successors or assigns, should desire to sell or plug the Well, Seller shall have the preference right to purchase the Well and the Property at any bona fide offer made and acceptable to Purchaser by any responsible party (or at fair market value if no offer is made) within sixty (60) days after receiving written notice from Purchaser.
5. This Bill of Sale represents the entire agreement between Seller and Purchaser relating to the Property and the Well.

IN WITNESS WHEREOF, the parties hereto have executed this Bill of Sale, Transfer and Assignment as of the day and year first above written.

SELLER:
TEJAS OPERATORS, INC.

By: *J.M. Simpson*

Name: J.M. Simpson

Title: President

PURCHASER:
SCURLOCK PERMIAN CORPORATION

By: *Lauren L. Hill* *LLH*

By: Lauren L. Hill

Title: Senior Vice President

bmh\L1781.003\jwg8

RELEASE OF SURFACE LEASE

STATE OF NEW MEXICO §
 § KNOW ALL MEN BY THESE PRESENTS THAT:
COUNTY OF EDDY §

WHEREAS, by Business-Surface Lease and Salt Water Disposal Lease dated March 12, 1993, Ray Dunaway, Jim Dunaway, Jerry Dunaway and Darlene Cowart, as Lessors, leased two (2) certain tracts of land, each being two (2.0) acres more or less, described in said lease to Tejas Operators, Inc., as Lessee;

WHEREAS, effective May 27, 1993, Lessors have executed a new surface lease in favor of Scurlock Permian Corporation, which will be recorded in the Deed Records of Eddy County, New Mexico, in place of and in lieu of the above referenced lease;

WHEREAS, Lessee has been requested to release the previous surface lease and has agreed to do so;

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and the execution and delivery of the replacement lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Lessee does hereby release, relinquish and quitclaim unto Lessors, their heirs and assigns, Lessee's rights under that certain Business-Surface Lease and Salt Water Disposal Lease dated March 12, 1993.

Executed and effective this 27th day of May, 1993.

WITNESSES:

LESSEE:
TEJAS OPERATORS, INC.

By: 

Name: J.M. Simpson

Title: President

STATE OF Texas §
§
COUNTY OF Midland §

This instrument was acknowledged before me on the 27th day of May, 1993 by
J.M. Simpson, President of Tejas Operators, Inc., on behalf of said
corporation.

Anna Van Horn
Notary Public, in and for the
State of Texas

My Commission Expires:

8/10/95

bmh\L1781.001\jwg9

ORIGINAL

SALT WATER DISPOSAL LEASE

COUNTY OF EDDY

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§

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KNOW ALL MEN BY THESE PRESENTS

STATE OF NEW MEXICO

THIS LEASE made and entered into this 27 day of July 1993, 1993 by and between Ray Dunaway, Jim Dunaway, Jerry Dunaway and Darlene Cowart (hereinafter collectively referred to as "Lessors") and Scurlock Permian Corporation, a Kentucky corporation, with a mailing address of P.O. Box 4648, Houston, Texas 77210-4648 (hereinafter referred to as "Lessee"),

WITNESSETH:

FOR AND IN CONSIDERATION of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, and in consideration of the premises, mutual covenants, agreements and obligations hereinafter set forth and to be paid, kept and performed, Lessors do hereby lease, let, demise and grant unto Lessee the following described parcels of land situated in Section 23, Township 22 South, Range 27 East, Eddy County, New Mexico (hereinafter collectively referred to as the "Leased Premises"), as shown on the plat marked Exhibit "A" attached hereto and made a part hereof, to-wit:

- A. 0. _____ acres, more or less, around the now abandoned Santa Fe Energy Rohmer Well #1 (hereinafter referred to as the "Well") located 1980 feet from the north line and 1980 feet from the west line of Section 23, and being approximately 30 feet by 30 feet (hereinafter referred to as the "Injection Station").
- B. Two (2.0) acres, more or less, around the Well located 1980 feet from the north line and 1980 feet from the west line of Section 23, and being approximately 300 feet by 300 feet, for the installation, construction, repair, workover and maintenance of the Injection Station.
- C. Two (2.0) acres, more or less, beginning at a point which is 1320 feet from the north line and 1320 feet from the west line of Section 23 and extending approximately 300 feet south and 300 feet east, in the form of a square, to install, construct, repair, operate and maintain tanks, pumps, truck station and other structures, appurtenances, equipment and pipelines (hereinafter referred to as the "Tank Site").
- D. A pipeline right of way easement and grant being ten (10) feet wide, with a temporary width of thirty (30) feet during the installation, construction, maintenance, alteration, repair and removal of any pipeline constructed hereunder and approximately _____ feet in length connecting the northwest corner of the Injection Station to the southwest corner of the Tank Site.

6-10-93

Post-it™ brand fax transmittal memo 7671 # of pages 7

To: Joe Calvan	From: Fred McNeil
cc:	Co.
Dept.	Phone #
Fax # 713-646-4106	Fax #

- E. Lessee shall have the right to use and improve any road or roadways on, over or across Lessor's property, including, but not limited to, installing a heavy duty cattleguard, for ingress and egress to the Leased Premises.

TO HAVE AND TO HOLD unto Lessee, its successors and assigns, subject to the terms, provisions, covenants, conditions and stipulations hereinafter set forth, Lessors and Lessee hereby covenant and agree between themselves as follows:

1. The primary term of this Lease shall be for twenty (20) years from the date hereof (hereinafter referred to as the "Primary Term"), with one option to renew at the end of the Primary Term for an additional ten (10) years under the same terms and conditions as herein set forth. Such option shall be exercised, if at all, thirty (30) days prior to the expiration of the Primary Term hereof by Lessee's provision of written notice of such intent to Lessors. If such written notice is not timely received by Lessors prior to the end of the Primary Term, then such option to renew shall be null and void.
2. Lessee shall pay to Lessors as rental for this Lease the sum of two (2) cents per barrel for each barrel of fluid injected into or through the salt water disposal well described herein with rental payable monthly, and divided equally between the four Lessors. The monthly rental payable under the terms hereof shall never be less than the total sum of \$100.00 per month and shall be mailed on or before the twentieth (20th) of the month following the calendar month of injection of the fluid into the salt water disposal well.
3. The uses and purposes for which the above described land and premises are leased by Lessors to Lessee are as follows: maintenance and operation of the Well as a salt water disposal well and the operation of an Injection Station, Tank Site, and pipeline located on the Leased Premises, all in connection with the salt water disposal operation.
4. Lessee shall operate the Leased Premises in accordance with all of the applicable laws, rules and regulations of the State of New Mexico, the New Mexico Oil Conservation Division and any other government or regulatory authority having jurisdiction in connection with same.
5. Lessee shall keep and hold Lessors harmless from any losses, damages, liabilities or claims of any kind which may be suffered by or brought against Lessors as a consequence of, in connection with, or resulting from the existence and/or operation of the salt water disposal facility by Lessee.
6. To the extent that Lessors have the right to grant same, Lessors hereby grant unto Lessee the right to convert the Well into a salt water disposal well and to use the Well for the injection and disposal of salt water or other deleterious substances.

which may be produced in connection with oil and gas operations either by Lessee or by others without regard to where such substances were produced.

7. It being understood and agreed that it is the intent of the parties that Lessee shall have the full, free and exclusive use of the surface of the Leased Premises during the primary term of this Lease, or any extension or renewal thereof, for the purposes hereinabove named.
8. Lessors agree that Lessee shall have the right and privilege at any time prior to, and the duty and responsibility within ninety (90) days after, the final termination of this Lease (including any extension or renewal), to remove any and all improvements of whatsoever nature or character owned or placed by Lessee upon the Leased Premises and to level and restore the Leased Premises to the condition received, normal wear and tear excepted. Lessee shall have the right to surrender this Lease any time during or after the Primary Term hereof by filing a release of record in the County Records or by delivery of such release to Lessors herein where upon Lessee shall be relieved of all obligations hereunder as to the released interest, except that Lessee shall not be relieved of the duty and responsibility of leveling and restoring said land as provided above.

Lessee shall pay Lessors for any damages caused to the adjoining land, crops or livestock of Lessors which may be caused by or resulting from the installation, construction, maintenance, removal or operation of Lessee's salt water disposal well.

9. It is further understood and agreed that Lessee shall have the right at any time to assign this Lease, in whole or in part, with full right and power to such assignee or assignees to extend and renew this Lease under the same terms and conditions hereof. This Lease, and all of the terms and provisions thereof, shall extend to and be binding upon Lessors, their heirs, executors, administrators and assigns, and shall inure to the benefit of Lessee, its successors and assigns.
10. It is agreed that Lessee's failure to timely pay or tender any rental due hereunder during the Primary Term hereof shall not work a forfeiture of this Lease unless: (i) written notice of such default by certified or registered mail is mailed to Lessee by Lessors at the last known address of Lessee and (ii) Lessee fails to remedy such default within thirty (30) days after such notice is mailed. If Lessee remains in default thereafter, the Lease shall automatically terminate without notice or further action by Lessors.
11. Lessors hereby warrant and agree to defend the title to the Leased Premises and agree that Lessee shall have free rights to ingress and egress to any portion thereof. Lessee shall have the right, in the event of default of payments by Lessor, to pay any mortgage, taxes or other liens on the Leased Premises; however, any such payments will be subrogated to the rights of the holder thereof, and will be deducted from rentals or other payments due or which may become due to Lessors under this Lease.

12. For purposes of this Lease, the mailing address of the parties are as follows:

LESSORS:	Jim Dunaway P.O. Box 81 Taylor, Arizona 85939	Darlene Cowart 440 Jensen Grants, New Mexico 87020
	Jerry Dunaway P.O. Box 424 Snowflake, Arizona 85937	Ray Dunaway 4307 Sycamore Carlsbad, New Mexico 88220
LESSEE:	Scurlock Permian Corporation P.O. Box 4648 Houston, Texas 77210-4648 Attn: Mr. Owen H. Mobley Vice President, Operations	

IN WITNESS WHEREOF, this Salt Water Disposal Lease is made effective as of the day and year first above written.

WITNESSES:

Eleanor D. Terry
Jim Dunaway

Eleanor D. Terry

Phil Newman
Annette Williams

Prescilla E. Molina

LESSORS:

By: Jim Dunaway
Name: Jim Dunaway

By: Jerry Dunaway
Name: Jerry Dunaway

By: Ray Dunaway
Name: Ray Dunaway

By: Darlene Cowart
Name: Darlene Cowart

WITNESSES:

LESSEE:

SCURLOCK PERMIAN CORPORATION

By: _____

Name: _____

Title: _____

STATE OF NEW MEXICO

§

§

COUNTY OF EDDY

§

Before me, the undersigned authority, on this day personally appeared Jim Dunaway, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity there stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 1st day of June, 1993.



Eleanor S. Terry
Notary Public in and for the
State of Texas

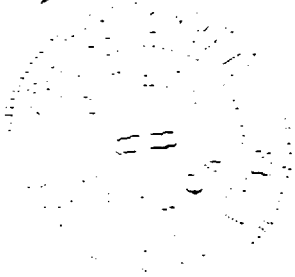
My Commission Expires:

July 18, 1995

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

Before me, the undersigned authority, on this day personally appeared Jerry Dunaway, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity there stated.

June GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 1st day of _____, 1993.



Edgar D. Terry
Notary Public in and for the
State of ~~Texas~~ Arizona

My Commission Expires:

July 18, 1995

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

Before me, the undersigned authority, on this day personally appeared Ray Dunaway, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity there stated.

May GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 28th day of _____, 1993.



Gail K. Newman
Notary Public in and for the
State of ~~Texas~~ NEW MEXICO

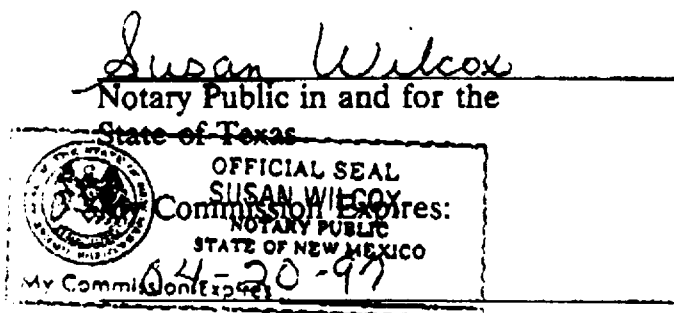
My Commission Expires:

March 3, 1996

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

Before me, the undersigned authority, on this day personally appeared Darlene Cowart, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity there stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 7th day of June, 1993.



STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Before me, the undersigned authority, on this day personally appeared, _____ of Scurlock Permian Corporation, a Kentucky corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity there stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1993.

Notary Public in and for the
State of Texas

My Commission Expires:
