

Application for Approval of
the Dona Unit,
Oil Conservation Division
Department of Energy and Minerals,
State of New Mexico

EXHIBIT
SYNOPSIS OF NEGOTIATIONS
DONA UNIT
DONA ANA COUNTY
NEW MEXICO

INTERESTED PARTY: Hunt Oil Company and
SHJR Partnership

NATURE OF INTEREST: Working Interest

TRACTS: 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18,
20, 21 and 25, 26, 27, 28, 29 (11,614.90 net
acres - 46.5689% of Unit and 88.42 net acres -
0.3545% of Unit, repectively)

SUMMARY:

Discussions between the interested parties and Exxon regarding the Dona Unit, and the Mason Draw Unit, began in the fourth quarter of 1982. The negotiations regarding the Trade Agreement and the Unit and Unit Operating Agreements took place in the context of forming the Mason Draw Unit (Case #7944, Order# R-7347). While Exxon has not received Hunt's and SHJR's executed ratifications of the Dona Unit, we anticipate no problems: In support of this, Exxon attaches the following:

- 1) A copy of a letter dated May 26, 1983 to Exxon from Hunt which, with some modifications, outlined the basis of the Mason Draw and Dona Unit trades.
- 2) A letter dated December 10, 1983 transmitting the Dona Unit Agreement, Unit Operating Agreement and ratifications to Hunt and SHJR.

We transmitted the ratifications prior to receiving preliminary approval from the BLM and State of New Mexico to facilitate Hunt's review process. The form of these agreements is the same as for the Mason Draw Unit, therefore, as we anticipate no revisions by the BLM or the State, and Hunt has previously approved the form, we expect Hunt's and SHJR's ratification of the Unit in the near future.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXXON EXHIBIT NO. E CASE NO. 8035 Submitted by EXXON Hearing Date 1/4/84

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702

EXPLORATION DEPARTMENT
SOUTHWESTERN DIVISION

December 10, 1983

Re: Dona Federal Exploratory Unit
(formerly Oro Grande #2)
Dona Ana County, New Mexico

Hunt Oil Company
SHJR Partnership
999 18th Street - Suite 1130
One Denver Place
Denver, Colorado 80202

Attention: Mr. Garth Berkland

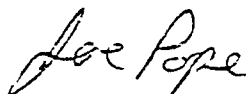
Gentlemen:

Enclosed are copies of the Unit Agreement and Unit Operating Agreement for the captioned unit, both dated November 15, 1983, together with ten Working Interest Owner Ratifications for Hunt and ten Working Interest Owner Ratifications for SHJR Partnership. The form for each of these agreements is the same as those forms utilized for the Mason Draw Unit. Copies of these agreements should be attached to your formal Trade Letter for this federal unit. Please have the appropriate Hunt and SHJR personnel execute and notarize their respective Ratifications and return them to this office as soon as possible. Exxon's signed signature page will be delivered to you in the near future. Also, please expedite your preparation and execution of the formal Trade Agreement for this unit.

For your information, we have applied for preliminary approval by the BLM and are currently applying for preliminary approval by the State of New Mexico. As this agreement is the same as that utilized for the Mason Draw Unit, we do not anticipate any modification of the text of the agreement. We are hoping to receive preliminary approval by the end of this month and obtain final approval in the second half of January.

Thank you for your attention hereto. Please feel free to contact me should you have any questions or concerns.

Very truly yours,



Joe Pope
(915) 686-4508

JP:h1
Enclosures

HUNT OIL COMPANY
SUITE 1830, ONE DENVER PLACE
999 EIGHTEENTH STREET
DENVER, COLORADO 80202

OIL AND GAS DIVISION

May 26, 1983

(303) 893-8030

Exxon Company U.S.A.
P.O. Box 1600
Midland, TX 79702

Attn: Mr. John A. Vance

RE: UNDIVIDED FEDERAL UNITS
FARMOUT REQUEST
OROGRANDE BASIN AREA
DONA ANA COUNTY, NEW MEXICO

Gentlemen:

In response to your letter of January 14, 1983, and April 7, 1983, Hunt Oil Company agrees to farmout our acreage in the proposed Orogrande Unit #1 (Exhibit "A"), being 10,130 acres more or less, and our acreage in the proposed Orogrande Unit #2 (Exhibit "B"), being 11,720 acres more or less, under the following terms and conditions:

A. OROGRANDE UNIT #1

1. Exxon shall form an undivided type Federal Exploratory Unit covering the acreage outlined in Exhibit "A" attached hereto, being 24,871 acres more or less. Exxon shall be designated Unit Operator. Hunt shall ratify and join the Unit.
2. On or before November 1, 1983, Exxon shall commence the actual drilling of an initial test well (which shall satisfy the requirements for the initial test well for the Unit) at a lawful location within the boundaries of the Unit. Such initial test well shall be drilled with due diligence and in a workmanlike manner to a depth sufficient to encounter "basement" or to a depth of 13,000 feet below the surface, whichever is the lesser ("total depth"). Exxon shall have the right to drill deeper should it so elect. The initial test well shall be drilled at the sole cost and risk of Exxon.
3. In the event Exxon completes the initial test well as a producer of oil and/or gas in paying quantities, Exxon shall earn 100% of Hunt's interest in the initial test well, subject to Hunt's reservation of a 2.5% of 8/8ths non-reducible exclusive Overriding Royalty Interest in the initial test well, convertible at payout to a 40.00% reducible working interest. Additionally, whether the well is completed as a producer of oil and/or gas in paying quantities, or plugged and abandoned as a dry hole, Exxon shall earn 30.00% of 8/8ths

of Hunt's interest in the acreage within the Unit (as outlined in Exhibit "A"). Assignments shall be limited to total depth drilled in the initial test well.

4. By drilling the initial test well to total depth and completing it as a producer, or plugging and abandoning it as a dry hole, Exxon shall have the option to drill a second test well within 180 days of release of the drilling rig from the initial test well within the Unit and subject to the same terms and conditions as for the initial test well.

5. In the event Exxon completes the second test well as a producer of oil and/or gas in paying quantities, Exxon shall earn 100% of Hunt's interest in the second test well, subject to Hunt's reservation of a 2.5% of 8/8ths non-reducible exclusive Overriding Royalty Interest in the second well, convertible at payout to a 40.00% reducible working interest. Additionally, whether the well is completed as a producer of oil and/or gas in paying quantities, or plugged and abandoned as a dry hole, Exxon shall earn 30.00% of 8/8ths of Hunt's initial interest in the acreage within the Unit (as outlined in Exhibit "A"). Assignments shall be limited to the total depth drilled in the second test well.

6. It is the intention of this agreement that by drilling two test wells as provided, Exxon shall earn 60.00% of all of Hunt's current interest within the Unit (60% of 10,133 acres).

7. In the event that Exxon drills the initial test well as a producer of oil and gas, and earns as provided in Paragraph 3 above, but does not drill the second test well within the time provided, then Hunt's conversion at payout in the initial test well shall be 70.00% rather than 40.00%. After the drilling of both wells or upon expiration of the time period in which to drill the wells, the interests in the Unit of both parties shall be fixed. Any additional wells shall be drilled under the Unit Operating Agreement.

8. If conditions beyond the control of Exxon make further drilling impossible or impractical before reaching total depth as specified above for each test well, Exxon may plug and abandon such test well, and may within sixty (60) days from such abandonment, commence drilling a substitute well at a lawful location within the Unit. The substitute well shall be drilled according to the same terms and provisions as for the test wells above.

9. Hunt does not warrant title to any of its interest in the acreage outlined in Exhibit "A", but does agree upon request to furnish Exxon with such title materials as it may possess.

10. During the term of this agreement, Exxon shall reimburse Hunt for 100% of all Hunt's rentals paid on acreage outlined in Exhibit "A". After Exxon earns assignment of all interest provided for hereunder, Exxon shall reimburse Hunt for its proportionate share of such rentals. However, Hunt shall not be held responsible for failure to pay any such rentals.

11. Hunt shall reserve a call on all production from Hunt's acreage outlined in Exhibit "A".

12. This agreement is subject to execution by Hunt and Exxon of Federal Unit and Federal Unit Operating Agreements which are in forms acceptable to Hunt. The Operating Agreement shall provide for the following:

- 1) 300% Non-consent Provision.
- 2) Non-discrimination provision and Non-segregated Facilities provision.
- 3) Accounting Procedure with Overhead Rates of \$5250 drilling and \$525 producing.
- 4) Change of Operator provision based on vote by two parties to the Unit.

13. This agreement is subject to execution by Hunt and Exxon of a formal farmout agreement, to be prepared by Hunt. It shall include a Tax Partnership agreement and a well takeover provision.

B. OROGRANDE UNIT #2

1. Exxon shall form an undivided type Federal Exploratory Unit covering the acreage outlined in Exhibit "B" attached hereto, being 24,934 acres more or less. Exxon shall be at a designated Unit Operator. Hunt shall ratify and join the Unit.

2. On or before March 1, 1984, Exxon shall commence the actual drilling of an initial test well (which shall satisfy the requirements for the initial test well for the Unit) at a lawful location within the boundaries of the Unit. Such initial test well shall be drilled with due diligence and in a workmanlike manner to a depth sufficient to encounter and reasonably test the Silurian formation or to a depth of 16,000 feet below the surface, whichever is the lesser ("total depth"). Exxon shall have the right to drill deeper should it so elect. The initial test well shall be drilled at the sole cost and risk of Exxon.

3. In the event Exxon completes the initial test well as a producer of oil and/or gas in paying quantities, Exxon shall earn 100% of Hunt's interest in the initial test well, subject to Hunt's reservation of a 2.5% of 8/8ths non-reducible exclusive Overriding Royalty Interest in the initial test well, convertible at payout to a 40.00% working interest. Additionally, whether the well is completed as a producer of oil and/or gas in paying quantities, or plugged and abandoned as a dry hole, Exxon shall earn 30.00% of 8/8ths of Hunt's interest in the acreage within the Unit (as outlined in Exhibit "B"). Assignments shall be limited to total depth drilled in the initial test well.

4. By drilling the initial test well to total depth and completing it as a producer of oil and/or gas, or plugging and abandoning it as a dry hole, Exxon shall have the option to drill a second test well, within 180 days of release of the drilling rig from the initial test well, within the Unit and subject to the same terms and conditions as for the initial test well.

5. In the event Exxon completes the second test well as a producer of oil and/or gas in paying quantities, Exxon shall earn 100% of Hunt's interest in the second test well, subject to Hunt's reservation of a 2.5% of 8/8ths non-reducible exclusive Overriding Royalty Interest in the second test well, convertible at payout to a 40.00% reducible working interest. Additionally, whether the well is completed as a producer of oil and/or gas in paying quantities, or plugged and abandoned as a dry hole, Exxon shall earn 30.00% of 8/8ths of Hunt's initial interest in the acreage within the Unit (as outlined in Exhibit "B"). Assignments shall be limited to the total depth drilled in the second test well.

6. It is the intention of this agreement that by drilling two test wells as provided, Exxon shall earn 60.00% of all of Hunt's current interest within the Unit (60.00% of 11,720 acres).

7. In the event that Exxon drills the initial test well as a producer of oil and gas, and earns as provided in Paragraph 3 above, but does not drill the second test well within the time provided, then Hunt's conversion at payout in the initial test well shall be 70.00% rather than 40.00%. After the drilling of both wells or upon expiration of the time period in which to drill the wells, the interests in the Unit of both parties shall be fixed. Any additional wells shall be drilled under the Unit Operating Agreement.

8. If conditions beyond the control of Exxon make further drilling impossible or impractical before reaching total depth as specified above for each test well, Exxon may plug and abandon such test well, and may within sixty (60) days from such abandonment, commence drilling a substitute well at a lawful location within the Unit. The substitute well shall be drilled according to the same terms and provisions as for the test wells above.

9. Hunt does not warrant title to any of its interest in the acreage outlined in Exhibit "B", but does agree upon request to furnish Exxon with such title materials as it may possess.

10. During the term of this agreement, Exxon shall reimburse Hunt for 100% of all Hunt's rentals paid on acreage outlined in Exhibit "B". After Exxon earns assignment of all interest provided for hereunder, Exxon shall reimburse Hunt for its proportionate share of such rentals. However, Hunt shall not be held responsible for failure to pay any such rentals.

11. Hunt shall reserve a call on all production from Hunt's acreage outlined in Exhibit "B".

12. This agreement is subject to execution by Hunt and Exxon of Federal Unit and Federal Unit Operating Agreements which are in forms acceptable to Hunt. The Operating Agreement shall provide for the following:

- 1) 300% Non-consent Provision.
- 2) Non-discrimination provision and Non-segregated Facilities provision.
- 3) Accounting Procedure with Overhead Rates of \$5250 drilling and \$525 producing.
- 4) Change of Operator provision based on vote by two parties to the Unit.

13. This agreement is subject to execution by Hunt and Exxon of a formal farmout agreement, to be prepared by Hunt. It shall include a Tax Partnership agreement and a well takeover provision.

Exxon agrees to make available to Hunt, in Exxon's offices, all geophysical data (including but not limited to seismic maps, field tapes, copies of every version of each seismic line, magnetic surveys and gravity surveys) which Exxon has in its possession for the areas outlined in Exhibits "A" and "B", and extending one mile

Exxon Company U.S.A.

May 26, 1983

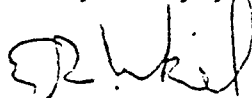
Page 6

beyond the boundaries of these areas. All such geophysical data shall be freely accessible and available to Hunt during Exxon's office hours, and shall be worked by Hunt free and clear of all costs.

Exxon further agrees that at such time as it makes such data available for sale or after two years from the date of this letter, whichever occurs first, Hunt may purchase such data at a reasonable price based on market rates at the time of sale.

If this is acceptable to you, please sign both copies of this letter, returning one copy to us.

Very truly yours,



E. G. Mickel
Western Division Manager

AGREED TO AND ACCEPTED THIS 3rd
DAY OF June, 1983.

EXXON COMPANY U.S.A., SUBJECT TO CHANGES SUGGESTED IN OUR LETTER DATED JUNE 3, 1983.

By John A. Vance
John A. Vance

GB:ECM:rl