

Mitchell's

Ex. 1-21  
(transcript list  
28)

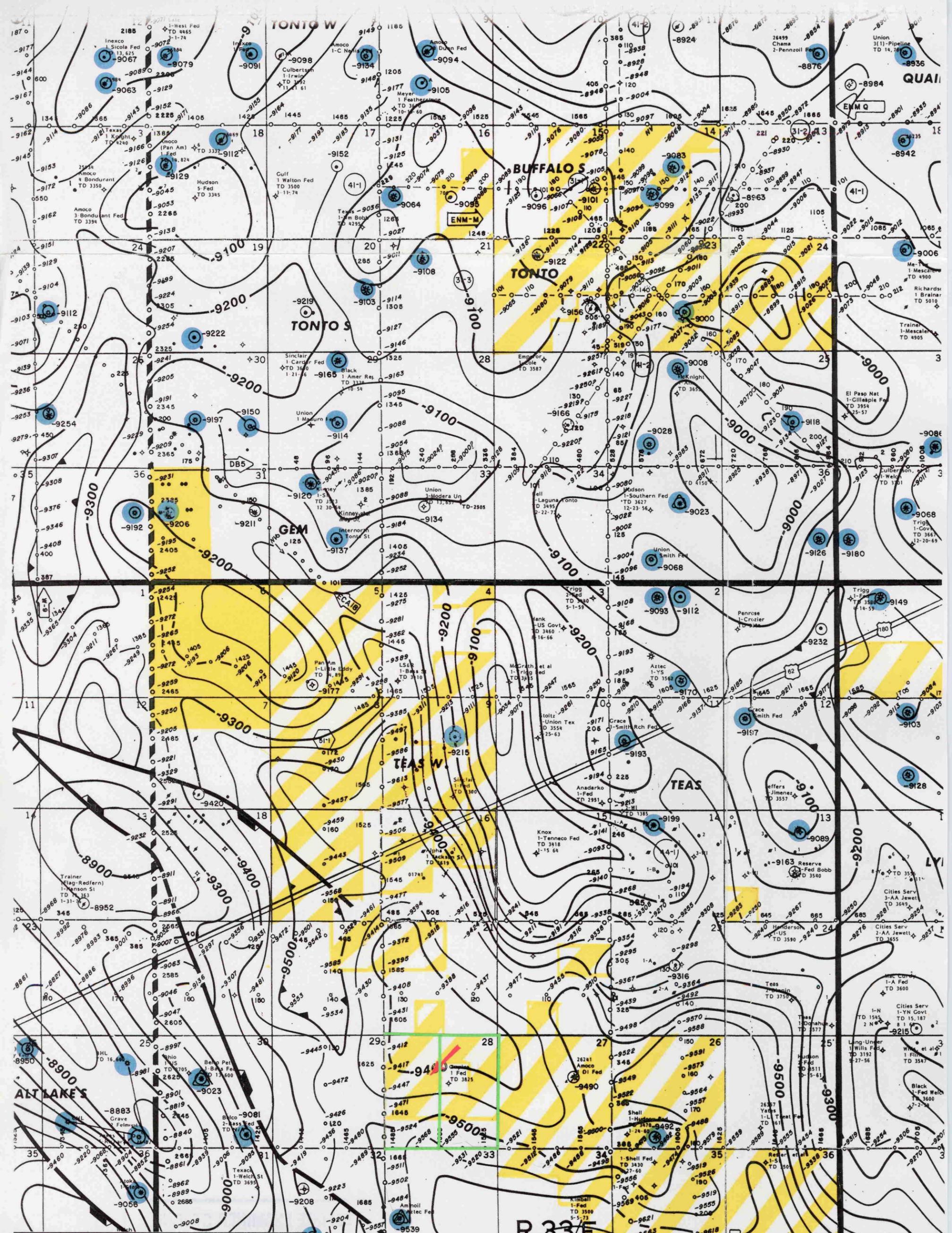


BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 1

Case No. 10656



**MITCHELL ENERGY CORPORATION**  
 400 W. ILLINOIS, STE. 1000  
 MIDLAND, TEXAS 79701

**TOMAHAWK PROSPECT**  
 Lea County, New Mexico

**STRUCTURE T/MORROW**

Geology: Ted Gawloski  
 Geophysics: Bill Robbins  
 Drafting: M.K.Morris

C.I.: 50'  
 Date: 8-92  
 Scale: 1" = 4000'

**LEGEND**

- MORROW PRODUCTION
- PROPOSED LOCATION MEC, TOMAHAWK "28" FED. #1

QUAI

BUFFALO S

TONTO

TONTO S

GEM

TEAS W

TEAS

ALT LAKE S

R 33 E

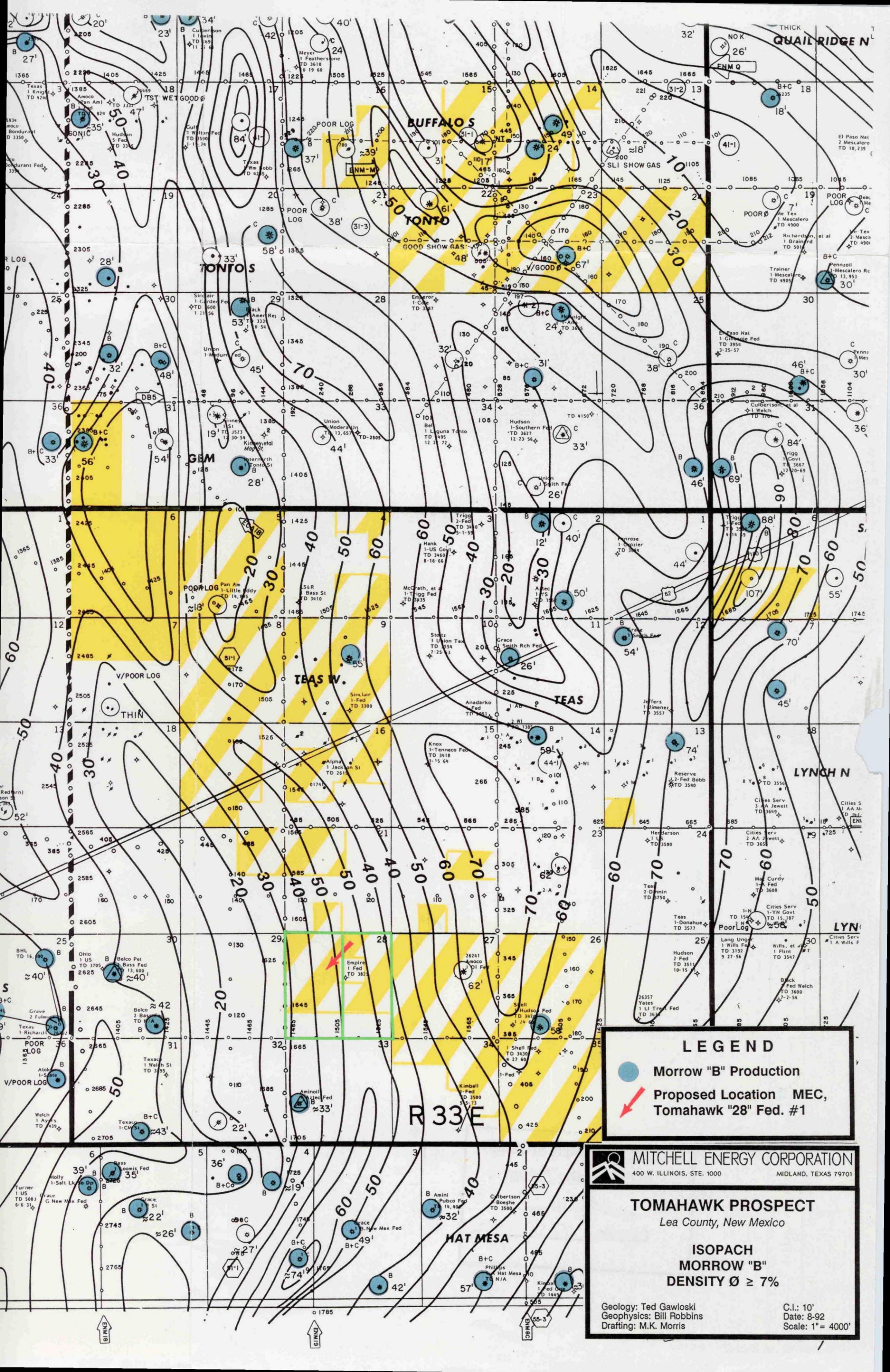
FELMONT

BEFORE EXAMINER STOSNER

Oil Conservation Division

Exhibit No. 2

Case No. 10656



**LEGEND**

-  Morrow "B" Production
-  Proposed Location MEC, Tomahawk "28" Fed. #1

**MITCHELL ENERGY CORPORATION**  
 400 W. ILLINOIS, STE. 1000 MIDLAND, TEXAS 79701

**TOMAHAWK PROSPECT**  
 Lea County, New Mexico

**ISOPACH**  
**MORROW "B"**  
**DENSITY  $\geq 7\%$**

Geology: Ted Gawloski  
 Geophysics: Bill Robbins  
 Drafting: M.K. Morris

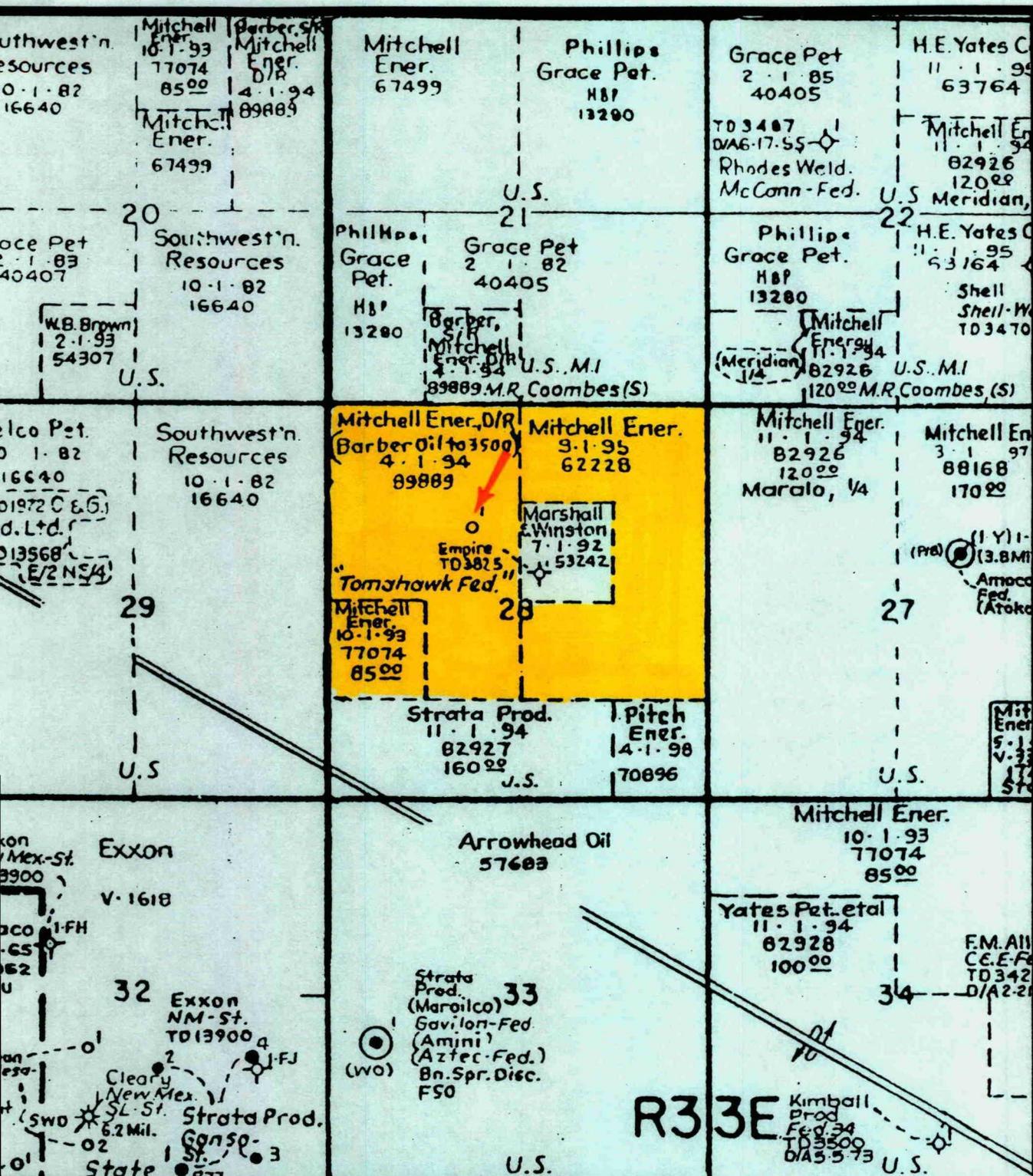
C.I.: 10'  
 Date: 8-92  
 Scale: 1" = 4000'

BEFORE EXAMINER STOSNER  
Oil Conservation Division  
Exam No. 3  
Case No. 10656

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EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE





40.93 Ac 1 | 40.78 Ac 2 | 40.64 Ac 3 | 40. Ac 4 | 40.20 Ac 1 | 40.01 Ac 2 | 39.73 Ac 3 | 39.46 Ac 4 | 39.26 Ac 1 | 39.15 Ac 2 | 39.05 Ac 3

**MITCHELL ENERGY CORPORATION**  
MIDLAND, TEXAS 79701

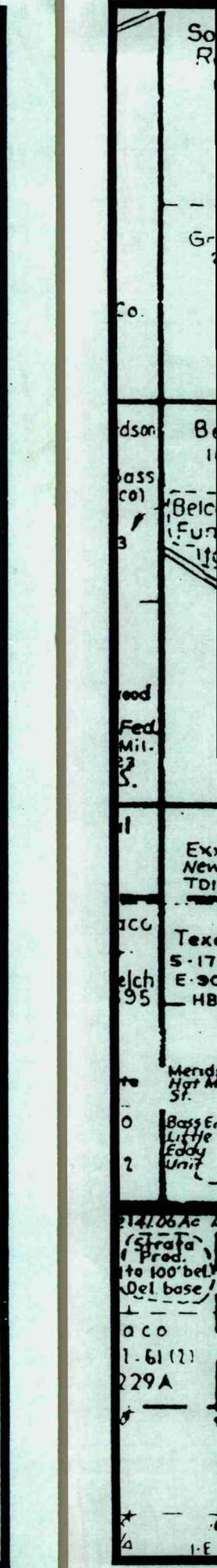
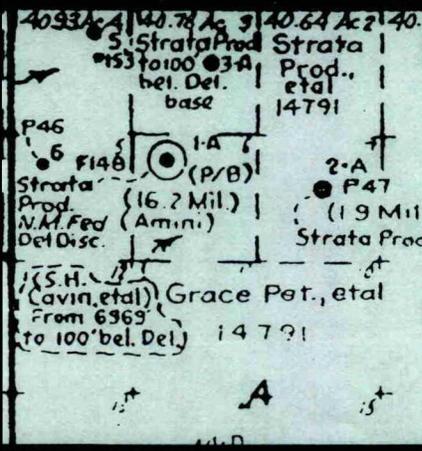
**TOMAHAWK "28" FED. COM #1**  
T-20-S, R-33-E, N.M.P.M.  
LEA COUNTY, NEW MEXICO

Case No. 1022

R32E

R33E

U.S.



BEFORE EXAMINER STOGNER  
Oil Conservation Division  
*Ychell* Exhibit No. 86  
Case No. 10656

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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ROY C. SNOODGRASS, JR. (1914-1987)

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CHARLES A. SUTTON  
NORMAN D. EWART\*  
DARREN T. GROCE  
MOLLY MCINTOSH\*

December 29, 1992

\*NOT LICENSED IN TEXAS

IN RE: OPINION OF TITLE TO:

Tract 1: United States Oil and Gas Lease NM 57280, insofar as it covers NW¼, NE¼SW¼ Section 28, containing 200 acres, more or less, as to depths below 3,500 feet subsurface;

Tract 2: United States Oil and Gas Lease NM 77074, insofar as it covers NW¼SW¼ Section 28, containing 40 acres, more or less; and

Tract 3: United States Oil and Gas Lease NM 82927, insofar as it covers S½SW¼ Section 28, containing 80 acres, more or less;

said lands collectively composing W½ Section 28, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, containing 320 acres, more or less.

Tomahawk "28" Fed. Com. No. 1 Top Hat Mesa Area

No. 31,439

Mitchell Energy Corporation  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701

Attention: Mr. Steven J. Smith  
Senior Landman

Gentlemen:

In connection with title to the captioned leases, insofar as they cover the captioned lands and depths, we have examined the following:

(a) Federal Abstract Company Abstracts No. 44759, 45740 and 46192, which collectively cover the records in the Office of the Bureau of Land Management, United States Department of the Interior, in Santa Fe, New Mexico, pertaining to the captioned Lease NM 57280, insofar as it covers Tract 1 of the captioned lands (NW¼, NE¼SW¼ Section 28), among other lands, from the inception of records to November 2, 1992 at 9:00 A.M.;

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 2  
Case No. 10656

(b) Federal Abstract Company Abstracts No. 44758 and 46187, which collectively cover the records in the Office of the Bureau of Land Management, United States Department of the Interior, in Santa Fe, New Mexico, pertaining to the captioned Lease NM 77074, covering Tract 2 of the captioned lands (NW $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28), from the inception of records to October 30, 1992 at 9:00 A.M.;

(c) Federal Abstract Company Abstract No. 46189, which covers the records in the Office of the Bureau of Land Management, United States Department of the Interior, in Santa Fe, New Mexico, pertaining to the captioned Lease NM 82927, insofar as it covers Tract 3 of the captioned lands (S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 28), among other lands, from the inception of records to October 30, 1992 at 9:00 A.M.;

(d) Elliott & Waldron Title and Abstract Co., Inc. Abstract No. 92-663, which covers the public records of Lea County, New Mexico, pertaining to the captioned lands from the inception of records to November 6, 1992 at 7:00 A.M.;

(e) Copy of Operating Agreement dated September 1, 1989, between Mitchell Energy Corporation, as Operator, and Santa Fe Energy Operating Partners, L.P., as Non-Operator; and

(f) Copy of letter from Mitchell Energy Corporation to Santa Fe Energy Operating Partners, L.P., Maralo, Inc. and Neste Oil, Inc., dated October 27, 1992, transmitting a revised Exhibit "A" to said Operating Agreement.

From our examination of the foregoing, and based solely thereon, we now report the status of title to the captioned leases and lands, limited to the captioned depths as to Tract 1, for drilling purposes, as of the aforesaid dates of abstract certificates, as follows:

**I. TITLE TO SURFACE:**

United States of America ----- All

**II. TITLE TO OIL AND GAS, OR TITLE TO 12.5% ROYALTY, SUBJECT TO LEASES NM 57280, NM 77074 AND NM 82927:**

United States of America ----- All

**III. RECORD TITLE TO LEASES:**

**Tract 1 (United States Oil and Gas Lease NM 57280, insofar as it covers NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):**

Mitchell Energy Corporation ----- All

**Tract 2 (United States Oil and Gas Lease NM 77074, insofar as it covers NW $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):**

Mitchell Energy Corporation ----- All

**Tract 3 (United States Oil and Gas Lease NM 82927, insofar as it covers S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 28):**

Strata Production Company ----- All

**IV. TITLE TO OPERATING RIGHTS:**

**Tract 1 (80% operating rights under Lease NM 57280, insofar as it covers NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28 as to depths below 3,500 feet subsurface):**

Mitchell Energy Corporation ----- 50%

Santa Fe Energy Operating  
 Partners, L.P. ----- 25%  
 Maralo, Inc. ----- 25%\*

\* The interest of Maralo, Inc. is subject to an additional 0.3% overriding royalty interest, owned by John Thoma.

Tract 2 (87.5% operating rights under Lease NM 77074, insofar as it covers NW $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):

Mitchell Energy Corporation ----- 50%  
 Santa Fe Energy Operating  
 Partners, L.P. ----- 25%  
 Maralo, Inc. ----- 25%\*

\* The interest of Maralo, Inc. is subject to an additional 0.328125% overriding royalty interest, owned by John Thoma.

Tract 3 (87.5% operating rights under Lease NM 82927, insofar as it covers S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 28):

Strata Production Company ----- All

V. TITLE TO OVERRIDING ROYALTY INTERESTS:

Tract 1 (Lease NM 57280, insofar as it covers NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28, below 3,500 feet subsurface):

Barber Oil, Inc., a New  
 Mexico corporation ----- 7.5% of 8/8  
 John Thoma, whose marital  
 status is unknown ----- 0.3% of 8/8\*

\* The overriding royalty interest of John Thoma burdens only the working interest of Maralo, Inc.

Tract 2 (Lease NM 77074, insofar as it covers NW $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):

John Thoma, whose marital  
 status is unknown ----- 0.328125% of 8/8\*

\* This overriding royalty interest burdens only the working interest of Maralo, Inc.

Tract 3 (Lease NM 82927, insofar as it covers S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 28):

None

VI. OIL AND GAS LEASES - RENTALS - ASSIGNMENTS - OVERRIDING ROYALTY INTERESTS - COMMUNITIZATION - OPERATING AGREEMENT - PRODUCTION HISTORY:

1. Oil and Gas Leases: The principal features of the captioned oil and gas leases are as follows:

Tract 1 (NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):

Lease No.: NM 57280  
 Form: 3110-2  
 (January 1978)  
 Non-competitive  
 Date: April 1, 1984

Recording Data: This lease is not recorded in Lea County, New Mexico, and

there is no necessity to record it.

Lessor: United States of America

Original Lessee: Barber Oil, Inc.

Lands Covered: Township 20 South, Range 33 East, N.M.P.M.

Section 5: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$

Section 8: NE $\frac{1}{4}$

Section 9: N $\frac{1}{2}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 13: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 20: E $\frac{1}{2}$ NE $\frac{1}{4}$

Section 21: SE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 24: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 28: NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$

containing 1,281.34 acres, more or less, in Lea County, New Mexico. (It appears that said lands in Sections 13 and 24 will be segregated into a separate lease by assignment. See Exception to Title No. 3 hereinbelow.)

Term: Ten years and so long thereafter as oil or gas is produced in paying quantities.

Rentals: \$1.00 per acre or fraction thereof, having increased to \$2.00 per acre or fraction thereof for the second and subsequent lease years by virtue of notice to the lessee that a portion of the lands covered by the lease had been included in a known geologic structure. The federal abstracts for this lease reveal that rentals were paid up to April 1, 1988, prior to which date a well capable of producing oil or gas in paying quantities was completed on the lease, so that rentals are no longer payable.

Royalty: 12.5%

Other Features: This lease contains a rider adding Section 10 to the lease, providing, among other things, that development by unconventional extraction methods requires governmental approval; a potash stipulation under which wells may be drilled only with governmental approval, for the protection of potash deposits; a surface disturbance notice providing that the lessee must comply with requirements imposed for the protection of the surface; a rider containing

stipulations for the protection of endangered or threatened species and cultural resources; and a special stipulation regarding steep slopes, watershed damage, painting of facilities and protection of live water. See the attached schedule for other features of this lease form.

Tract 2 (NW $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28):

Lease No.: NM 77074

Form: 3100-11  
(June 1988)  
Competitive

Date: October 1, 1988

Recording Data: This lease is not recorded in Lea County, New Mexico, and there is no necessity to record it.

Lessor: United States of America

Original Lessee: Sun Exploration & Prod [sic]

Land Covered: Township 20 South, Range 33 East, N.M.P.M.  
  
Section 4: Lots 1, 2, SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 13: SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 17: W $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 20: NW $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 28: NW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 34: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$   
  
containing 640.52 acres, more or less.

Term: Five years and so long thereafter as oil or gas is produced in paying quantities.

Rentals: \$1.50 per acre or fraction thereof during the primary term, \$2.00 per acre or fraction thereof thereafter. The federal abstract covering this lease reveals that rentals have been paid up to at least October 1, 1992. See our discussion of rental payments hereinbelow.

Royalty: 12.5%

Other Features: This lease contains an attached stipulation, for the protection of potash deposits, that no wells may be drilled except with the approval of the District Manager of the Bureau of Land Management. See the attached schedule for

other features of this lease form.

Tract 3 (S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 28):

Lease No.: NM 82927

Form: 3100-11b  
(August 1988)  
Competitive

Date: November 1, 1989

Recording Data: This lease is not recorded in Lea County, New Mexico, and there is no necessity to record it.

Lessor: United States of America

Original Lessee: Strata Production Company

Lands Covered: S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$  Section 28, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, containing 120 acres, more or less.

Term: Five years and so long thereafter as oil or gas is producing in paying quantities.

Rentals: \$1.50 per acre or fraction thereof during the primary term, \$2.00 per acre or fraction thereof thereafter. The federal abstract for this lease reveals that rentals have been paid at least up to November 1, 1992. See our discussion of rental payments hereinbelow.

Royalty: 12.5%

Other Features: This lease contains an attached stipulation, for the protection of potash deposits, that no wells may be drilled except with the approval of the District Manager of the Bureau of Land Management. See the attached schedule for other features of this lease form.

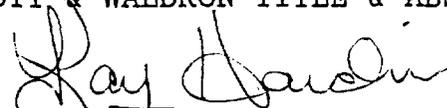
**2. Rental Payments:** As noted hereinabove, it appears that rental payments for Lease NM 57280, covering Tract 1 (NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  Section 28) were made up until the establishment of production on the lease. With respect to the other two leases, rentals apparently have been paid at least up to their anniversary dates in 1992. We suspect that the 1992 rental payments actually were made on or before the anniversary dates, and that there has simply been a delay in posting the information to the computerized case abstract for each lease. Nothing in the abstracts, however, verifies that the 1992 rental payments were made so as to maintain the leases in effect.



IN WITNESS WHEREOF, The Elliott & Waldron Title & Abstract Company, Inc., a Corporation, has caused this Limited Certificate to be signed at its office in the City of Lovington, Lea County, New Mexico, on this 19th day of January, 1993 at 7:00 a.m.

ELLIOTT & WALDRON TITLE & ABSTRACT CO., INC.

By:



Ray Hardin, Assistant Secretary

Searcher: KH  
No. 93-115-C

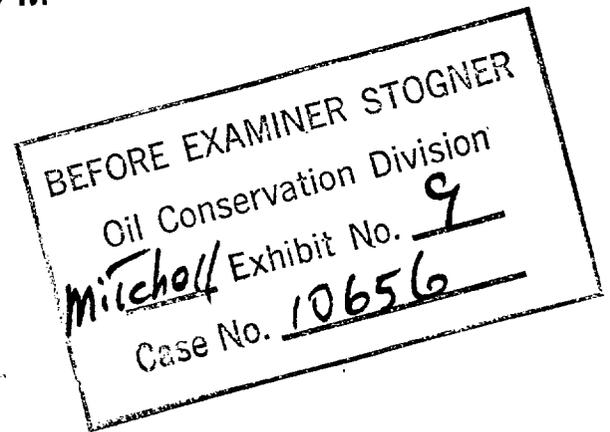
# MEMORANDUM

January 19, 1993

To: Steve Smith  
Land - Midland Office

From: Harriet Minton *HMM*  
Joint Venture Accounting - Woodlands Office

Subject: Overhead for Drilling and Producing Operations  
Operating Agreement No. 1130  
Various Lands in T-20-S, R-33-E  
Lea County, New Mexico  
Anasazi "9" Fed. No. 1 Well  
Top Hat "26" Fed. No. 1 Well



I have reviewed our Operating Agreement No. 1130 in reference to the Accounting Procedure for Joint Operations. The overhead rates per well as defined under Article III are a fixed rate basis of \$5,500 for drilling and \$550 for producing. The date of the agreement is September 1, 1989 and allows for an annual adjustment as of the first day of April each year following the effective date of the agreement. The annual adjustments are as follows:

## DRILLING RATE

Effective Dates	Percentage Increase	Effective Rate
9/89 - 3/90	0	\$5500
4/90 - 3/91	8.1	5946
4/91 - 3/92	7.2	6374
4/92 - 3/93	1.5	6470

## PRODUCING RATE

Effective Dates	Percentage Increase	Effective Rate
9/89 - 3/90	0	\$550
4/90 - 3/91	8.1	595
4/91 - 3/92	7.2	638
4/92 - 3/93	1.5	647

Therefore, the current rates to be charged per Operating Agreement No. 1130 are \$6,470 for drilling and \$647 for producing wells.

File

November 20, 1992

CERTIFIED RETURN RECEIPT MAIL

Strata Production Company  
648 Petroleum Building  
Roswell, New Mexico 88201

Attention: Mr. Mark Murphy

RECEIVED BY EXAMINER STOGNER  
MITSHELL ENERGY CORP. 10  
10656



RE: Well Proposal and Farmout Request  
Tomahawk "28" Fed COM #1  
1,980' FWL & 1,650' FNL Section 28  
Township 20 South, Range 33 East, NMPM  
Lea County, New Mexico  
TOP HAT MESA AREA

Dear Mr. Murphy:

As previously discussed in our telephone conversations on October 29th and November 18th, Mitchell Energy Corporation is preparing to drill a 14,300 foot Morrow test at a location 1,980' FWL and 1,650' FNL of Section 28, T-20-S, R-33-E, Lea County, New Mexico. We anticipate a 320 acre proration unit for this well covering the W/2 of said Section 28 should the well be successfully completed in the Morrow which would include 80.00 acres of your 120.00 acre lease which covers the S/2 SW/4 and SW/4 SE/4 of said Section 28.

Please be advised that we have reviewed your proposal to sell the deep rights only under your lease (below the base of the Wolfcamp at approximately 11,700 feet) for \$300.00 per net acre delivering a 78% net revenue and have determined it to be unacceptable. As a counterproposal, Mitchell respectfully requests a farmout of Strata Production Company's interest in Federal Oil and Gas Lease NM-82927 covering the S/2 SW/4 and SW/4 SE/4 of Section 28, T-20-S, R-33-E, Lea County, New Mexico, based upon the following general terms which are subject to final Mitchell Management approval:

1. Within 120 days of execution of a formal Farmout Contract, Mitchell would agree to commence drilling operations at the above described location with the intent to drill said well to a depth of 14,300' or a depth sufficient to adequately test the Morrow Formation, whichever is the lesser depth.

2. Upon completion of the test well as a commercial producer, Mitchell would earn 100% of Strata's interest within the proration unit assigned to the well subject to Strata's reservation of a proportionately reducible overriding royalty interest equal to the difference by which 22% exceeds existing lease burdens. At payout of the test well, Strata would have the option, but not the obligation, to convert all of its retained overriding royalty interest to a proportionately reducible 25% working interest.
3. Mitchell would also have the right to earn the balance of the Farmout Acreage not committed to the proration unit for the test well under the same terms described in item 2 above through continuous development with no more than 120 days between completion of one well and commencement of the next.
4. If the test well is completed and assigned a proration unit which does not include Strata's lease, Mitchell would have the option, but not the obligation, to drill an option test well on Strata's lease, or lands pooled therewith, within 90 days of completion of the initial test well. Upon completion of the option test well as a commercial producer, Mitchell would earn Strata's interest in the same manner as provided in items 2 and 3 above.
5. All rights earned would be limited to 100 feet below total depth drilled in each earning well.

In the alternative, should Strata elect not to farmout to Mitchell based upon the aforementioned terms, Mitchell would propose that Strata participate in the captioned well for a 25% working interest. In connection therewith, enclosed for your review and execution are two (2) copies each of the AFE Cost Estimates for Dry Hole Costs and Completed Well Costs for this well.

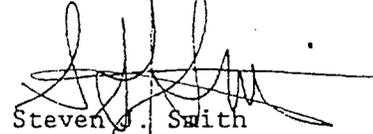
Strata Production Company  
November 19, 1992  
Page 3

Upon your review and consideration of this proposal, please indicate your election to either farmout or participate by executing and returning to the undersigned one (1) copy of this letter. Should you elect to participate, please also execute and return one (1) copy each of the AFE Cost Estimates along with your geological information requirements and the names of personnel to receive reports. Should you elect to farmout, upon receipt of your election, we will prepare and send you a more formal Farmout Contract for your execution.

Thank you for your consideration and cooperation.

Sincerely,

MITCHELL ENERGY CORPORATION



Steven J. Smith  
Senior Landman

SJS/jm

Enclosures

We elect to farmout based upon the aforementioned terms.

We elect to participate in the Tomahawk "28" Fed COM #1

STRATA PRODUCTION COMPANY

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

Type Project (check 1 only)

Exploratory       Injection       Water Supply  
 Development       Disposal       Depth 14,300'

Form B-1       Add       Change       Delete

AFE Number \_\_\_\_\_

Property/Well Name Tomahawk "28" Fed. #1

Project Description Drill

Net Working Interest 0

Group Code \_\_\_\_\_

Location Code \_\_\_\_\_

Department Number 712

County Lea St. NM

Operator MEC

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

<u>DRILLING COSTS</u>	<u>Amount</u>
<u>INTANGIBLE</u>	
10 Dry Hole Abandonment	_____
11 Rig Mobilization and Demobilization	_____
12 Power and Fuel	_____
13 Water	\$ 35,000
14 Solids Control Equipment Rental	5,000
*15 Directional Equipment and Services	_____
16 Fishing Tools and Services	_____
17 Subsurface Casing Equipment	7,000
18 Contract Labor and Services (welding, inspect, csg crews, BOP tests)	25,000
19 Supervision - Company and/or Contract (40 days @ \$500/day)	20,000
50 Road and Site Preparation	30,000
51 Footage Contract Fee (14,300' @ \$21.50/ft)	310,000
52 Daywork Contract Fee (5 days @ \$5000/day)	25,000
53 Mud and Chemicals (mud-up @ \$9400')	75,000
54 Bits and Reamers	_____
55 Drilling Tool and Equipment Rental (PVT, tank, WB, trailer, chk, trash)	25,000
56 Cement and Cement Services	50,000
*57 Open Hole Logging-Testing (incl 35 days ML, 2 log runs)	80,000
*58 Drill Stem Testing (1 DST)	3,000
59 Coring and Analysis (SW)	5,000
60 Transportation	14,000
61 Air/Marine Transportation	_____
63 Overhead	10,000
64 Insurance	_____
65 Company Labor and Services	_____
*66 Prospect Generation	20,000
67 Miscellaneous Services and Contingency	50,000
<b>TOTAL INTANGIBLE COSTS</b>	<b>\$789,000</b>
<u>TANGIBLE</u>	
21 Casing-Drive Pipe & Conductor 40' - 30" cond	\$ 4,000
40 Casing - Surface 500'-20" 94# K-S @ \$51.50/ft	25,800
41 Casing - Intermediate 2250'-13-3/8" 98# K-S @ \$23.37/ft	110,000
42 Casinghead Equipment (Including Valves) (3000 psi)	4,500
43 Casing Spool (Including Valves) (5000 psi)	18,000
44 Miscellaneous Equipment	_____
<b>TOTAL TANGIBLE COSTS</b>	<b>\$162,300</b>
<b>TOTAL DRILLING (DRY HOLE) COSTS</b>	<b>\$951,300</b>

\* Invalid for disposal and water supply wells.

MEDC 252-02  
Rev. 4/29/85

Prepared By: G. W. Tullos  
Date Prepared: 8/27/92

STRATA PRODUCTION COMPANY  
BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

Type Project                     

Exploratory     Recompletion (Zone Change Only)     Disposal  
 Development     Plug and Abandon (Previously Producing Well)    Depth 13,800'  
 Injection     Water Supply

---

Form B-2     Add     Change     Delete    Group Code \_\_\_\_\_  
AFE Number \_\_\_\_\_    Location Code \_\_\_\_\_  
Property/Well Name Anasazi "9" Fed Com #2    Department Number 730  
Project Description Complete    County Lea    St. NM  
Net Working Interest                         Operator MEC

---

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

COMPLETION COSTS	Amount
<u>INTANGIBLE</u>	
22 Overhead	\$ 2,000
23 Company Labor and Services	_____
24 Contract Labor and Services	40,000
25 Air/Marine Transportation	_____
26 Other Transportation	15,000
27 Plugging and Abandonment	_____
28 Rig Mobilization and Demobilization	_____
29 Supervision - Company and/ or Contract	3,000
30 Site Preparation and Clean-up	1,000
31 Subsurface Casing Equipment	5,000
32 Squeeze Cement and Service	_____
33 Completion Fluids	4,000
34 Pump Truck Services	1,000
35 Rental Tools	10,000
36 Bits and Reamers	_____
37 Insurance	_____
38 Wireline Services	4,000
39 Fishing Tools and Services	_____
*53 Tertiary Injectants	_____
68 Fencing	_____
83 Daywork Contract Fee	10,000
84 Cement and Cement Services - Primary	30,000
85 Acidizing and Fracturing	20,000
*86 Cased Hole Logging and Perforating	32,000
94 Miscellaneous Services and Contingency	5,000
TOTAL INTANGIBLE COSTS	\$182,000
<u>TANGIBLE</u>	
69 Tubinghead Equipment (Including Valves)	14,000
70 Casing-Production and/or Liner 13,800' 5 1/2" 17# S-95 & N-80	92,000
71 Tubing 13,600' 2 3/8" 4.7# N-80	39,500
72 Packers and Subsurface Equipment	5,000
73 Production Tree (Including Valves)	22,000
74 Storage Tanks 2-210 Bbl STL + 1-210 Bbl F.G.	10,000
75 Separating Equipment 250 MBTU 16"x8" Stack Pak & 30"x10" 3P Sep.	15,000
76 Treating Equipment	_____
77 Artificial Lift Equipment	_____
78 Line Pipe	5,000
79 Valves and Fittings Beyond Wellhead	6,000
80 Miscellaneous Equipment	4,500
81 Platform and Structures	_____
82 Metering Equipment	2,000
87 Pumps	_____
90 Electrical Equipment	_____
91 Instrumentation Equipment	_____
96 Dehydrators and Dryers	_____
TOTAL TANGIBLE COSTS	\$215,000
TOTAL COMPLETION COSTS	\$397,000

\* Invalid for disposal and water supply wells.

MEUC 252-03  
Rev. 4/29/85

Prepared By: James Blount *JLB*  
Date Prepared: 9-18-92

STRATA PRODUCTION COMPANY  
BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

Sent to	Strata Prod.
Street and No.	648 Petrol. Bldg.
P.O., State and ZIP Code	Roswell, A.M. 88201
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	11/20/92

PS Form 3800, June 1985

\* U.S.G.P.O. 1989-234-555

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

Show to whom delivered, date, and addressee's address.  Restricted Delivery (extra charge)

Article Addressed to  Article Number

Strata Production Company  
648 Petroleum Building  
Roswell, New Mexico 88201

ATTN: MR. MARK MURPHY

Article Number: P355201973

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent, and DATE DELIVERED.

Address: Address (ONLINE)  
 700 Petrol Bldg  
 Roswell, N.M. 88201

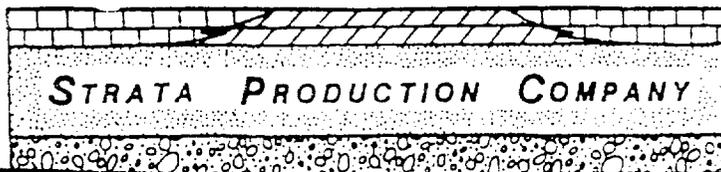
Signature: Address  
 X Signature: Mark Murphy  
 X Date of Delivery: 11/23/92

PS Form 3800, June 1985

DOMESTIC RETURN RECEIPT

DEC 11 1992

POST OFFICE DRAWER 1030  
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127  
FACSIMILE (505) 623-3533

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 11  
Case No. 10,518

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700  
ROSWELL, NEW MEXICO 88201

December 9, 1992

VIA TELEFAX (915-682-6439) HARD COPY BY CERTIFIED MAIL

Mitchell Energy Corporation  
1000 Independence Plaza  
400 W. Illinois  
Midland, Texas 79701

Attention: Steven J. Smith, Senior Landman

Re: Well Proposal and Farmout Request per  
Mitchell correspondence dated  
November 20, 1992

Dear Mr. Smith:

We have reviewed Mitchell's proposal contained in the above-referenced correspondence and have determined it to be unacceptable. As a point of clarification, I proposed to you that Strata would favorably consider selling the deep rights under the S/2 SW/4 and SW/4 SE/4 of Section 28, T-20-S, R-33-E, Lea County, New Mexico subject to the terms set forth in the above referenced correspondence with the exception that the deep rights would include from the top (not the base) of the Wolfcamp to 100' below depth drilled. In the alternative, we would propose the following:

1. The purchase price is Thirty-six thousand dollars (120 acres x \$300/acre).
2. Strata will deliver a 75% Net Revenue Interest with the retained overriding royalty "pooled" under the W/2 of Section 28. In other words, Strata would, regardless of the proration unit, retain a 3.125% ORRI (12.5% x 25%).
3. The rights to be delivered would be from surface to the base of the Pennsylvania Formation.

In an effort to accommodate Mitchell, I offer as an alternative to the proposal set forth above the following general farmout terms which are subject to final approval by Strata and

it's partners:

1. The acreage to be included in the farmout by Strata et al is the S/2 SW/4 and SW/4 SE/4 of Section 28 limited in depth from the surface to the base of the Pennsylvania Formation.
2. Within 120 days of execution of a formal Farmout Contract, Mitchell would agree to commence drilling operations at a legal location in the SW/4 NW/4 (Unit F) of Section 28, T-20-S, R-33-E, NMPM Lea County, New Mexico with the intent to drill said well to a depth of 14,300' or a depth sufficient to adequately test the Morrow Formation, whichever is the lesser depth.
3. Upon completion of the test well as a commercial producer, Mitchell would earn 100% of Strata's interest within the proration unit assigned to the well subject to Strata's reservation of a proportionately reducible overriding royalty interest equal to the difference between existing lease burdens and 25%. In other words, Strata et al would deliver prior to payout of the test well a 75% Net Revenue Interest. At payout of the test well, Strata would have the option, but not the obligation, to convert all of its retained overriding royalty interest to a proportionately reducible 25% working interest.
4. Mitchell would also have the right to earn the balance of the Farmout Acreage not committed to the proration unit for the test well under the same terms described in item 3 above through continuous development with no more than 120 days between the release of the drilling rig from one well and commencement of the next.
5. If the test well is completed and assigned a proration unit which does not include Strata's lease, Mitchell would have the option, but not the obligation, to drill an option test well on Strata's lease, or lands pooled therewith, within 90 days of release of the drilling rig from the initial test well. Upon completion of the option test well as a commercial producer, Mitchell would earn Strata's interest in the same manner as provided in items 3 and 4 above.
6. The rights earned would be from the surface to the base of the Pennsylvania Formation or 100 feet below total depth drilled in each earning well.

I would appreciate your response no later than Friday, December 18, 1992. Thank you for your consideration and cooperation.

Very truly yours,

STRATA PRODUCTION COMPANY

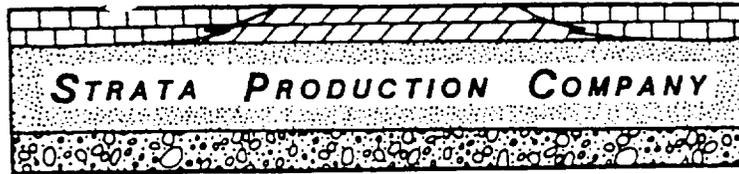
A handwritten signature in black ink, appearing to read 'Mark B. Murphy', with a long horizontal stroke extending to the right.

Mark B. Murphy  
President

MBM/clk

JAN 12 1993

POST OFFICE DRAWER 1030  
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127  
FACSIMILE (505) 623-3533

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700  
ROSWELL, NEW MEXICO 88201

December 30, 1992 ✓

*Rec'd 4/24*

Via Telefax (915) 682-6439

Mitchell Energy Corporation  
1000 Independence Plaza  
400 W. Illinois  
Midland, Texas 79701

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 12  
Case No. 10556

Attention: Steven J. Smith, Senior Landman

Re: Letter Agreement Concerning Purchase and Sale of United States Oil and Gas Lease NM 82927 which covers the following lands in Lea County, New Mexico

Township 20 South, Range 33 East, N.M.P.M.  
Section 28: S 1/2 SW 1/4, SW 1/4 SE 1/4  
being 120 acres more or less

North Gavilon Prospect

Dear Gentlemen:

This Letter Agreement ("Agreement") sets forth our Agreement regarding Mitchell Energy Corporation ("Mitchell") obligation to purchase and Strata Production Company's ("Strata") obligation to sell the above-described lease and lands ("Subject Lease") on the following terms and conditions:

1. Assignment: Strata shall at Closing execute and deliver an assignment of 100% of the record title in the Subject Lease by execution and delivery of quadruplicate originals of the Assignment of Record Title Interest ("Strata Assignment") attached hereto as Exhibit A. The Strata Assignment includes by an exhibit thereto with various provisions (including specifically a reassignment provision) which Mitchell hereby approves and acknowledges.
2. Reserved Overriding Royalty Interest: The Strata Assignment reserves unto Strata an overriding royalty interest ("ORRI") equal to (1) 1.875% 8/8ths of the oil

and/or gas produced, saved and marketed from the Subject Lease insofar as it covers the S 1/2 SW 1/4, and (2) .9375% of 8/8ths of the oil and/or gas produced, saved and marketed from the Subject Lease insofar as it covers the SW 2/4 SE 1/4.

3. Payment of Purchase Price: Mitchell hereby agrees unconditionally to pay unto Strata at Closing \$18,000.00 in consideration of the execution and delivery of the above-described assignment. In the event Mitchell fails to pay this amount when due, Strata shall be entitled to bring a suit for collection and shall be entitled to recover all reasonable costs including specifically attorney's fees, plus 15% interest on the unpaid amount until paid.
  
4. Additional Consideration: As additional consideration for the Strata Assignment, Mitchell hereby agrees to assign unto Strata (1) an overriding royalty interest equal to 1.875% of 8/8ths of the oil and/or gas produced, saved and marketed from the lease or leases covering the N 1/2 SW 1/4 and NW 1/4 of Section 28, and (2) an overriding royalty interest equal to .9375% of 8/8ths of the oil and/or gas produced, saved and marketed from the lease or leases covering the SE 1/4 SE 1/4, N 1/2 SE 1/4 and NE 1/4 of Section 28. This Assignment ("Mitchell Assignment") shall be on an appropriate form or forms for filing with the BLM and recording in the Lea County Records. The Mitchell Assignment shall be made without warranty, express or implied, except by, through or under Mitchell. The Mitchell Assignment shall contain the following language concerning the calculation and payment of overriding royalty interest:

The overriding royalty interest hereby assigned shall be computed and paid at the same time and in the same manner as royalties payable to the lessor under the terms of the lease are computed and paid, and Strata shall be responsible only for its proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and/or gas therefrom. It is expressly agreed and understood that Strata and its successors-in-interest and assigns shall have the right to receive overriding royalty payments directly from the oil and/or gas purchasers.

Mitchell represents and warrants unto Strata that it owns or controls a sufficient interest in the above-described lands to make the Mitchell Assignment.

5. Title: By execution and delivery of this Agreement in a timely manner, Mitchell is deemed to have approved title

as it now stands. Mitchell agrees and acknowledges that it is prepared to close on the basis of such title. Mitchell shall be excused from paying the purchase price at Closing only if Strata takes some affirmative action which adversely affects title to the Subject Lease.

6. Closing: The Closing shall take place at 10:00 a.m. on January 8, 1993 at the offices of Strata at 100 North Pennsylvania, Roswell, New Mexico. The time and place of Closing may be changed only by the mutual agreement of the parties hereto.

7. Undisclosed Owners: There are certain undisclosed owners of undivided interest in the Subject Lease whose interest are not reflected in the county or Bureau of Land Management records. Strata hereby represents and warrants unto Mitchell that it has the right, power and authority to sell 100% of the Subject Lease for the benefit of such undisclosed owners.

8. Authority: The undersigned signatories hereby represent and warrant unto each other that they have actual, express authority to execute this Agreement and bind their respective companies to perform under the terms hereof. At the same time Mitchell delivers to Strata an executed original of this Agreement, it will provide Strata with a copy of the Power of Attorney of the undersigned signatory.

9. Execution in Counterparts: This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute for all purposes one Agreement.

10. Geologic and Technical Information: Mitchell agrees to provide to Strata, in a timely manner, all drilling and geologic information for any wells drilled on the Subject Lease, or drilled on a proration unit which contains all or any portion of the Subject lease including well logs, mudlogs, core data, drilling time and related drilling, completion and production information.

11. Binding Effect: The terms, limitations and conditions of this Agreement shall be covenants running with the ownership of the Subject Lease and, as such, shall be binding upon and shall insure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

If the terms of this Agreement correctly set forth Mitchell's understanding, please execute both originals of this Agreement and return one executed original to Strata.

Very truly yours,

STRATA PRODUCTION COMPANY



Mark B. Murphy  
President

MBM/clk

Agreed to and accepted by \_\_\_\_\_  
of Mitchell Energy Corporation, on behalf of said company.

\_\_\_\_\_  
Date

By: \_\_\_\_\_

Title: \_\_\_\_\_

Form 3000-3  
(June 1988)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB NO. 1004-0034  
Expires: August 31, 1989

ASSIGNMENT OF RECORD TITLE INTEREST IN A  
LEASE FOR OIL AND GAS OR GEOTHERMAL RESOURCES

Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.)  
Act for Acquired Lands of 1947 (30 U.S.C. 351-359)  
Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025)  
Department of the Interior Appropriations Act, Fiscal Year 1981 (42 U.S.C. 6508)

Lease Serial No. NM-82927
Lease Effective Date (Anniversary Date)
New Serial No.

Type or print plainly in ink and sign in ink.

PART A: ASSIGNMENT

1. Assignee\* Mitchell Energy Corporation  
Street 1000 Independence Plaza  
City, State, ZIP Code 400 W. Illinois  
Midland, Texas 79701

\*If more than one assignee, check here  and list the name(s) and address(es) of all additional assignees on the reverse of this form or on a separate attached sheet of paper.

This record title assignment is for: (Check one)  Oil and Gas Lease, or  Geothermal Lease

Interest conveyed: (Check one or both, as appropriate)  Record Title,  Overriding Royalty, payment out of production or other similar interests or payments

2. This assignment conveys the following interest:

Land Description <small>Additional space on reverse, if needed. Do not submit documents or agreements other than this form; such documents or agreements shall only be referenced herein.</small>	Percent of Interest			Percent of Overriding Royalty or Similar Interests	
	Owned <small>b</small>	Conveyed <small>c</small>	Retained <small>d</small>	Reserved <small>e</small>	Previously reserved or conveyed <small>f</small>
The following lands in Lea County, NM: Township 20 South, Range 33 East, N.M.P.M. Section 28: S½SW¼, SW¼SE¼ Containing 120 acres, more or less.	100%	100%	0	1.875%* .9375%**	0
The lease and lands covered thereby are hereinafter referred to as the "Subject Lease." This Assignment of Record Title Interest is subject to the terms, conditions and limitations contained in Exhibit "A" hereto, and a Letter Agreement dated December 30, 1992 between the parties hereto. *An overriding royalty interest equal to 1.875% of 8/8ths is reserved under the S½SW¼. **An overriding royalty interest equal to .9375% of 8/8ths is reserved under the SW¼SE¼.					

FOR BLM USE ONLY—DO NOT WRITE BELOW THIS LINE

UNITED STATES OF AMERICA

This assignment is approved solely for administrative purposes. Approval does not warrant that either party to this assignment holds legal or equitable title to this lease.

Assignment approved for above described lands;

Assignment approved for attached land description

Assignment approved effective \_\_\_\_\_

Assignment approved for land description indicated on reverse of this form.

STATE OF NEW MEXICO )  
 : SS.  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1993, by Mark B. Murphy, President of Strata Production Company, a New Mexico corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**PART B: CERTIFICATION AND REQUEST FOR APPROVAL**

1. The assignor certifies as owner of an interest in the above designated lease that he/she hereby assigns to the above assignee(s) the rights specified above.
2. Assignee certifies as follows: (a) Assignee is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or territory thereof. For the assignment of NPR-A leases, assignee is a citizen, national, or resident alien of the United States or association of such citizens, nationals, resident aliens or private, public or municipal corporations. (b) Assignee is not considered a minor under the laws of the State in which the lands covered by this assignment are located; (c) Assignee's chargeable interests, direct and indirect, in either public domain or acquired lands, do not exceed 200,000 acres in oil and gas options or 246,080 in oil and gas leases in the same State, or 300,000 acres in leases and 200,000 acres in options in each leasing District in Alaska, if this is an oil and gas lease issued in accordance with the Mineral Leasing Act of 1920 or 51,200 acres in any one State if this is a geothermal lease; (d) All parties holding an interest in the assignment are otherwise in compliance with the regulations (43 CFR Group 3100 or 3200) and the authorizing Acts; (e) Assignee is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (f) Assignee is not in violation of sec. 41 of the Mineral Leasing Act.
3. Assignee's signature to this assignment constitutes acceptance of all applicable terms, conditions, stipulations and restrictions pertaining to the lease described herein.

For geothermal assignments, an overriding royalty may not be less than one-fourth (1/4) of one percent of the value of output, nor greater than 50 percent of the rate of royalty due to the United States when this assignment is added to all previously created overriding royalties (43 CFR 3241).

I certify that the statements made herein by me are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

Name of Assignor as shown on current lease Strata Production  
Please type or print Company

Mitchell Energy Corporation

Assignor \_\_\_\_\_  
or By: Mark B. Murphy (Signature) President  
Attorney-in-fact \_\_\_\_\_ (Signature)

Assignee \_\_\_\_\_  
or \_\_\_\_\_ (Signature)  
Attorney-in-fact \_\_\_\_\_ (Signature)

P. O. Box 1030  
(Assignor's Address)  
Foswell, NM 88202-1030  
(City) (State) (Zip Code)

1000 Independence Plaza  
400 W. Illinois  
Midland, Texas 79701

Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

THIS EXHIBIT A IS ATTACHED TO THE ASSIGNMENT  
OF RECORD TITLE INTEREST BY STRATA PRODUCTION  
COMPANY TO MITCHELL ENERGY CORPORATION.

**EXHIBIT A**

**ADDITIONAL TERMS AND PROVISIONS**

---

1. Reassignment:

- a. If Assignee ("Mitchell") fails to commence actual drilling operations on the Subject Lease or on lands communitized or unitized therewith on or before 120 days before the end of its primary term then Mitchell shall reassign to Assignor ("Strata") all of Mitchell's right, title and interest in the Subject Lease, without further encumbrance or limitation. The reassignment shall be on a form appropriate for filing in the county and with the BLM; it shall be on a form which is to the reasonable satisfaction of both parties.
  
- b. If Mitchell fails or refuses to make the reassignment in a timely manner, then it shall be obligated to pay to Strata liquidated damages equal to \$18,000.00 upon demand by Strata.
  
- c. If Strata is required to bring legal action to enforce this reassignment provision of payment of liquidated damages, then it shall be entitled to recover all reasonable costs including its attorneys' fees.

2. Rentals:

Mitchell will use its best efforts to pay all rentals and/or minimum royalties that may be necessary to maintain the subject lease in force and effect in the absence of production. Mitchell has a current inter-company system set up to pay its rental and/or minimum royalty obligations. If due to a failure in our system, or human error without malicious intent, a rental and/or minimum royalty payment required to maintain the subject lease in force and effect is not properly paid, Mitchell shall not be liable to Strata for this non-payment. In the event a rental and/or minimum royalty payment is not paid by Mitchell due to malicious intent, Mitchell will be liable to Strata for the liquidated damage amount described in 1.b.

3. Overriding Royalty Interest:

Strata hereby excepts and reserves an overriding royalty interest equal to (1) 1.825% of 8/8ths of the oil and/or gas produced, saved and marketed from the Subject Lease insofar as it covers the S 1/2 SW 1/4, and (2) .9375% of 8/8ths of the oil and/or gas produced, saved and marketed from the Subject Lease insofar as it covers the SW 1/4 SE 1/4. This overriding royalty interest shall be computed and paid at the same time and in the same manner as royalties payable to the lessor under the terms of the Subject Lease are computed

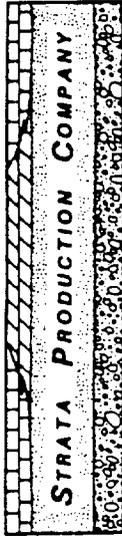
and paid, and Strata shall be responsible for its proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and/or gas therefrom. The overriding royalty interest shall be the total obligation and shall include all existing overriding obligations payable out of production from the Subject Lease over and above the royalty payable to lessor, and shall be proportionately reduced if this assignment grants to Mitchell less than the entire leasehold estate in the Subject Lease. It is expressly agreed and understood that Strata and its successors in interest and assigns shall have the right to receive overriding royalty payments directly from the oil and/or gas purchasers.

4. Binding Effect:

The terms, limitations and conditions for this Assignment shall be covenants running with the ownership of the Subject Lease covered by this Assignment and, as such, shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, personal representatives, successors, and assigns.

5. Warranty:

This Assignment is made without warranty, express or implied, except by, through or under Strata.



**POST OFFICE DRAWER 1030  
ROSWELL, NEW MEXICO 88202-1030**

---

**TO: Mitchell Energy  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701  
Attn: Mr. Steven J. Smith**

---

**FIRST CLASS MAIL**

XXXXXXXXXXXX

January 5, 1993

COPY VIA FAX  
ORIGINAL VIA CERTIFIED MAIL

Strata Production Company  
200 West First Street  
Suite 700  
Roswell, New Mexico 88201

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 13  
Case No. 10656

Attention: Mr. Mark B. Murphy  
President



RE: Purchase of Non-Producing Leasehold  
Federal Oil and Gas Lease NM-82927  
Township 20 South, Range 33 East, NMPM  
Section 28: S/2 SW/4 and SW/4 SE/4  
containing 120.00 acres, more or less  
Lea County, New Mexico  
TOP HAT MESA PROSPECT

Dear Mr. Murphy:

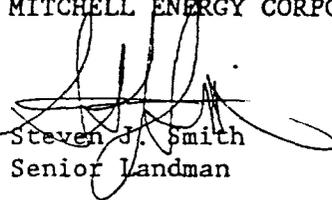
This letter shall serve to confirm the agreement reached on or about December 23, 1992, between Mitchell Energy Corporation ("Mitchell") and Strata Production Company ("Strata") regarding the sale by Strata of all of its 100% Record Title Interest and Operating Rights in the captioned lease and lands to Mitchell. The general terms agreed to are as follows:

- 1) Strata agrees to assign to Mitchell 100% of the Record Title to the captioned lease and lands as to all depths. Said assignment shall be on the appropriate Federal Form and shall be in quadruplicate. Therein Strata shall reserve unto itself an overriding royalty equal to the difference by which 20% exceeds existing lease burdens thereby delivering to Mitchell an 80% net revenue assignment.
- 2) As consideration for the assignment, Mitchell agrees to pay Strata a total of \$18,000.00 being \$150.00 per net mineral acre assigned.

If the terms stated above correctly set forth the agreement between Strata and Mitchell concerning the sale by Strata of the captioned lease and lands to Mitchell, please execute and return to the undersigned one copy of this letter.

Sincerely,

MITCHELL ENERGY CORPORATION



Steven J. Smith  
Senior Landman

SJS/jm

Enclosures

ACCEPTED AND AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 1993.

STRATA PRODUCTION COMPANY

---

MARK B. MURPHY  
PRESIDENT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.  
 Show to whom delivered, date, and addressee's address.    2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  <b>Strata Production Company</b> <b>200 West First Street</b> <b>Suite 700</b> <b>Roswell, New Mexico 88201</b>  <b>ATTN: MR. MARK B. MURPHY</b> <b>PRESIDENT</b>	4. Article Number <b>P 355 201 997</b>  Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input checked="" type="checkbox"/> COD <input checked="" type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise  <small>Always obtain signature of addressee or agent and DATE DELIVERED.</small>
5. Signature - Addressee <input checked="" type="checkbox"/>	8. Addressee's Address (ONLY if requested and fee paid)  <b>200 W 1st #700</b> <b>ROSWELL NM</b> <b>88201</b>
6. Signature - Agent <input checked="" type="checkbox"/> <i>Jan Starnes</i>	
7. Date of Delivery <i>1-6-93</i>	

PS Form 3811, April 1989    U.S.G.P.O. 1989-234-515    DOMESTIC RETURN RECEIPT

P 355 201 997

**RECEIPT FOR CERTIFIED MAIL**

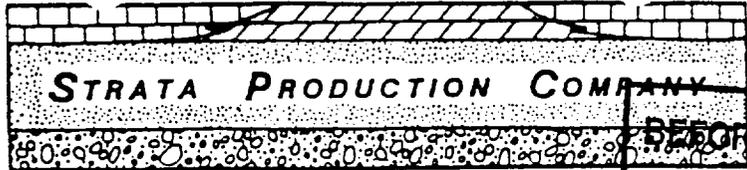
NO INSURANCE COVERAGE PROVIDED  
 NOT FOR INTERNATIONAL MAIL  
 (See Reverse)

U.S.G.P.O. 1989-234-555  
 PS Form 3800, June 1985

Sent to <i>Strata Prod. Co.</i>	
Street and No. <i>200 W 1st St Suite 700</i>	
P.O., State and ZIP Code <i>Roswell, N.M. 88201</i>	
Postage	S
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	S
Postmark or Date <i>mailed</i> <i>1/6/93</i>	

JAN 07 1993

POST OFFICE DRAWER 1030  
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127  
FACSIMILE (505) 623-3533

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 100  
ROSWELL, NEW MEXICO 88201

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 14  
Case No. 10656

January 6, 1993

Via Telefax (915) 682-6439/Hard Copy by Certified Mail.

Mitchell Energy Corporation  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701

Re: Strata's North Gavilon Prospect  
Mitchell's Top Hat Mesa Prospect  
Lea County, New Mexico

Dear Steve:

I have informed my partners that Mitchell has refused to execute Strata's Letter Agreement dated December 30, 1992. We have also reviewed and discussed Mitchell's counter proposal dated January 5, 1993. Unfortunately, it appears that we will be unable to resolve the sale, farmout or participation by Strata prior to the OCD hearing scheduled for Thursday January 7, 1993. In accordance with our discussion yesterday, you advised me that Mitchell will request that the OCD force pooling hearing be rescheduled for the next hearing date which you stated that you believed will be on or about January 21, 1993. Please ask your counsel (Tom Kellahin) to forward a copy of said request to me by facsimile (505) 623-3533.

It is our desire to continue discussions with Mitchell in order to facilitate the drilling of the Tomahawk "28" Federal Com #1. As we have discussed, Strata may wish to join in the drilling of said well. You have provided an Authority for Expenditure Cost Estimate. However, it is my understanding that the proposed location that Mitchell now intends to drill has been changed from your original proposal. It is also my understanding that there is or may be a challenge by offset operators and owners to your currently proposed location. We wish to be apprised of any opposition to Mitchell's proposed location as this is pertinent to our decision. Please advise me of the location that Mitchell now intends to drill.

In addition, in order for Strata to determine if we wish to participate we will need to review and possibly discuss Mitchell's proposed Joint Operating Agreement. Please provide me a copy of said JOA at your earliest convenience.

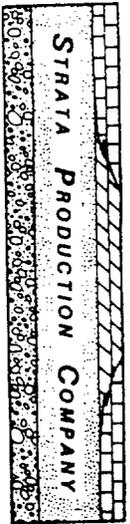
Very truly yours,

STRATA PRODUCTION COMPANY

  
Mark B. Murphy  
President

MBM/mo

cc: Sealy Cavin, Jr., Esq.  
Stratton and Cavin  
320 Gold Avenue S.W., Suite 918  
Albuquerque, New Mexico



POST OFFICE DRAWER 1030  
OSWELL, NEW MEXICO 88202-1030

Fold at line over top of envelope to the  
right of the return address

**CERTIFIED**

P 144 799 138

**MAIL**

Steven J. Smith  
Mitchell Energy Corporation  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701

**RETURN RECEIPT  
REQUESTED**



File

January 7, 1993

COPY VIA FAX  
ORIGINAL VIA CERTIFIED MAIL

Strata Production Company  
200 West First Street  
Suite 700  
Roswell, New Mexico 88201

Attention: Mr. Mark B. Murphy  
President

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 15  
Case No. 10656



RE: Tomahawk "28" Fed. COM #1 Well  
1,980' FWL & 1,650' FNL Section 28  
Township 20 South, Range 33 East, NMPM  
Lea County, New Mexico  
TOP HAT MESA PROSPECT

Dear Mr. Murphy:

In response to your letter dated January 6, 1993, please be advised that the location for the captioned well remains as proposed to Strata by letter dated November 20, 1992. While said location is unorthodox, it is so only because of archeological and topographical reasons. In fact, if compulsory pooling were not an issue, this location would likely be approved administratively by the NMOCD. To this date, we are unaware of any protests and expect none. If you become aware of any opposition to Mitchell's location, we wish to be apprised of such opposition.

Pursuant to your request, enclosed is a copy of the Joint Operating Agreement Mitchell proposes to govern Strata's participation in the captioned well. The enclosed Joint Operating Agreement is identical to the Joint Operating Agreement in place between the parties who have already agreed to participate in this well with the exception of the following:

- 1) The enclosed Joint Operating Agreement is dated January 1, 1993;
- 2) The contract area covers only the W/2 of said Section 28 being the proposed proration unit for the captioned well;
- 3) Article VI.A. has been revised to reflect the drilling of the captioned well;

- 4) The overhead rates in the COPAS have been revised to reflect the rates currently in use under the existing Joint Operating Agreement.

As a matter of clarification, the following is a summary of the discussions and correspondence between Strata and Mitchell to date regarding the captioned well:

- 1) On October 28, 1992, you returned my telephone call of October 26, 1992. I advised you of Mitchell's desire to drill the captioned well. You advised that Strata had no interest in participating in a deep well but would consider selling its interest in Federal Lease NM-82927 covering the S/2 SW/4 and SW/4 SE/4 of Section 28, T-20-S, R-33-E, for \$300.00 per net acre delivering a 78% net revenue and retaining all rights above approximately 11,707 feet.
- 2) On November 18, 1992, you returned my telephone call of November 17, 1992. I advised you that Mitchell Management had considered Strata's proposal to sell its lease and found it unacceptable. You advised that you felt your offer to be reasonable and advised again that Strata had no interest in participating in the proposed well.
- 3) By letter dated November 20, 1992, Mitchell officially advised Strata that its offer to sell its lease was unacceptable. As a counterproposal, Mitchell requested a farmout of Strata's lease, or in the alternative, that Strata participate for a 25% interest in the captioned well.
- 4) By letter dated December 9, 1992, Strata advised that Mitchell's counterproposal of November 20, 1992, was unacceptable. As an alternative, Strata proposed to either a) sell its lease from the surface to the base of the Pennsylvania formation for \$300.00 per net acre delivering a 75% net revenue with the provision that Strata's retained ORRI be pooled under the W/2 of said Section 28 or b) farmout its interest under substantially the same terms proposed in Mitchell's letter of November 20, 1992.
- 5) On or about December 16, 1992, I contacted you by telephone and advised you that Mitchell would accept Strata's proposal to Farmout as outlined in Strata's letter dated December 9, 1992. You advised that you preferred to sell rather than

farmout and asked that Mitchell consider making Strata its best offer to purchase Strata's lease.

- 6) On or about December 18, 1992, you contacted me by telephone and I advised you that Mitchell would consider purchasing all of Strata's right, title and interest in Federal Lease NM-82927 for \$150.00 per net acre with Strata reserving an overriding royalty equal to the difference by which 20% exceeds existing lease burdens thereby delivering to Mitchell an 80% net revenue assignment. You advised that you would recommend to your partners accepting Mitchell's offer and would call me back with an answer.
- 7) On or about December 23, 1992, you contacted me by telephone and advised that Strata had accepted Mitchell's proposal to purchase its interest in the subject lease. We discussed the need for a confirmation letter and you advised that you would draw one up and try to have it to me the next day.
- 8) On December 30, 1992, via telefax, Strata submitted to Mitchell a Letter Agreement dated December 30, 1992, intended to govern the sale by Strata of Federal Lease NM-82927 to Mitchell. While the Letter Agreement correctly described the lease and the agreed to purchase price, it also contained numerous other terms and conditions which were not discussed in our two preceding telephone conversations including, but not limited to, a provision to pool Strata's retained overriding royalty under All of said Section 28.
- 9) On January 5, 1993, via telefax and by U.S. Mail, Mitchell submitted to Strata a Letter Agreement dated January 5, 1993, intended to confirm the terms discussed and agreed to in our two preceding telephone conversations regarding the sale by Strata of Federal Lease NM-82927 to Mitchell.
- 10) On January 5, 1993, you contacted me by telephone and we discussed each other's letter agreements. I advised that pooling Strata's ORRI was not part of Mitchell's offer to purchase Strata's lease and was not something Mitchell would consider. You advised that, while we had not discussed pooling the ORRI, you felt it was implicitly part of the agreement because you had made it part of your December 9, 1992, letter. I advised that I disagreed.

- 11) On January 6, 1993, via telefax and by U.S. Mail, Strata sent to Mitchell a letter dated January 6, 1993, indicating that, while an impasse apparently had been reached in our negotiations, Strata wanted to continue discussions in an effort to facilitate the drilling of the captioned well. Additionally, you indicated that Strata might now consider participating in the proposed well and you necessarily requested a copy of a proposed Joint Operating Agreement, a copy of which is attached.

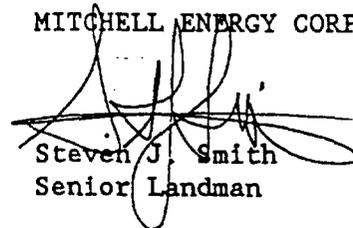
It is also Mitchell's desire to continue discussions with Strata that might result in a cooperative agreement facilitating the drilling of the Tomahawk "28" Fed COM #1 Well. In order to make clear Mitchell's position on this matter, we offer to you, in order of preference, solutions to the apparent impasse that Mitchell is willing to accept.

- 1) Strata agrees to participate in the drilling of the captioned well as proposed in Mitchell's letter to Strata dated November 20, 1992.
- 2) Strata agrees to sell all of its right, title and interest in Federal Lease NM-82927 to Mitchell pursuant to the terms outlined in Mitchell's letter to Strata dated January 5, 1993.
- 3) Strata agrees to farmout its interest in Federal Lease NM-82927 to Mitchell pursuant to the terms outlined in Strata's letter to Mitchell dated December 9, 1992, subject to the following changes:
  - a) On line 3 of item 2 on page 2, the word "legal" be deleted.
  - b) On line 3 of item 2 on page 2, the legal description "SW/4 NW/4" be revised to read "SE/4 NW/4".

We look forward to hearing from you regarding this matter in the near future.

Sincerely,

MITCHELL ENERGY CORPORATION

  
Steven J. Smith  
Senior Landman

SJS/jm  
Enclosures

P 355 202 000  
**RECEIPT FOR CERTIFIED MAIL**  
 NO INSURANCE COVERAGE PROVIDED  
 NOT FOR INTERNATIONAL MAIL  
 (See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to <i>Strata Production</i>	
Street and No. <i>200 W. 1st St.</i>	
P.O. State and ZIP Code <i>Roswell, N.M. 88201</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date <i>mailed 1/6/93</i>	

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the RETURN TO Space on the reverse side. Failure to do this will prevent this from being returned to you. The return receipt fee will provide you the name of the person delivered, the date of delivery. For additional fees the following services are available. Consult postmaster for and check box(es) for additional service(s) requested.  
 Show to whom delivered, date, and addressee's address.  Restricted Delivery (Extra charge)

1 Article Addressed to:  
*Strata Production Company  
 200 West First Street  
 Roswell, New Mexico 88201*

4 Article Number:  
*P 355 202 000*

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee  
 and DATE DELIVERED.

Signature of Addressee  
*Don Stares*

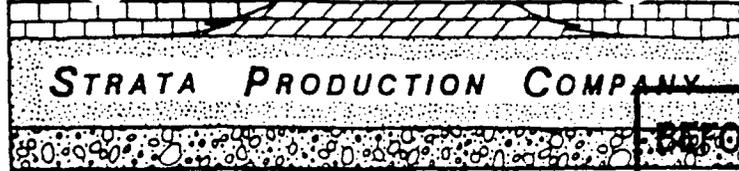
3 Address of Addressee (ONLY if requested and fee paid)

Signature of Agent  
*[Signature]*

Date of Delivery  
*[Date]*

JAN 13 1993

POST OFFICE DRAWER 1030  
ROSWELL, NM 88202-1030



TELEPHONE (505) 622-1127  
FACSIMILE (505) 623-3533

200 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 100  
ROSWELL, NEW MEXICO 88201

BEFORE EXAMINER STOGNER  
Oil Conservation Division  
Mitchell Exhibit No. 16  
Case No. 10656

January 12, 1993

Via Telefax (915) 682-6439/Hard Copy by Certified Mail

Mitchell Energy Corporation  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701

Attn: Steve Smith

RE: Response to Mitchell  
correspondence dated  
January 7, 1993.

Dear Mr Smith:

I appreciate you clarifying that it is Mitchell's intent to drill the above referenced well at the following location: 1980' FWL & 1650' FNL Section 28 T-20-S, R-33-E NMPM. We continue to be in opposition to a West Half spacing unit and would note that Mitchell's proposed location is orthodoxed for a North Half spacing unit. While we understand that you wish to hold the NW/4 SW/4 of Section 28, as previously discussed, we do not believe that this justifies an unorthodoxed location.

I have not had the opportunity to review your proposed Joint Operating Agreement ("JOA"). However, I do have the following question in regards to item numbered 4) concerning the COPAS overhead rates. What are the COPAS overhead rates in the JOA between Mitchell and "the parties who have already agreed to participate"? If you propose to charge Strata higher overhead rates than you do the other parties, what is your justification for doing so? I note that the Ernest and Young 1991 overhead rate is \$513.00 for producing wells and \$5000.00 for drilling wells.

In addition, I have found numerous omissions, mischaracterizations and misstatements in your "summary of the discussions and correspondence between Strata and Mitchell". It is my practice to keep detailed and accurate notes of my discussions and the following reflects my review of said notes, correspondence and other materials.

1). October 26, 1992 0755-0802 hrs. - Telephone conversation  
I returned your telephone call and you informed me that Mitchell intended to drill a Morrow well in the W/2 of Section 28, T-20-S, R-33-E. You stated that said well would probably be located somewhere in the NW/4 of Section 28. You stated that public records indicated that Strata owns Lease #NM-82927 and that the S/2 SW/4 of Section 28 would be included in Mitchell's proposed proration unit. You stated that currently your partners are Santa Fe and Maralo and that you intended to commence operations in early 1993. I advised you that Strata and it's partners would probably not wish to participate but would prefer to either sell or farmout. You requested proposed terms. I told you that I would need to discuss your proposal with my geologic staff and partners and then get back to you.

2). October 29, 1992 approximately 0900 hrs.- Telephone conversation.  
I called you and informed you that Strata would recommend to it's partners that we sell the S/2 SW/4 of Section 28 for \$300 per acre delivering a 78% Net Revenue Interest ("NRI") and rights from the base of the Bone Springs (top of the Wolfcamp) to basement. You informed me that you "will consider our proposal and call back when closer to doing something".

3). November 18, 1992 0850-0900 hrs. - Telephone conversation.  
I returned your telephone call and you informed me that Mitchell would not accept Strata's proposal as discussed during our 10-29-92 telephone conversation. You said that you believed our proposal to be excessive with regards to the acreage price of \$300 per acre. I responded that the acreage price was consistent with acreage prices being paid in the area during recent state & federal lease sales. You informed me that Mitchell would make a formal farmout request which would include all rights from the surface to basement. I responded that Strata would prefer to keep its rights down through and including the Delaware and Bone Springs formations. I stated the reason we bought the lease was because of the existence of Strata operated wells producing from these intervals located one to one-half miles south. I informed you that we could not see any technical basis for a West Half proration unit. I requested that you reconsider the West Half proration unit and in the alternative form a North Half proration unit thereby eliminating the need to include Strata's lease.

You stated that the reason Mitchell intended to form a West Half proration unit was based upon "lease

expiration considerations" specifically the expiration of the NW/4 SW/4 in October, 1993. You went on to say that it was your intent to make a formal farmout request in writing based upon what you considered to be "reasonable terms" and if Strata did not accept then you would "force pool" us. I informed you that due to the lack of technical basis, a point you admitted, Strata would defend itself and it's partners rights during any proceeding including a force pooling hearing.

I recall this conversation vividly because it escalated into a rather contentious conversation as a result of your arrogant attitude.

- 4). Mitchell correspondence dated November 20, 1992  
Correspondence speaks for itself.
- 5). Kellahin and Kellahin correspondence dated December 7, 1992  
Notice of Compulsory Pooling and Unorthodox Gas well Location.
- 6). Strata correspondence dated December 9, 1992.  
Correspondence speaks for itself however please note that Strata's proposal was an effort to accommodate Mitchell and was subject to Strata's partners approval. I also note that in paragraph numbered 4) of your correspondence dated January 7, 1993 you characterize Strata's farmout terms as being "substantially the same terms proposed in Mitchell's letter of November 20, 1992". You may wish to review said correspondence again as one of the most glaring differences is that you proposed that Strata deliver a 78% NRI, Strata proposed a 75% NRI, not a meager difference to a small family owned independent company like Strata.
- 7). December 16, 1992 1206-1216 hrs. - Telephone conversation  
You called my office and I returned your call from my home. I informed you that my wife recently had surgery and I would be working from my home through her recovery and the holidays. You informed me that Mitchell would accept Strata's proposed Farmout terms as contained in Strata's correspondence dated December 9, 1992, with the condition (insisted upon by Mitchell's legal dept) that at payout assuming Strata elected to convert its retained ORRI to the working interest then all of the ORRI must be converted. I reminded you that Strata had numerous partners and that this condition would be difficult because some parties may wish to convert and others may not. You responded that Mitchell's legal department would probably accept a provision which requires each individual to convert

all of their ORRI to WI. I suggested that in order for Mitchell to avoid the administrative burden of approximately fifteen (15) individuals with options to convert to very small working interest, (in some cases less than .5% WI) that Mitchell considering making it's best cash offer. I asked what your experience was in the area and you said that you had recently purchased an interest from Mobil for \$100 per acre and a 75% NRI%. You said you would discuss it with management and call me back.

During our previous conversations of November 18, 1992 you took issue with Strata's proposal of \$300.00 per acre. The retained ORRI, the ORRI pooling provision and the depth limitation were not terms to which you stated any objection.

8). December 18, 1992 approximately 1400 hrs. - Telephone conversation.

I returned your call from my home and you informed me that Mitchell would pay Strata \$150 per acre with Strata retaining a 7.5% ORRI proportionately reduced. You said that Mitchell considered the \$150 per acre to be reasonable but with the condition that Strata agree to the retention of a lesser ORRI. I responded that I would recommend your terms to Strata's partners.

9). December 23, 1992 - approximately 1115 hrs - Telephone conversation.

I returned your call from my home and informed you that due to the holidays, I had been unable to contact all of Strata's partners. However, I had contacted the majority of them and they were agreeable to the terms proposed by Mitchell and Strata. You requested that I provide a Letter Agreement and I agreed to provide Strata's form.

10). January 4, 1993 1405-1415 hrs - Telephone conversation.

I called and informed you that I had completed the Letter Agreement and requested your fax number (915-682-6439). I specifically reviewed with you the ORRI pooling provision and you responded that you had failed to remind Mitchell's management of this provision when you presented your recommendation to purchase the Lease. I stated that this was a very important part of the consideration and that absent this condition we did not have a deal. You stated that I should finalize the Letter Agreement and forward same to you. In addition, you requested that you intended for the interval to be delivered to be from the surface to basement. You stated that you believed that you had previously said that you wanted from the surface to the base of the Morrow formation. I responded that I did not recall

your request for surface to the base of the Morrow and had assumed that Strata would deliver all rights. I informed you that the Letter Agreement had been drafted accordingly, thereby delivering all rights. You responded that you appreciated this and would await receipt of Strata's Letter Agreement.

- 11). Strata correspondence dated December 30, 1992 faxed to Mitchell Energy 1650 hrs 1-4-93.

Correspondence speaks for itself.

Note that the terms were identical to those proposed in Strata's correspondence dated December 9, 1992 and discussed by telephone as set forth in 8) and 10) above. The additional terms are consistent with industry practice and primarily address title, rental payment responsibility, reassignment and other reasonable requests including the sharing of geologic data.

- 12). Mitchell correspondence dated January 5, 1993.

Correspondence speaks for itself.

- 13). January 5, 1993 approximately 0900 hrs - Telephone conversations.

I called you and asked why you had sent a Letter Agreement when I had already forwarded one per your request. You said that when you went back to management they informed you that they would not accept the ORRI pooling provision. You went on to say that they felt "blindsided". I responded that it was not my intent to blindside anybody and reminded you that we had discussed the ORRI pooling provision prior to me sending the Letter Agreement. You also stated that Mitchell did not intend to share the geologic information due to the lease expiration of the SW/4 NE/4 of Section 28. I responded that we would be most willing to sign a Confidentiality/Non Compete Agreement in order to alleviate any concern. However, the geologic data was important to us because of our lease position in the area specifically Section 33, T-20-S, R-33-E. You stated that you were instructed to draft the letter as presented and forward same to Strata. I responded that it did not contain the provisions we had previously agreed to. You said that it was Mitchell's position that it accurately reflected our agreement. I advised that I disagreed. You further stated that all previous terms and proposals including those in my 12-9-92 were now null and void. I said I did not know what Strata's partners would want to do. You advised that absent an agreement by the next day (Wednesday January 6, 1993) you would instruct your counsel to reschedule the force pooling hearing until the next

hearing date which you believed would be on or about January 21, 1993.

- 14). Strata correspondence dated January 6, 1993.  
Correspondence speaks for itself, but note that due to the failure of Mitchell to honor our verbal agreement Strata must reconsider all of it's options including participation in the well.
- 15). Mitchell correspondence dated January 7, 1993.  
Correspondence speaks for itself.

In order to clarify Strata's position and in an effort to accommodate Mitchell's desire to drill the Tomahawk "28" Fed Com Well #1 Strata offers, and subject to our partners approval the following:

- 1). Mitchell agrees to purchase all of Strata's right, title, and interest in Federal lease NM-82927 pursuant to the terms and conditions as set forth in Strata's Letter Agreement dated December 30, 1992. In addition, Strata will agree to execute either by amendment or separate agreement a mutually acceptable Confidentiality/Non Compete agreement as it pertains to the SW/4 NE/4 of Section 28.

I am unable to give any indication as to our desire to farmout or participate until I have the opportunity to review the JOA, evaluate your response to my questions concerning the COPAS overhead rates and receive a response from Mitchell to alternative 1. above.

Our proposal to sell expires at 5:00 p.m. Friday January 15, 1993 and is subject to partner approval. If we are unable to resolve this then I will provide you with a list of the leasehold partners and overriding royalty owners so that you can contact those individuals direct. Since you have had notice that these undisclosed owners exist we would ask that you grant another two (2) week continuance and notify these parties of your application. I look forward to receiving your reply.

Yours very truly,

STRATA PRODUCTION COMPANY

  
Mark B. Murphy  
President

cc: Sealy H. Cavin Jr., Esq.  
MBM/mo

BEFORE EXAMINER  
ROSWELL, NM 88202-1030

STOGNER

STRATA PRODUCTION COMPANY

TELEPHONE (505) 622-1127  
FACSIMILE (505) 623-3533

Oil Conservation Division

Mitchell Exhibit No. 17

201 WEST FIRST STREET, ROSWELL PETROLEUM BUILDING, SUITE 700  
ROSWELL, NEW MEXICO 88201

JAN 14 1993

Case No. 10656

January 13, 1993

Via Telefax (505 632-6439) / Hard Copy by Certified Mail

Mitchell Energy Corporation  
1000 Independence Plaza  
400 West Illinois  
Midland, Texas 79701  
Attn: Steve Smith

Re: Leasehold Ownership Information  
North Gavilon Prospect  
NM #92957, S/2 SW/4, SW/4 SE/4  
Section 28, T-20-S, R-33-E  
Lea County, New Mexico

Dear Mr Smith:

During our telephone conversation this morning you expressed some concern that you had not been provided a list of leasehold partners and ownership in the above referenced lease. As Mitchell has set a compulsory pooling and unorthodox gas well location hearing (Case #10656) for Thursday January 21, 1993, I provide this information to facilitate your notification of said owners. Strata has or is in the process of making a direct assignment of each partners proportionate ownership. The names, addresses and ownership is as follows:

Name/Address

Leasehold Ownership

Arrowhead Oil Corporation  
P.O. Box 548  
Artesia, New Mexico 88211-0548

6.25%

Branko, Inc.  
45 Beaverbrook Crescent  
St. Albert, Alberta,  
Canada, T8N2L-4

1.56250%

Duane Brown  
1315 Marquette PL, NE  
Albuquerque, New Mexico 87106

5.0%

S.H. Cavin  
P.O. Box 1125  
Roswell, New Mexico 88202

2.0%

<u>Name/Address</u>	<u>Leasehold Ownership</u>
Robert W. Eaton 2505 Don Juan NW Albuquerque, New Mexico 87104	1.56250%
Terry & Barb Kramer 5108 Irving BLVD., N.W. Albuquerque, New Mexico 87114	30.0%
Landwest 215 West 100 South Salt Lake City, UT 84101	1.0%
Candance McClelland 4 Country Hill Road Roswell, New Mexico 88201	2.1250%
Permian Hunter Corporation 215 West 100 South Salt Lake City, UT 84101	4.0%
Scott Exploration, Inc. 200 W. First Suite 648 Roswell, New Mexico 88201	9.0%
Strata Production Company 200 W. First, Suite 700 P.O. Box 1030 Roswell, New Mexico 88202	18.50%
Warren, Inc. P.O. Box 7250 Albuquerque, New Mexico 87194-7250	5.0%
Charles J. Wellborn P.O. Box 2168 Albuquerque, New Mexico 87103-2168	2.0%
Winn Investments, Inc. 706 W. Brazos Roswell, New Mexico 88201	1.0%
Lori Scott Worrall 200 W. First, Suite 648 Roswell, New Mexico 88201	1.0%
Xion Investments 215 West 100 South Salt Lake City, UT 84101	10.0%
	Total 100%

In addition the following own a overriding royalty interest (ORRI) as set forth below:

<u>Name/Address</u>	<u>ORRI</u>
Steve Mitchell 200 W. First, Suite 648 Roswell, New Mexico 88201	.5
George L. Scott III 200 W. First, Suite 648 Roswell, New Mexico 88201	.5
Scott Exploration Inc. 200 W. First, Suite 648 Roswell, New Mexico 88201	.5

Total 1.5%

If I may be of further assistance please call.

Very truly yours,

STRATA PRODUCTION COMPANY

  
Mark B. Murphy  
President

cc: Sealy H. Cavin, Jr., Esq.

MBM/mo

AUTHORITY FOR EXPENDITURE (AFE) COST ESTIMATE

BEFORE EXAMINER STOGNER  
 Oil Conservation Division  
 Mitchell Exhibit No. 18  
 Case No. 10656

Type Project (check 1 only)

Exploratory       Injection       Water Supply  
 Development       Disposal       Depth 14,300

Form B-1       Add       Change       Delete

AFE Number \_\_\_\_\_

Property/Well Name Tomahawk "28" Fed. #1

Project Description Drill

Net Working Interest 0.375

Group Code \_\_\_\_\_

Location Code \_\_\_\_\_

Department Number 712

County Lea St. NM

Operator MEC

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

<u>DRILLING COSTS</u>	<u>Amount</u>
<u>INTANGIBLE</u>	
10 Dry Hole Abandonment	_____
11 Rig Mobilization and Demobilization	_____
12 Power and Fuel	_____
13 Water	\$ 35,000
14 Solids Control Equipment Rental	5,000
*15 Directional Equipment and Services	_____
16 Fishing Tools and Services	_____
17 Subsurface Casing Equipment	7,000
18 Contract Labor and Services (welding, inspect, csg crews, BOP tsts)	25,000
19 Supervision - Company and/or Contract (40 days @ \$500/day)	20,000
50 Road and Site Preparation	30,000
51 Footage Contract Fee (14,300' @ \$21.50/ft)	310,000
52 Daywork Contract Fee (5 days @ \$5000/day)	25,000
53 Mud and Chemicals (mud-up @ 9400')	75,000
54 Bits and Reamers	_____
55 Drilling Tool and Equipment Rental (PVT, tank, WB, trailer, chk, trash)	25,000
56 Cement and Cement Services	50,000
*57 Open Hole Logging-Testing (incl 35 days ML, 2 log runs)	80,000
*58 Drill Stem Testing (1 DST)	3,000
59 Coring and Analysis (SW)	5,000
60 Transportation	14,000
61 Air/Marine Transportation	_____
63 Overhead	10,000
64 Insurance	_____
65 Company Labor and Services	_____
*66 Prospect Generation	20,000
67 Miscellaneous Services and Contingency	50,000
<b>TOTAL INTANGIBLE COSTS</b>	<b>\$789,000</b>
<u>TANGIBLE</u>	
21 Casing-Drive Pipe & Conductor <u>40' - 30" cond</u>	\$ 4,000
40 Casing - Surface <u>500'-20" 94# K-S @ \$51.50/ft</u>	25,800
41 Casing - Intermediate <u>4250'-13-3/8" 68# K-S @ \$23.37/ft</u>	110,000
42 Casinghead Equipment (Including Valves) (3000 psi)	4,500
43 Casing Spool (Including Valves) (5000 psi)	18,000
44 Miscellaneous Equipment	_____
<b>TOTAL TANGIBLE COSTS</b>	<b>\$162,300</b>
<b>TOTAL DRILLING (DRY HOLE) COSTS</b>	<b>\$951,300</b>

\* Invalid for disposal and water supply wells.

Prepared By: G. W. Tullos  
 Date Prepared: 8/27/92

Type Project (check 1 only)

- Exploratory       Recompletion (Zone Change Only)       Disposal  
 Development       Plug and Abandon (Previously Producing Well)      Depth 14,300'  
 Injection       Water Supply

Form B-2       Add       Change       Delete

Group Code \_\_\_\_\_

AFE Number \_\_\_\_\_

Location Code \_\_\_\_\_

Property/Well Name Tomahawk "28" Fed. #1

Department Number 730

Project Description Complete

County Lea St. NM

Net Working Interest .375

Operator MEC

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

COMPLETION COSTS

INTANGIBLE

Amount

22	Overhead	\$ 5,000
23	Company Labor and Services	
24	Contract Labor and Services	40,000
25	Air/Marine Transportation	
26	Other Transportation	14,000
27	Plugging and Abandonment	
28	Rig Mobilization and Demobilization	
29	Supervision - Company and/ or Contract	4,000
30	Site Preparation and Clean-up	
31	Subsurface Casing Equipment	5,000
32	Squeeze Cement and Service	
33	Completion Fluids	4,000
34	Pump Truck Services	1,000
35	Rental Tools	10,000
36	Bits and Reamers	
37	Insurance	
38	Wireline Services	4,000
39	Fishing Tools and Services	
*53	Tertiary Injectants	
68	Fencing	
83	Daywork Contract Fee	10,000
84	Cement and Cement Services - Primary	45,000
85	Acidizing and Fracturing	20,000
*86	Cased Hole Logging and Perforating	30,000
94	Miscellaneous Services and Contingency	5,000

TOTAL INTANGIBLE COSTS

\$197,000

TANGIBLE

69	Tubinghead Equipment (Including Valves)	\$ 14,000
70	Casing-Production and/or Liner <u>14,300'</u> <u>5 1/2"</u> <u>17# N-80 &amp; S-95</u>	95,200
71	Tubing <u>14,200'</u> <u>2 3/8"</u> <u>4.7# N-80</u>	41,300
72	Packers and Subsurface Equipment	5,000
73	Production Tree (Including Valves)	22,000
74	Storage Tanks <u>2-210 bbl STL + 1-210 bbl F.G.</u>	14,000
75	Separating Equipment <u>16"x7'</u> <u>750 MBTU Stack-Pak + 30"x10'</u> <u>3 P. Sep</u>	21,000
76	Treating Equipment	
77	Artificial Lift Equipment	
78	Line Pipe	5,000
79	Valves and Fittings Beyond Wellhead	7,000
80	Miscellaneous Equipment	2,500
81	Platform and Structures	
82	Metering Equipment	2,000
87	Pumps	
90	Electrical Equipment	
91	Instrumentation Equipment	
96	Dehydrators and Dryers	
TOTAL TANGIBLE COSTS		\$229,000

TOTAL COMPLETION COSTS

\$426,000

\* Invalid for disposal and water supply wells.

*JLB*

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 10656

APPLICATION OF MITCHELL ENERGY  
CORPORATION FOR COMPULSORY POOLING  
AND AN UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO

CERTIFICATE OF MAILING

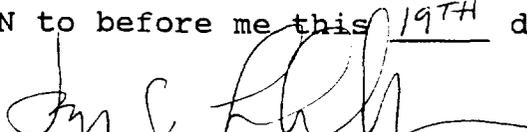
AND

COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of MITCHELL ENERGY CORPORATION, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on DECEMBER 7, 1992, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for JANUARY 21, 1993 to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

  
W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 19<sup>TH</sup> day of  
JANUARY, 1993.

  
Notary Public

My Commission Expires:

10/7/95

JAY C. LAUBSCHER

BEFORE EXAMINER STOGNER

Oil Conservation Division

Mitchell Exhibit No. 19

Case No. 10656

from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Mark B. Murphy  
 Strata Production Company  
 648 Petroleum Building  
 Roswell, NM 88201

4. Article Number  
 P676 666 381

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
 X

6. Signature - Agent  
 X *Jan Starnes*

7. Date of Delivery  
 12-9-92

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**  
 MTR FP Tom 28 #1

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Southwestern Resources  
 111 W. Country Club Road  
 Roswell, NM 88201

4. Article Number  
 P676 666 382

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
 X *Mary Beth Desmond*

6. Signature - Agent  
 X

7. Date of Delivery  
 12/9/92

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**  
 MTR FP Tom 28 #1

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Enerlock Resources, Inc.  
 616 Mechem Drive  
 Ruidoso, NM 88345-6903

4a. Article Number  
 P676 666 383

4b. Service Type:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 12-9-92

5. Signature (Addressee)  
*J. M. B. Bigg*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, November 1990 \*U.S. GPO: 1991-287-088 **DOMESTIC RETURN RECEIPT**  
 MTR FP Tom 28 #1

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Santa Fe Energy Operating Partners, L.P. 550 W. Texas, Suite 1330 Midland, TX 79701		4. Article Number <b>P676 666 384</b>	
		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature - Addressee X		Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
6. Signature - Agent X <i>Betty Parks</i>		8. Addressee's Address (ONLY if requested and fee paid)	
7. Date of Delivery <i>12-16-92</i>			

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 DOMESTIC RETURN RECEIPT

your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Maralo, Inc. P.O. Box 832 Midland, TX 79702		4a. Article Number <b>P676 666 385</b>	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature (Addressee) <i>D. Guzman</i>		7. Date of Delivery <b>DEC 10 1992</b>	
6. Signature (Agent) <i>mit. FP Tom 28</i>		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991 \*U.S.G.P.O. 1992-323-402 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Phillips Petroleum Co. 4001 Penbrook, Ste 401 Odessa, TX 79762		4a. Article Number <b>P676 666 386</b>	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature (Addressee) <i>B. Burns</i>		7. Date of Delivery <b>12-10-92</b>	
6. Signature (Agent) <i>mit. FP Tom 28</i>		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991 \*U.S.G.P.O. 1992-323-402 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
  - 2.  Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Oryx Energy Corporation  
(Formerly Sun Exploration)  
P.O. Box 2880  
Dallas, TX 75221-2880

4a. Article Number  
P676 666 387

4b. Service Type

- Registered  Insured
- Certified  COD
- Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
DEC 09 1992

5. Signature (Addressee)  
MIT FP TOM 28

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)  
*[Handwritten Signature]*

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
  - 2.  Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Grace Petroleum Corp.  
6501 North Broadway  
Oklahoma City, OK 73116

4a. Article Number  
P676 666 388

4b. Service Type

- Registered  Insured
- Certified  COD
- Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
12/11 92

5. Signature (Addressee)  
MIT FP TOM 28

8. Addressee's Address (Only if requested and fee is paid)

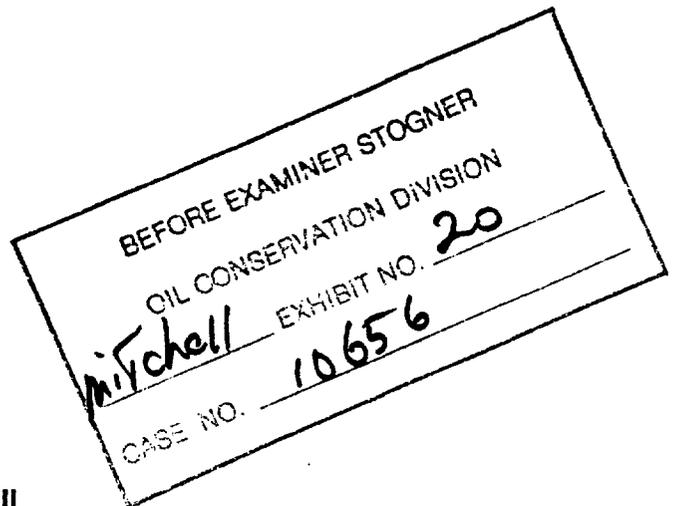
6. Signature (Agent)  
*[Handwritten Signature]*

Thank you for using Return Receipt Service.

**VIA FEDERAL EXPRESS**

November 20, 1992

United States Department of  
the Interior  
Bureau of Land Management  
101 E. Mermod  
Carlsbad, NM 88220



Re: **Application for Permit to Drill**  
Tomahawk "28" Federal No. 1  
Lea County, New Mexico

Gentlemen:

Enclosed you will find an original and five (5) copies of Form 3160-3 and various other information to aid you in permitting the subject well.

Thank you in advance for your prompt attention to this matter and if I can be of any further help, kindly advise.

Very truly yours,

MITCHELL ENERGY CORPORATION

Original Signed By  
GEORGE MULLEN

George Mullen  
Regulatory Affairs Specialist

GM:mw  
3g fed.lt  
Enc.

bcc: Mark Whitley - MND-4N  
Ed Earles - Midland  
Jack Stanley - Midland  
George Tullos - Midland  
Bennie Davis - 2002-5  
Carol Osborne - MND-3N  
Betty Porter - MND-1N  
Susan Norman - OB3  
Central Records - MND-2N

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

(Other instructions on reverse side)

Form approved.  
Budget Bureau No. 1004-0136  
Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL

DEEPEN

b. TYPE OF WELL

OIL WELL

GAS WELL

OTHER

SINGLE ZONE

MULTIPLE ZONE

2. NAME OF OPERATOR

Mitchell Energy Corporation

3. ADDRESS AND TELEPHONE NO.

P.O. Box 4000 The Woodlands, TX 77387-4000

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*

At surface

1,980' FWL and 1,650' FNL (SE/NW)

At proposed prod. zone

1,980' FWL and 1,650' FNL (SE/NW)

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

22 miles SE of Maljamar, NM

10. DISTANCE FROM PROPOSED\*

LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)

660

16. NO. OF ACRES IN LEASE

1,161.34

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

18. DISTANCE FROM PROPOSED LOCATION\* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

N/A

19. PROPOSED DEPTH

14,500

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3,595 GR

22. APPROX. DATE WORK WILL START\*

12-15-92

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	20"	94#	500'	TOC = Surface
17-1/2"	13-3/8"	68#	2550'	TOC = Surface
12-1/4"	8-5/8"	32#	5600'	TOC = 2,000'
7-7/8"	5-1/2"	17 & 20#	TD	TOC = 10,000'

The operator proposes to drill to a depth sufficient to test the Morrow formation for gas. If productive, 5-1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with federal regulations. Specific programs as per Onshore Oil & Gas Order #1 are outlined in the following attachments:

Drilling Program

- Surface Use & Operating Plan
- Exhibit #1 & 1A - Blowout Preventer Equip.
- Exhibit #2 - Location & Elevation Plat
- Exhibit #3 - Planned Access Roads
- Exhibit #4 - One-mile Radius Map

- Exhibit #5 - Production Facilities Layout
- Exhibit #6 - Drilling Rig Layout

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED George Mullen TITLE Regulatory Affairs Specialist DATE 11-20-92

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

## DRILLING PROGRAM

Attached to Form 3160-3  
Mitchell Energy Corporation  
Tomahawk "28" Federal No. 1  
1980' FWL & 1650' FNL  
SE/NW, Sec. 28, T20S, R33E  
Lea County, New Mexico

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Permian	Surface	Wolfcamp	10750'
Rustler	1450'	Strawn	12725'
Base Salt	2400'	Atoka	12900'
Yates	3210'	Morrow	13180'
Delaware	5610'	Total Depth	14500'
Bone Spring	8500'		

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Upper Permian Sands to 100'		Fresh Water
1st Bone Spring SS	9470'	Oil
Wolfcamp	10750'	Oil
Atoka	12900'	Gas
Morrow SS	13650'	Gas

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 20" casing at 500' and circulating cement back to surface. The potash zone will be protected by setting 13 3/8" casing at 2550' and circulating cement back to surface. Any zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across them behind the 8 5/8" casing or by inserting a cementing stage tool into the 5-1/2" production casing which will be run at TD.

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Casing</u>	<u>Weight, Grade, Jt, Cond, Type</u>
36"	0-40'	30"	Conductor, 0.3" wall thickness
26"	Surf-500'	20"	94#, K-55 St&C, New, R-3
17-1/2"	Surf-2550'	13-3/8"	68#, K-55, St&C, New, R-3
12-1/4"	Surf-5600'	8-5/8"	32#, K-55, LT&C, New, R-3
7-7/8"	Surf-TD	5-1/2"	17 & 20#, N-80, LT&C, New, R-3

Cement Program:

20" Surface Casing  
@ 500':

Cemented to surface with 1150 sx Prem Plus + 2% CaCl<sub>2</sub>.

13-3/8" Intermediate Casing  
@ 2550':

Cemented to surface with 1600 sx Prem Plus Halliburton Lite + 6% gel + 15#/sx salt + 1/4#/sx Flocele and 250 sx Prem. Plus + 2% CaCl<sub>2</sub>.

8-5/8" Intermediate Casing  
@ 5600':

Cemented to 2000' with 950 sacks Halliburton Lite + 6% gel + 0.3 % Halad 9 + 1/4 #/sx Flocele and 250 sx Prem. Plus.

5-1/2" Production  
Casing @ TD:

Cemented with 500 sx Halliburton Lite + 6% gel + 0.4% Halad 9 and 500 sx Prem 50/50 POZ + 2% gel + 0.6% Halad 22A + 0.4% CFR-2. This cement slurry is designed to bring TOC to 10000'. Shallower productive zones will be cemented by placing a cementing stage tool below the zone of interest if necessary and cementing with a similar type of cement.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a double ram-type (5,000 psi WP) preventer and a bag-type (hydril) preventer (3000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4-1/2" drill pipe rams on bottom. Both BOP's will be nipped up on the 13-3/8" intermediate casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of 13-3/8" casing. Before drilling out of 8-5/8" casing, the ram-type BOP and accessory equipment will be tested to 5,000 psi and the hydril to 70% of rated working pressure (2100 psi). This testing procedure will be duplicated at 10700' (prior to drilling Wolfcamp formation) and after any use under pressure during the drilling of the well.

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 5000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination brine, cut brine, and polymer/KCl mud system. The applicable depths and properties of this system are as follows:

<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity (sec)</u>	<u>Waterloss (cc)</u>
0-500'	Fresh Water (spud)	8.5	40-45	NC
500-1400'	Fresh Water	8.4	28	NC
1400-2550'	Brine Water	10.0	30	NC
2550-5600'	Fresh Water	8.4	28	NC
5600-8500'	Brine Water	10.0	30	NC
8500-9400'	Cut Brine	9.2-9.5	30	NC
9400-12900'	Cut Brine/Polymer	9.2-9.5	32-34	<40
12900-13500'	Brine/Polymer	10.2-10.5	34-38	10
1500-TD	Brine/Polymer/KCl	10.2-10.5	34-38	5

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.
- C. An electronic pit-volume-totalizer system will be used continuously below 9400' to monitor the mud and pump system. The drilling fluids system will also be visually monitored at all times.
- D. A mud logging unit will be continuously monitoring drilling penetration rate and hydrocarbon shows from 3200' to TD.
- E. A mud-gas separator, vacuum degasser and remote drilling choke will be operational at all times below 12900' to facilitate handling a gas kick or gas cutting of the mud until the mud weight can be increased.

8. Logging, Testing and Coring Program:

- A. Drillstem tests will be run on the basis of drilling shows. At least one test is anticipated.
- B. The electric logging program will consist of GR-Dual Laterolog-MSFL and GR-Sonic from TD to intermediate casing and GR-Compensated Neutron-

Density from TD to surface. Selected SW cores will be taken in zones of interest.

- C. No conventional coring is anticipated.
- D. Further testing procedures will be determined after cementing the 5½" production casing at TD based on drill shows, log evaluation and/or drill stem test results.

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom-hole temperature (BHT) at TD is 190°F and estimated bottom-hole pressure (BHP) is 6500 psig. No hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. No major loss circulation zones have been reported in offsetting wells.

10. Potash Area

BLM records indicate that this acreage is not currently leased for potash development.

11. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is December 15, 1992. Once commenced, the drilling operation should be finished in approximately 60 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

## SURFACE USE AND OPERATING PLAN

Attached to Form 3160-3  
Mitchell Energy Corporation  
Tomahawk "28" Federal No. 1  
1980' FWL & 1650' FNL  
SE/NW, Sec. 28, T20S, R33E  
Lea County, New Mexico

### 1. Existing Roads:

- A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by John Jacquess Consulting Engineers, Artesia, New Mexico.
- B. All roads to the location are shown in Exhibit #3. The existing roads are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- C. Directions to Location: Take Hwy. 62/180 west from Hobbs, NM.; go 35.8 miles to Hwy. 176, turn south. Go 2.85 miles, turn northeast on new lease road; then go 0.85 miles to Tomahawk "28" Fed #1 location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

### 2. Proposed Access Road:

Exhibit #3 shows the 0.85 mile of new access road to be constructed and is illustrated in yellow. The road will be constructed as follows:

- A. The maximum width of the running surface will be 15'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. A cattleguard will be installed in the fence where new lease road begins. No culverts, gates, or low-water crossings are necessary.

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM-approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road as shown in Exhibit #3 has been centerline flagged by John Jacquess Consulting Engineers, Artesia, New Mexico.

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well. As shown on this plat there is one abandoned oil/gas well. There are no shut-in, injection or observation wells within a one-mile radius.

4. Location of Existing And/Or Proposed Facilities:

- A. There are no existing facilities or pipelines of any kind owned or controlled by Mitchell Energy on this lease or within a one-mile radius of proposed well.
- B. If the well is productive, contemplated facilities will be as follows:
  - (1) Production facilities are shown in Exhibit #5 and will be located on the caliche drilling pad and within the 350' x 350' area of the pad.
  - (2) The tank battery and facilities including all flowlines and piping will be installed according to API specifications.
  - (3) Any additional caliche which is required for firewalls, etc. will be obtained from a BLM-approved caliche pit. Any additional construction materials will be purchased from contractors.
  - (4) No power will be required if the well is productive of gas. However, if productive of oil, an electric, gas or LPG-fueled, self-contained pumping unit may be required.
- C. If the well is productive, rehabilitation plans are as follows:
  - (1) The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is completed).
  - (2) Caliche from unused portions of the drill pad will be removed. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level, as nearly as possible, and reseeded as per BLM specifications.
- D. In the event that gas production is established, plans for permanent

gas lines will be submitted to the appropriate agencies for ROW approval.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. Brine and fresh water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing access roads as shown in Exhibit #3. If a commercial fresh water source is nearby, pipeline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

Any caliche required for construction of the drill pad and the proposed new access road will be obtained from a BLM-approved caliche pit. All roads and pads will be constructed of 6" of rolled and compacted caliche.

7. Methods of Handling Waste Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic-lined (5-7 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass or steel) until hauled by transport to an approved disposal system; produced oil will be collected in steel tanks until sold.
- D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations.
- E. Garbage and trash produced during drilling or completion operations will be contained in a trash bin and properly disposed of in an approved dump site. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and netted and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill and, as weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite, or other facilities will be built as a result of the operations on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by Jacquess Engineers, is shown in Exhibit #6. Dimensions of the pad and pits and location of major rig components are shown. Topsoil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Because the pad is almost level no major cuts will be required.
- B. Exhibit #6 shows the planned orientation for the rig and associated drilling equipment, reserve pit, pipe racks, turn-around and parking areas, and access road. No permanent living facilities are planned but 2 temporary foreman/toolpusher's trailers will be on location during the drilling operations.
- C. The reserve pit will be lined with a high-quality plastic sheeting (5-7 mil thickness).

10. Plans for Restoration of the Surface:

- A. Upon completion of the proposed operations, if the well is to be abandoned, the caliche will be removed from the location and road and returned to the pit from which it was taken. The pit area, after allowing to dry, will be broken out and leveled. The original top soil will be returned to the entire location which will be leveled and contoured to as nearly the original topography as possible. All trash, garbage and pit lining will be buried or hauled away in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.
- B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Mitchell Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: November 20, 1992

Signed: *Patrick J. Noyes*  
Patrick J. Noyes  
Region Engineering Manager

Attachment

3DRI6.gm

the BLM.

- C. Three sides of the reserve pit will be fenced prior to drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side and netted to prevent livestock or wildlife from being entrapped. The fencing and netting will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit.
- D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Any additional caliche required for facilities will be obtained from a BLM - approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease is located entirely on Federal surface. Kenneth Smith has the Federal grazing lease on this surface.

12. Other Information:

- A. The area around the well site is grassland and the top soil is sandy. The vegetation is native scrub grasses with abundant oakbrush, sagebrush, yucca, and prickly pear.
- B. There is no permanent or live water in the immediate area.
- C. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

13. Lessee's and Operator's Representative:

The Mitchell Energy Corporation representative responsible for assuring compliance with the surface use plan is as follows:

George W. Tullos, District Drilling Manager  
Mitchell Energy Corporation  
400 W. Illinois, Ste 1000  
Midland, Texas 79701  
Phone: (915) 682-5396 (office)  
(915) 687-3711 (home)

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Mitchell Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: November 20, 1992

Signed: \_\_\_\_\_

*Patrick J. Noyes*

Patrick J. Noyes  
Region Engineering Manager

Attachment

3DRI6.gm

# MINIMUM BLOWOUT PREVENTER REQUIREMENTS

5,000 psi Working Pressure

5 MWP

EXHIBIT 1

Tomahawk "28" Federal No. 1  
Lea County, New Mexico

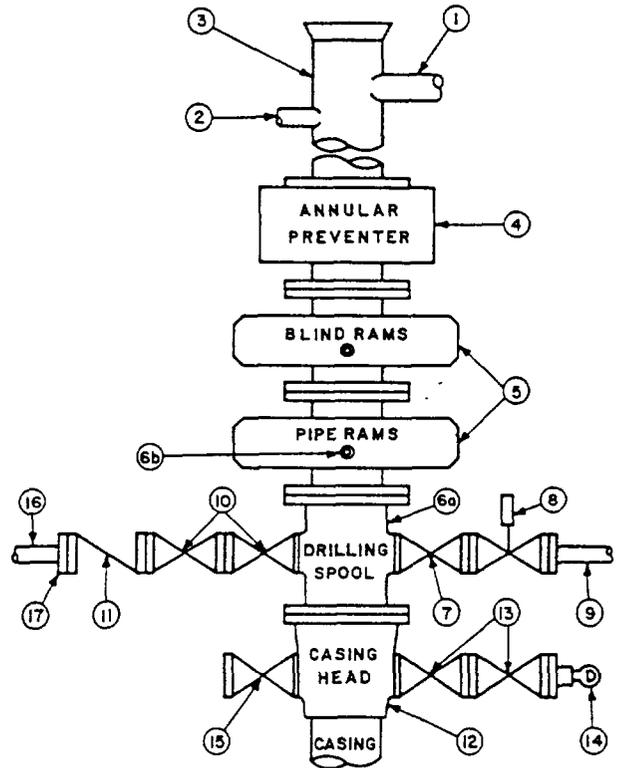
## STACK REQUIREMENTS

No.	Item	Min. I.D.	Min. Nominal
1	Flowline		
2	Fill up line		2"
3	Drilling nipple		
4	Annular preventer		
5	Two single or one dual hydraulically operated rams		
6a	Drilling spool with 2" min. kill line and 3" min. choke line outlets or		
6b	2" minimum kill line and 3" minimum choke line outlets in ram. (Alternate to 6a above.)		
7	Gate valve	3-1/8"	
8	Gate valve — power operated	3-1/8"	
9	Line to choke manifold		3"
10	Gate valves	2-1/16"	
11	Check valve	2-1/16"	
12	Casing head		
13	Gate valves	1-13/16"	
14	Pressure gauge with needle valve		
15	Gate Valve or Flanged Valve w/Control Plug	1-13/16"	
16	Kill line to rig mud pump manifold		2"

## OPTIONAL

17	Roadside connection to kill line		2"
----	----------------------------------	--	----

CONFIGURATION A



### CONTRACTOR'S OPTION TO FURNISH:

- All equipment and connections above bradenhead or casinghead.
- Automatic accumulator (80 gallon, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure.
- BOP controls, including control for hydraulically operated wing valve, to be located near drillers position with remote controls located away from rig floor.
- Kelly equipped with Kelly cock and Hydril Kelly valve, or its approved equivalent.
- Hydril Kelly valve or its approved equivalent and approved inside blow-out preventer to fit drill pipe in use on derrick floor at all times.
- Kelly saver-sub equipped with rubber casing protector at all times.
- Extra set of pipe rams to fit pipe being used on location.
- Plug type blowout preventer tester.
- Type RX ring gaskets in place of Type R.

10. Outlet for Halliburton on kill line.

### MEC TO FURNISH:

- Bradenhead or casinghead and side valves.
- Wear bushing, if required.

### GENERAL NOTES:

- Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager.
- All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers. Valves must be full opening and suitable for high pressure mud service.
- Controls to be of standard design and each marked, showing opening and closing position.
- Chokes will be positioned so as not to hamper or delay changing of choke

beans. Replaceable parts for adjustable choke, other bean sizes, retainers, and choke wrenches to be conveniently located for immediate use.

- All valves to be equipped with handwheels or handles ready for immediate use.
- Choke lines must be suitably anchored.
- Handwheels and extensions to be connected and ready for use.
- Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency.
- All seamless steel control piping (3000 psi working pressure) to have flexible joints to avoid stress. Approved hoses will be permitted.
- Casinghead connections shall not be used except in case of emergency.
- Do not use kill line for routine fill-up operations.
- Rig pumps ready for hook-up to BOP control manifold for emergency use only.

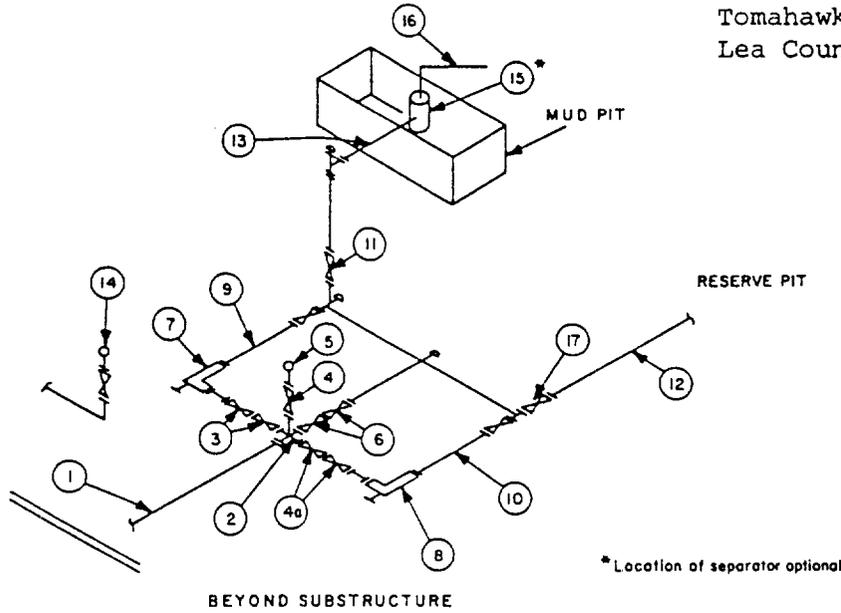
Attachment to Exhibit #1  
NOTES REGARDING THE BLOWOUT PREVENTERS  
TOMAHAWK "28" FEDERAL No. 1  
LEA COUNTY, NEW MEXICO

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.
2. Wear ring to be properly installed in head.
3. Blow out preventer and all fittings must be in good condition, 5000 psi W.P. minimum.
4. All fittings to be flanged.
5. Safety valve must be available on rig floor at all times with proper connections, valve to be full bore 5000 psi W.P. minimum.
6. All choke and fill lines to be securely anchored, especially ends of choke lines.
7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.
8. Kelly cock on kelly.
9. Extension wrenches and hand wheels to be properly installed.
10. Blow out preventer control to be located as close to driller's position as feasible.
11. Blow out preventer closing equipment to include minimum 40 gallon accumulator, two independent sources of pump power on each closing unit installation, and meet all API specifications.

**MINIMUM CHOKE MANIFOLD**  
**3,000, 5,000 and 10,000 PSI Working Pressure**

**3 MWP - 5 MWP - 10 MWP**

EXHIBIT 1-A  
 Tomahawk "28" Federal No. 1  
 Lea County, New Mexico



MINIMUM REQUIREMENTS										
No.		3,000 MWP			5,000 MWP			10,000 MWP		
		I.D.	NOMINAL	RATING	I.D.	NOMINAL	RATING	I.D.	NOMINAL	RATING
1	Line from drilling spool		3"	3,000		3"	5,000		3"	10,000
2	Cross 3"x3"x3"x2"			3,000			5,000			
	Cross 3"x3"x3"x3"									10,000
3	Valves(1) Gate <input type="checkbox"/> Plug <input type="checkbox"/> (2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
4	Valve Gate <input type="checkbox"/> Plug <input type="checkbox"/> (2)	1-13/16"		3,000	1-13/16"		5,000	1-13/16"		10,000
4a	Valves(1)	2-1/16"		3,000	2-1/16"		5,000	3-1/8"		10,000
5	Pressure Gauge			3,000			5,000			10,000
6	Valves Gate <input type="checkbox"/> Plug <input type="checkbox"/> (2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
7	Adjustable Choke(3)	2"		3,000	2"		5,000	2"		10,000
8	Adjustable Choke	1"		3,000	1"		5,000	2"		10,000
9	Line		3"	3,000		3"	5,000		3"	10,000
10	Line		2"	3,000		2"	5,000		3"	10,000
11	Valves Gate <input type="checkbox"/> Plug <input type="checkbox"/> (2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000
12	Lines		3"	1,000		3"	1,000		3"	2,000
13	Lines		3"	1,000		3"	1,000		3"	2,000
14	Remote reading compound standpipe pressure gauge			3,000			5,000			10,000
15	Gas Separator		2'x5'			2'x5'			2'x5'	
16	Line		4"	1,000		4"	1,000		4"	2,000
17	Valves Gate <input type="checkbox"/> Plug <input type="checkbox"/> (2)	3-1/8"		3,000	3-1/8"		5,000	3-1/8"		10,000

(1) Only one required in Class 3M.

(2) Gate valves only shall be used for Class 10M.

(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

**EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTIONS**

- All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
- All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
- All lines shall be securely anchored.
- Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
- Choke manifold pressure and standpipe pressure gauges shall be available at the choke manifold to assist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
- Line from drilling spool to choke manifold should be as straight as possible. Lines downstream from chokes shall make turns by large bends or 90° bends using bull plugged tees.
- Discharge lines from chokes, choke bypass and from top of gas separator should vent as far as practical from the well.

**OIL CONSERVATION DIVISION**  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

EXHIBIT 2  
Tomahawk "28" Federal No. 1  
Lea County, New Mexico

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Federal Lease - 3 copies

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

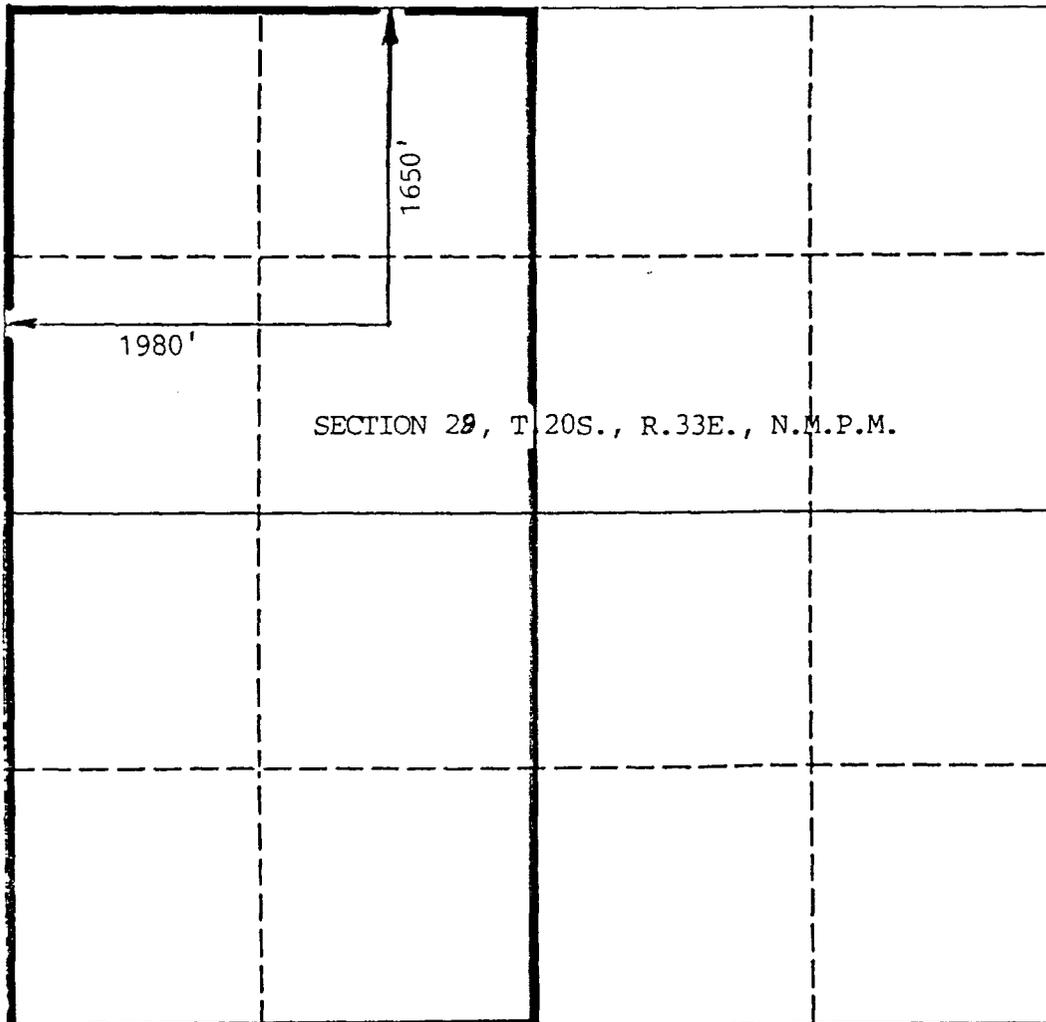
DISTRICT III  
P.O. Rio Brazos Rd., Aztec, NM 87410

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

All Distances must be from the outer boundaries of the section

Operator <b>MITCHELL ENERGY Corporation</b>			Lease <b>TOMAHAWK 28 FEDERAL</b>		Well No. <b>#1</b>
Grid Letter <b>F</b>	Section <b>28</b>	Township <b>20S.</b>	Range <b>33E.</b>	County <b>NMPM LEA</b>	
Actual Footage Location of Well: <b>1650</b> feet from the <b>NORTH</b> line and <b>1980</b> feet from the <b>WEST</b> line					
Ground level Elev. <b>3595</b>	Producing Formation <b>Morrow</b>		Pool <b>South Salt Lake-Morrow</b>		Dedicated Acreage: <b>320</b> Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
  - Yes     No    If answer is "yes" type of consolidation \_\_\_\_\_
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). \_\_\_\_\_  
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



**OPERATOR CERTIFICATION**

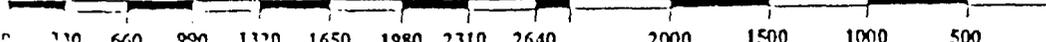
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *George Mullen*  
 Printed Name: **George Mullen**  
 Position: **Reg. Affairs Specialist**  
 Company: **Mitchell Energy Corp.**  
 Date: **November 4, 1992**

**SURVEYOR CERTIFICATION**

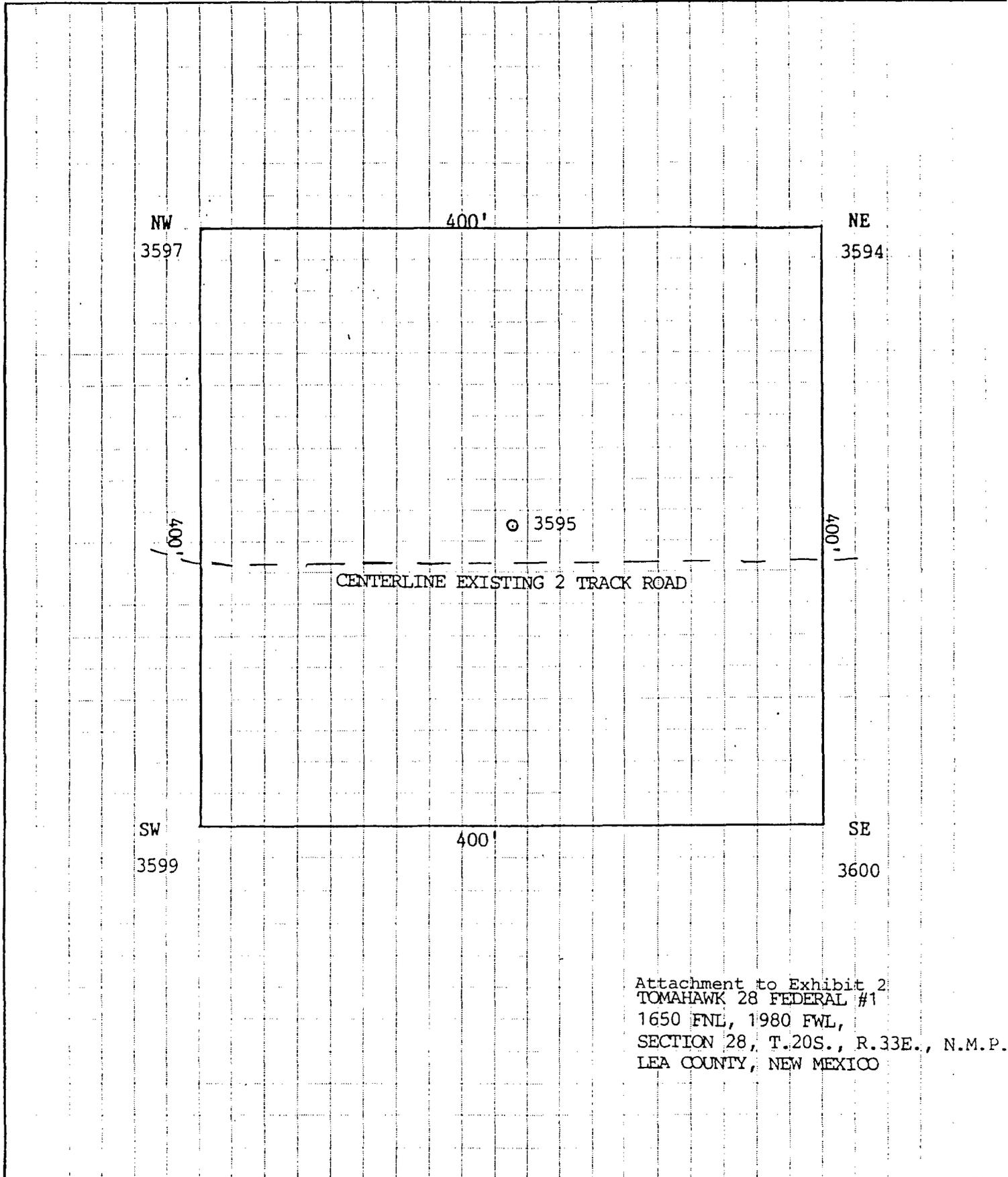
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **10/15/92**  
 Signature & Seal of Professional Surveyor: *[Signature]*  
 Certificate No.: **6290**  
 ME282033

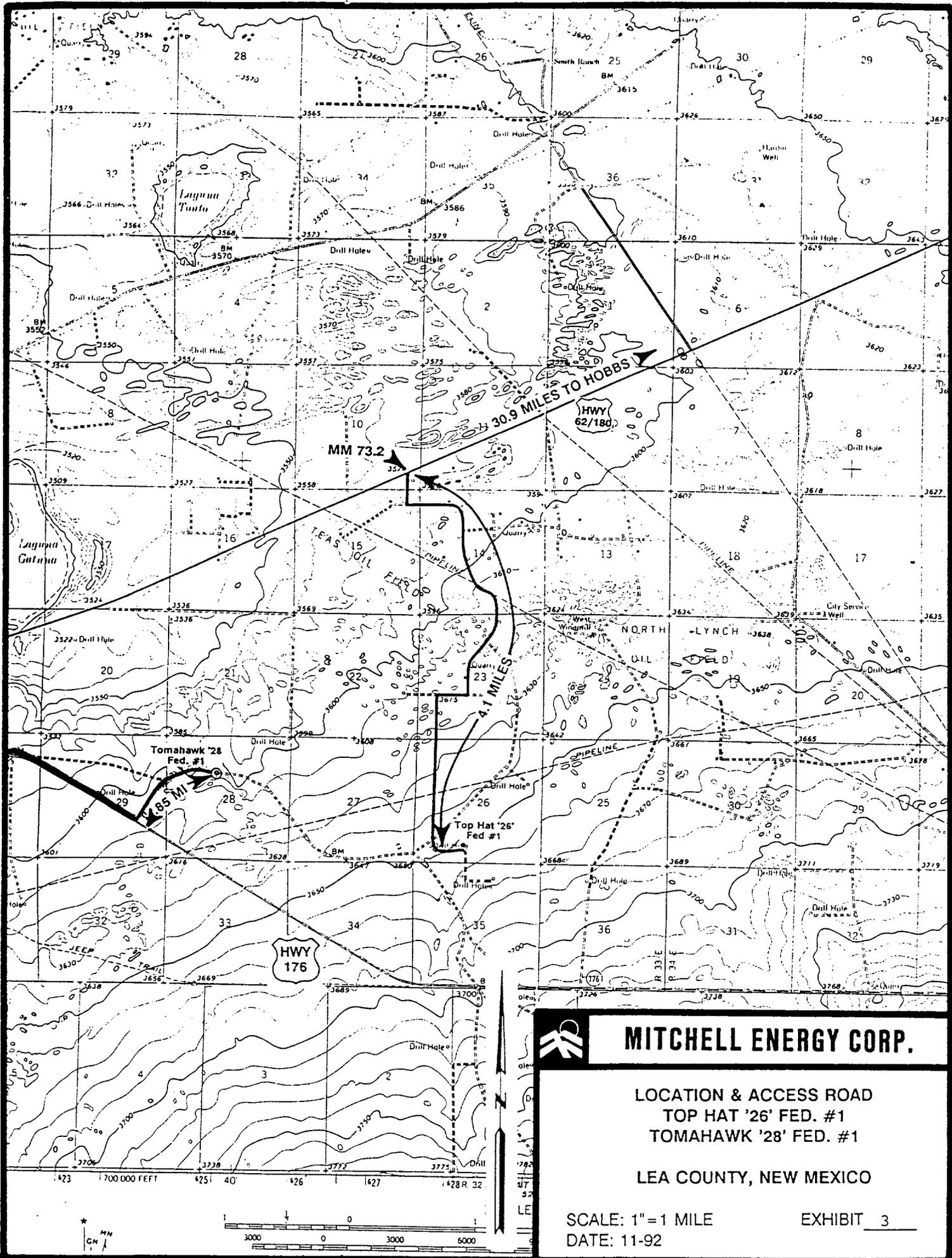


**JOHN D. JAQUSS**  
**CONSULTING ENGINEERS**  
P.O. Box 2565  
ROSWELL, NEW MEXICO 88201  
(505) 622-8866

GRID ELEVATIONS  
JOB \_\_\_\_\_  
SHEET NO. \_\_\_\_\_ OF \_\_\_\_\_  
CALCULATED BY \_\_\_\_\_ DATE \_\_\_\_\_  
CHECKED BY \_\_\_\_\_ DATE \_\_\_\_\_  
SCALE \_\_\_\_\_



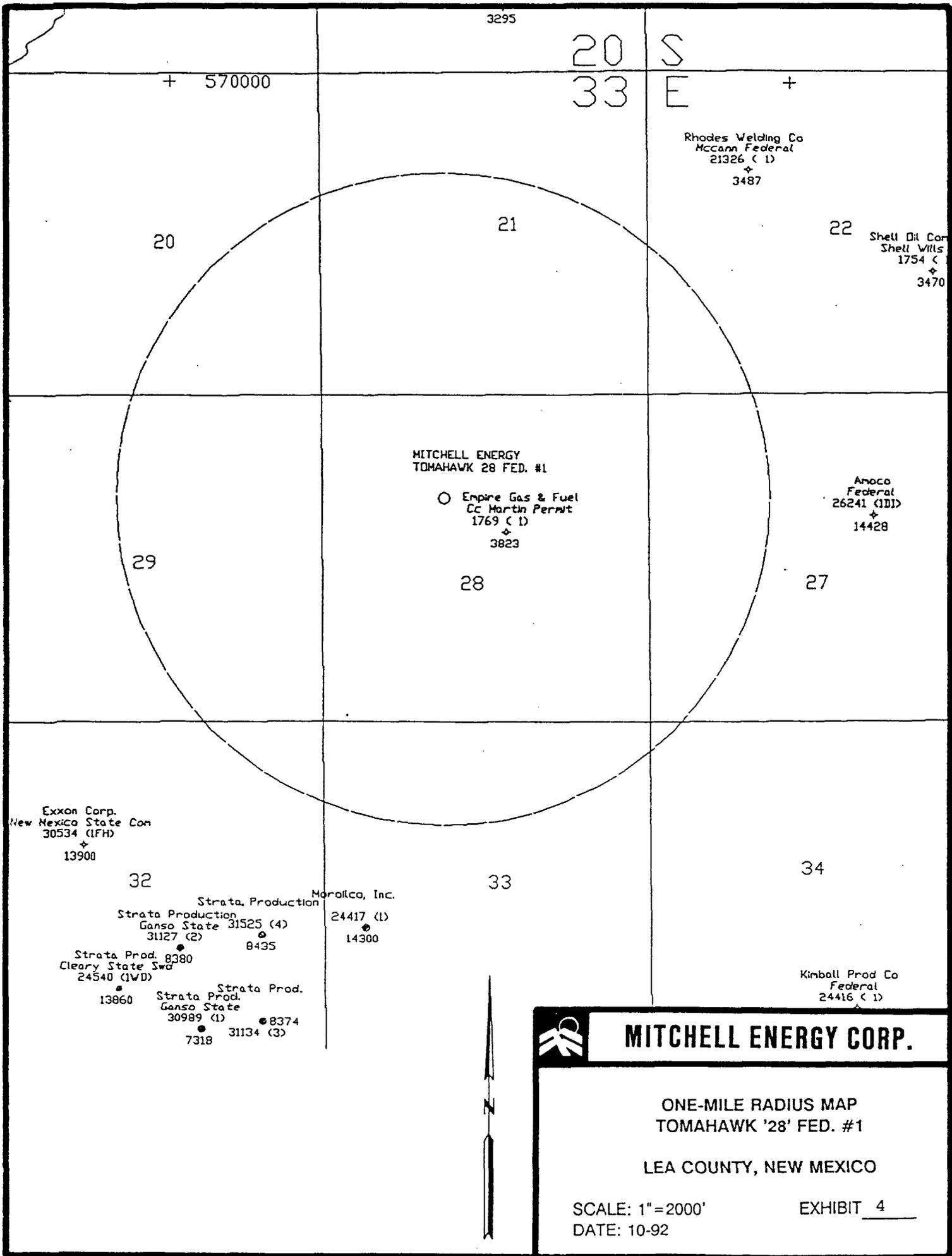
Attachment to Exhibit 2  
TOMAHAWK 28 FEDERAL #1  
1650 FNL, 1980 FWL,  
SECTION 28, T.20S., R.33E., N.M.P.M.  
LEA COUNTY, NEW MEXICO



**MITCHELL ENERGY CORP.**

LOCATION & ACCESS ROAD  
 TOP HAT '26' FED. #1  
 TOMAHAWK '28' FED. #1  
 LEA COUNTY, NEW MEXICO

SCALE: 1" = 1 MILE  
 DATE: 11-92  
 EXHIBIT 3



3295

20  
33

S  
E

+ 570000

+

Rhodes Welding Co  
McCann Federal  
21326 (1)  
+  
3487

20

21

22

Shell Oil Cor  
Shell Wills  
1754 (1)  
+  
3470

MITCHELL ENERGY  
TOMAHAWK 28 FED. #1

○ Empire Gas & Fuel  
Cc Martin Permit  
1769 (1)  
+  
3823

Anoco  
Federal  
26241 (1DI)  
+  
14428

29

28

27

Exxon Corp.  
New Mexico State Com  
30534 (1FH)  
+  
13900

32

33

34

Strata Production  
Morollco, Inc.  
24417 (1)  
+  
14300

Strata Production  
Ganso State 31525 (4)  
31127 (2)  
+  
8435

Strata Prod. 8380  
Cleary State Swd  
24540 (1WD)  
+  
13860

Strata Prod.  
Ganso State  
30989 (1)  
+  
8374

7318 31134 (3)

Kinball Prod Co  
Federal  
24416 (1)  
+  
24416



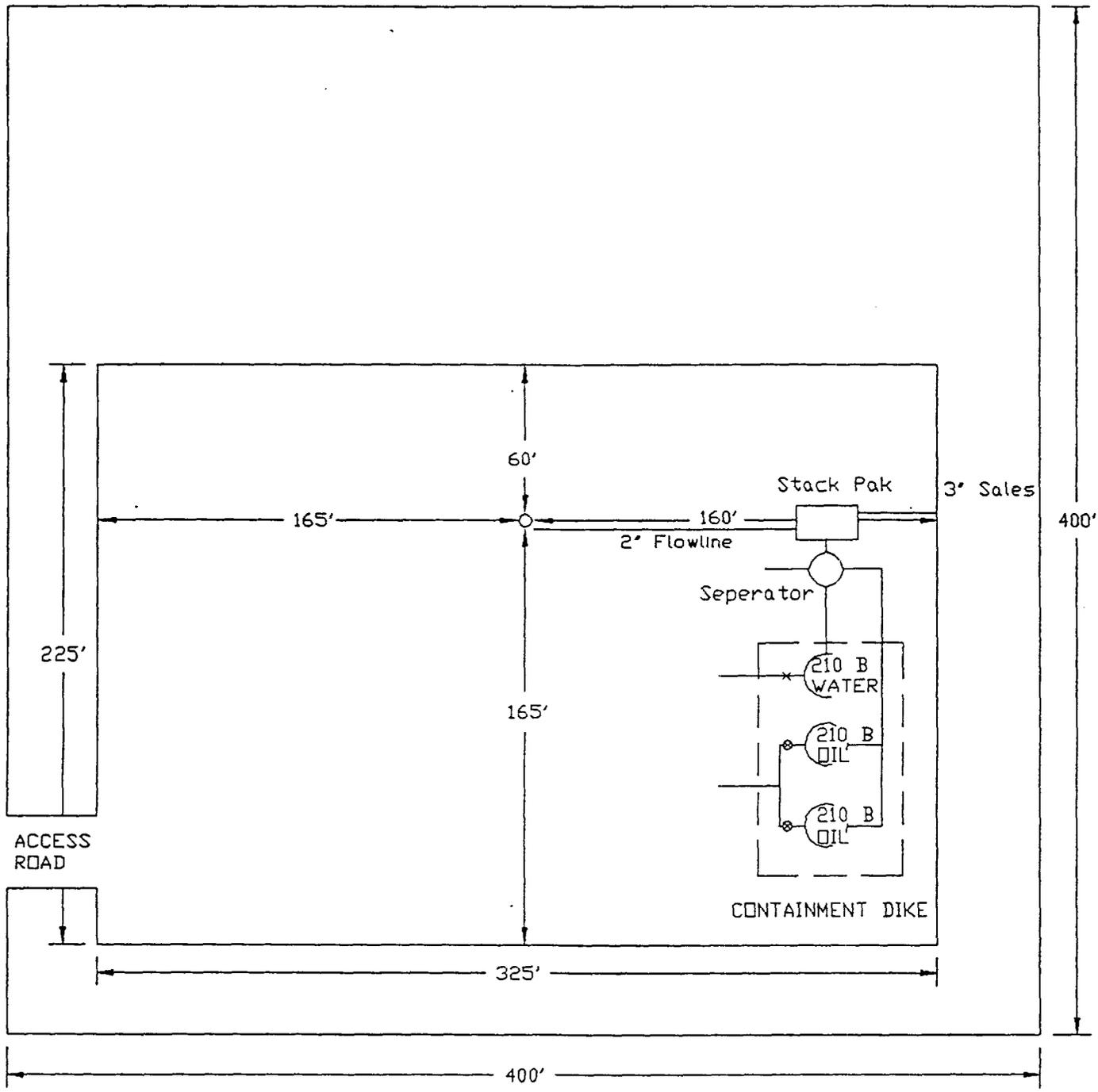
**MITCHELL ENERGY CORP.**

ONE-MILE RADIUS MAP  
TOMAHAWK '28' FED. #1

LEA COUNTY, NEW MEXICO

SCALE: 1"=2000'  
DATE: 10-92

EXHIBIT 4



⊙ SEALED VALVE



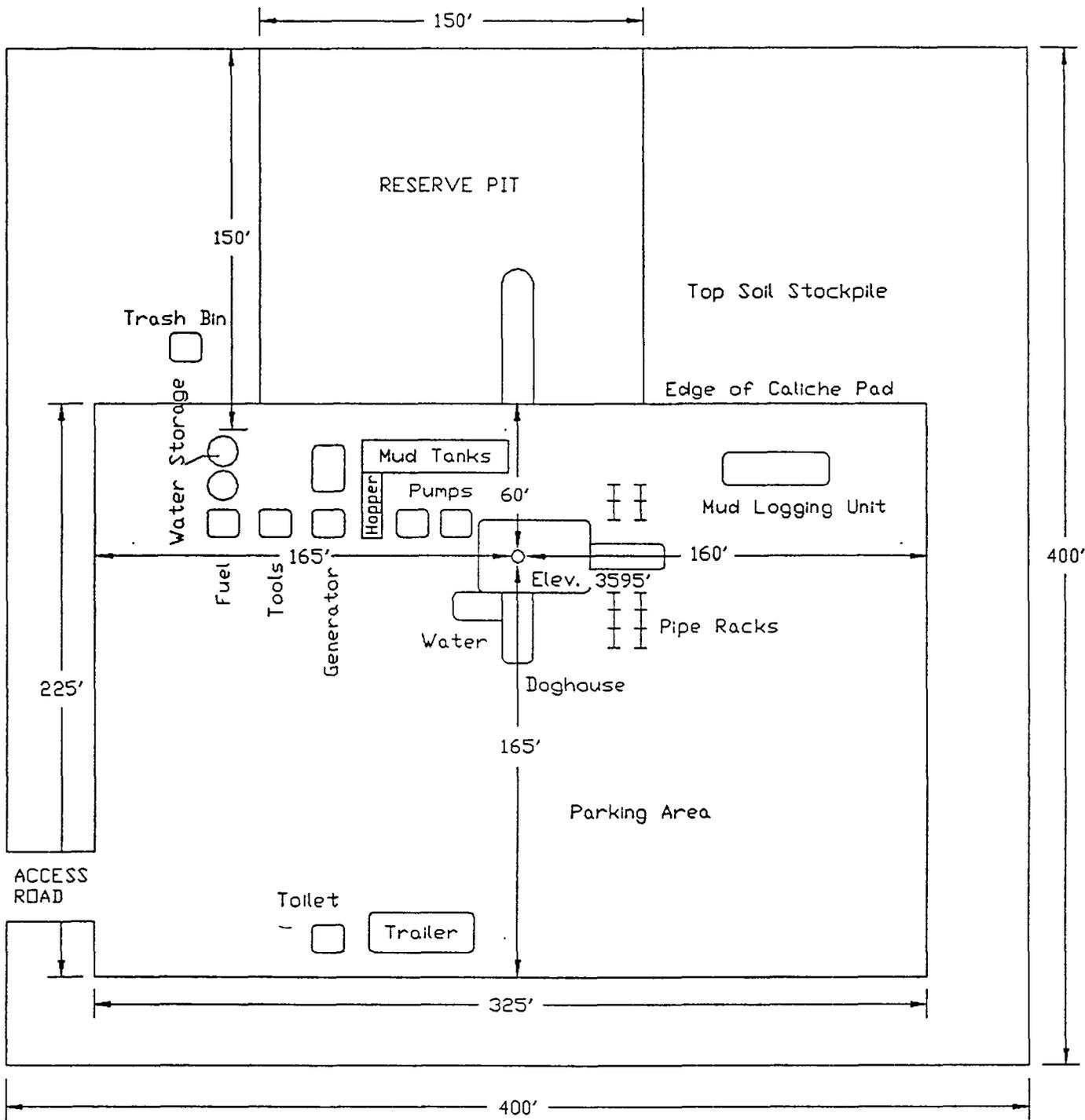
**MITCHELL ENERGY CORP.**

PRODUCTION FACILITIES LAYOUT FOR  
TOMAHAWK '28' FED. #1

LEA COUNTY, NEW MEXICO

SCALE: 1"=60'  
DATE: 10-92

EXHIBIT 5



**MITCHELL ENERGY CORP.**

DRILLING RIG LAYOUT AND ELEVATIONS  
TOMAHAWK '28' FED. #1

LEA COUNTY, NEW MEXICO

SCALE: 1"=60'  
DATE: 10-92

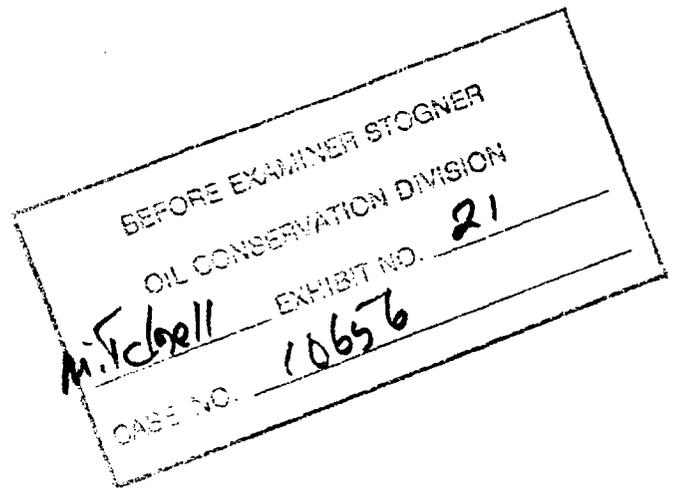
EXHIBIT 6



CERTIFIED MAIL  
Receipt No. P 771 497 541

November 17, 1992

Mr. Randy Foote  
Mississippi Chemical Corporation  
1996 Potash Mine Road  
Carlsbad, New Mexico 88220



Re: Tomahawk "28" Federal Well No. 1  
Lea County, New Mexico

Dear Mr. Foote:

By this letter, Mitchell Energy Corporation notifies you that it intends to file an application with the Bureau of Land Management for a permit to drill the above referenced well. The proposed location is 1,650 feet from the north line and 1,980 feet from the west line of Section 28, Township 20 South, Range 33 East (plat enclosed).

Should you require additional information or if I can be of any further help, kindly advise.

Very truly yours,

MITCHELL ENERGY CORPORATION

George Mullen  
Regulatory Affairs Specialist

GM:mw  
TOMAHAWK.gm

Enclosure

cc: Mr. Tony Herrell - BLM Carlsbad

Submit to Appropriate District Office  
 State Lease - 4 copies  
 Federal Lease - 3 copies

State of New Mexico  
 Energy, Minerals and Natural Resources Department

Form C-102  
 Revised 1-1-89

OIL CONSERVATION DIVISION

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

EXHIBIT 2

Tomahawk "28" Federal No.  
 Lea County, New Mexico

DISTRICT I  
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
 P.O. Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

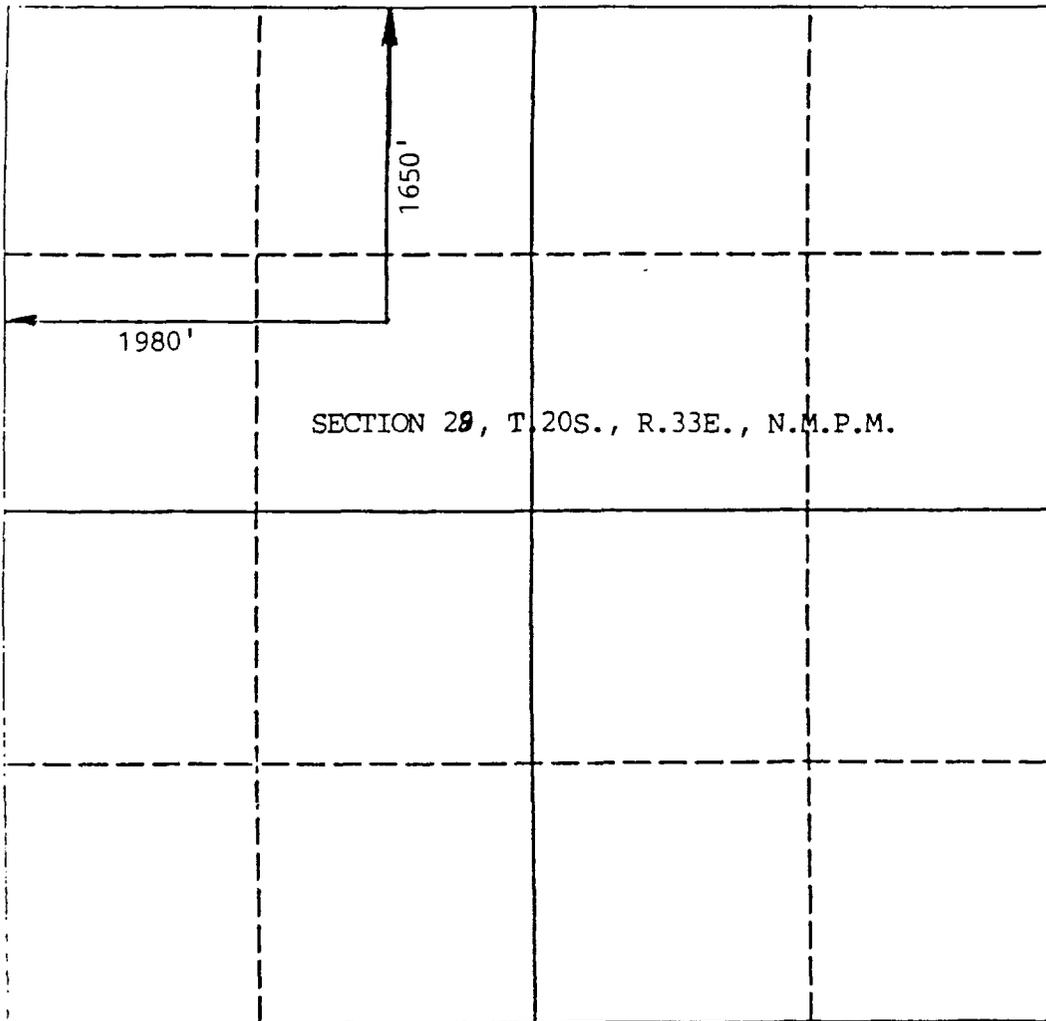
All Distances must be from the outer boundaries of the section

Operator MITCHELL ENERGY Corporation			Lease TOMAHAWK 28 FEDERAL		Well No. #1
Tract Letter F	Section 28	Township 20S.	Range 33E.	NMPM	County LEA
Annual Footage Location of Well: 1650 feet from the NORTH line and 1980 feet from the WEST line					
Ground level Elev. 3595	Producing Formation Morrow		Pool South Salt Lake-Morrow	Dedicated Acreage 320 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
  - Yes       No      If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *George Mullen*

Printed Name: George Mullen

Position: Reg. Affairs Specialist

Company: Mitchell Energy Corp.

Date: November 4, 1992

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

10/15/92

Signature of Professional Surveyor

*James D. Jacques*  
 JAMES D. JACQUES  
 PROFESSIONAL SURVEYOR  
 STATE OF NEW MEXICO  
 6290

Certificate No. 6290

ME282033