

<p>U.S. Mill</p>	<p>U.S. Mill 145 Fed.</p>	<p>Fdn. M.I. R1</p>	<p>Floyd's</p>	<p>R</p>
<p>Hanggan Pet. 88114 12.00 U.S.</p>	<p>Yates Pet. et al 10-21-90 2-3-92 R1 Floyd</p>	<p>Yates Pet. et al 16-1-96 86533 12.00</p>	<p>TXO 10-21-90 Yates Pet. et al 2-3-92</p>	<p>R1 A</p>
<p>Yates Pet. et al 10-21-90 2-3-92 R1 Floyd</p>	<p>Exxon 91 64578 395 HGS 29</p>	<p>Br. C. Disc TD 11720 P/B 223 5.4 Mil.</p>	<p>UTI Ener. 6-1-94 01614</p>	<p>L.O. No 5</p>
<p>Ordyfus 12-20-98 R1 Floyd et al</p>	<p>Carter Fdn. W. M.I. R Floyd's</p>	<p>U.S. First Nat'l Bank 1-80-12 Mil.</p>	<p>EX Pet 12-1-90</p>	<p>H Hood Fe</p>
<p>Ordyfus 12-20-98 Carter Fdn. 1/4 M.I. R Floyd's</p>	<p>Ordyfus 12-20-98 R Floyd et al</p>	<p>Carter Fdn. 4 M.I. R Floyd's</p>	<p>Ordyfus 12-16-98 Hoody Valley R Floyd's</p>	<p>02 Sharp D</p>
<p>Ordyfus Nat. Gas 5-1-90 LG-8291 70833</p>	<p>Yates Pet Airport W TO 11650</p>	<p>Yates Pet. et al 10-21-90 0.3 EV 3.5V</p>	<p>L Or</p>	<p>06</p>

unrelated fee trust

Andrews Royalty, Inc. P. O. Box 7808 Dallas, Texas 75209-0808 Attn: Kathy Conaway	0.0925 %
John A. Matthews, Jr. P. O. Box 176 Abilene, Texas 79604 Attn: Linda Buckner	0.149963 %
Julia Jones Matthews Trustees of the Julia Jones Matthews Living Trust P. O. Box 176 Abilene, Texas 79604 Attn: Linda Buckner	0.211330 %
Dodge Jones Foundation P. O. Box 176 Abilene, Texas 79604 Attn: Linda Buckner	1.470858 %
Mary Ralph Lowe, Trustee of the Erma Lowe Trust for Clayton Lowe Yost, Carson R. Yost and Samantha Adelaide Yost c/o Maralo, Inc. 5151 San Felipe Suite 400 Houston, Texas 77056-3607 Attn: Joe Pulido	<u>leased</u>
MATT-TEX, L.L.P. P. O. Box 176 Abilene, Texas 79604 Attn: Linda Buckner	0.300038 %
Republic Royalty Company 3738 Oak Lawn Ave Suite 300 Dallas, Texas 75219 Attn: Casey McManemin	9.2875 %

Total unleased = 11.512189 %

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11687 Exhibit No. 2
Submitted By:
Nearburg Producing
Hearing Date: January 9, 1997

CHRONOLOGY OF EFFORTS

22 Mineral owners

Description: Township 22 South, Range 26 East, N.M.P.M.
Section 29: NE/4NE/4, SW/4NW/4, NE/4SW/4, SW/4SW/4, SW/4SE/4
containing 200.00 acres, more or less

representative area of common mineral

<u>Function</u>	<u>Parties Contacted</u>	<u>Date</u>
Prepare Ownership Report S/2 of Section 29, 22-26	None	Dec., 1995
Contact unleased mineral owners, mail offers to acquire oil and gas leases NE/4SW/4, SW/4SW/4, SW/4SE/4 of Section 29, 22-26	Republic Royalty, Dodge Jones Foundation Matt-Tex John A. Matthews Julia Jones Matthews, Trustee Andrews Royalty Mary Ralph Lowe, Trustee The Fasken Foundation Randy Geiselman	Dec., 1995 thru Mar., 1996
Prepare ownership report N/2 of Section 29, 22-26	None	April, 1996
Contact unleased mineral owners, captioned lands	Republic Royalty, Dodge Jones Foundation Matt-Tex John A. Matthews Julia Jones Matthews, Trustee Andrews Royalty Mary Ralph Lowe, Trustee The Fasken Foundation Randy Geiselman	April, 1996 thru Aug., 1996
Contact unleased mineral owners (Knut Lee) captioned lands	Republic Royalty	Oct., 1996
Mail letters and AFE's to unleased mineral owners SW/4SE/4 of Section 29, 22-26	Republic Royalty, Dodge Jones Foundation Matt-Tex John A. Matthews Julia Jones Matthews, Trustee Andrews Royalty Mary Ralph Lowe, Trustee The Fasken Foundation Randy Geiselman	Nov., 1996
Acquire oil and gas leases (Mary Ralph Lowe, Trustee, Fasken, Geiselman) Contact remaining unleased mineral owners captioned lands	Republic Royalty, Dodge Jones Foundation Matt-Tex John A. Matthews Julia Jones Matthews, Trustee Andrews Royalty Mary Ralph Lowe, Trustee The Fasken Foundation Randy Geiselman	Dec., 1996



Louis Dreyfus Natural Gas

NMOCD Case 11687
 SW/4 SE/4 Section 29-T22S-R26E
 Happy Valley
 Eddy County, New Mexico

LOUIS DREYFUS NATURAL GAS CORP

14000 Quail Springs Parkway Suite 600 Oklahoma City, OK 73134

Operator
 Well Name & Number
 Reservoir
 FP Date / LP Date
 Cum BO/Cum MCF

Scale = 1"=2000'

GEOLOGICAL:
 DATE:
 REV:
 BY:

**BEFORE THE
 OIL CONSERVATION DIVISION**
 Case No. 11687 Exhibit No. **4**
 Submitted By:
Nearburg Producing
 Hearing Date: January 9, 1997

**Blaine Hess
Oil Properties**

Office #501/15

Post Office Box 326
Roswell, New Mexico 88202
(505) 623-5400

December 20, 1995

915-673-6429

Ms. Linda Buckner
Dodge Jones Foundation
Post Office Box 176
Abilene, Texas 79604

SUNNW OF 29
NENE OF 29

Re: Offer to Lease Mineral Interest
NE/4SW/4, SW/4SW/4, SW/4SE/4 of
Section 29, T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
containing 120.00 acres, more or less

Dear Ms. Buckner:

Pursuant to our telephone conversation, I am buying oil and gas leases covering the captioned lands. Therefore, on behalf of Louis Dreyfus Natural Gas Corp., I would like to extend an offer of \$50.00 Bonus Consideration per net acre, 3/16ths the royalty on production for a three (3) year paid-up Oil and Gas Lease covering the following mineral interests:

<u>Mineral Owner</u>	<u>Mineral Interest</u>	<u>Net Acres</u>	
Dodge Jones Foundation,	1.470858%	1.765030	<p>NENE</p> <p>.754299 / .794</p> <p>.1500198 / .0000</p> <p>.07498194 / .0244</p> <p>.105652 / .04226</p>
Matt-Tex, L.L.P.	.300038%	.360046	
John A. Matthews, Jr.	.149963%	.179956	
Julia Jones Matthews, Trustee of the Julia Jones Matthews Living Trust	.211330%	.253596	
		.338128	

Please consider this proposal and feel free to call me collect at (505) 623-5400 with any questions or comments. Happy holidays and I look forward to hearing from you soon.

Very truly yours,



Blaine Hess

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11687 Exhibit No. 5
Submitted By:
Nearburg Producing
Hearing Date: January 9, 1997

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 18, 1996

Ms. Linda Buckner
Dodge Jones Foundation
Post Office Box 176
Abilene, Texas 79604

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Ms. Buckner:

Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 9, 1996, as we anticipate commencing the well in the latter part of December 1996. Should you respond affirmatively, Louis Dreyfus Natural Gas Corp. will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996

cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

LONGBRIDGE NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ⁴⁵⁰⁰ Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
181-102	Location & Roads, including Damages	\$10,000		\$10,000
181-110	Moving Rig			\$0
181-111	Drilling: 4,500 ft. @ \$13.85	\$61,800		\$61,800
181-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
181-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
181-114	Drilling Bits	\$500		\$500
181-115	Drilling Water Fuel, including Lines	\$8,000	\$8,000	\$8,000
181-116	Drilling Mud, Additives, Mud Oil, Etc.	\$8,000		\$8,000
181-117	Drilling and Completion Insurance	\$300		\$300
181-133	Environmental Protection			\$0
181-180	Safety			\$0
181-125	Open Hole Logging	\$13,000		\$13,000
181-182	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
181-183	Open Hole Testing/Coring Rotary SWC's	\$8,000		\$8,000
181-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
181-122	Welding	\$1,000	\$1,000	\$2,000
181-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
181-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
181-180	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
181-184	Cased Hole Logging, Perforating, & Wireline		\$8,000	\$8,000
181-185	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
181-186	CO ₂ Nitrogen			\$0
181-188	Non-Removable Equipment			\$0
181-126	Roundabout Labor & Services		\$2,000	\$2,000
181-127	Casing Crews & Service			\$0
181-181	Prod. Fil. Liner, Water, & Disposal		\$5,000	\$5,000
181-128	Surface Casing Cementing	\$4,000		\$4,000
181-129	Intermediate Casing Cementing	\$7,000		\$7,000
181-130	Production Casing Cementing		\$13,000	\$13,000
181-131	Liner Cementing			\$0
181-172	Cementing Hardware	\$750	\$500	\$1,250
181-173	Other Cementing Related Services			\$0
181-189	Administrative Overhead	\$2,100	\$1,500	\$3,600
181-181	Supervision, including Consulting	\$4,500	\$2,500	\$7,000
181-105	Legal & Land Services	\$5,000	\$1,000	\$6,000
TOTAL INTANGIBLE WELL COSTS		\$145,332	\$87,500	\$231,432
TANGIBLE WELL COST				
	Casing Amt. Size Cost/ft			
182-236	Surface 350 ft. 15-3/8"	\$18.00	\$6,300	\$6,300
182-238	Intermediate 1,650 ft. 8 5/8"	\$8.00	\$13,200	\$13,200
182-237	Production 3,400 ft. 5 1/2"	\$5.45	\$18,530	\$18,530
182-238	Liner ft. 3 1/2"		\$0	\$0
182-240	Tubing 3,350 ft. 2-7/8"	\$3.10	\$10,400	\$10,400
182-230	Wellhead Equipment		\$3,000	\$3,000
182-230	Removable Equipment		\$2,000	\$2,000
182-211	Flowlines & Connections		\$10,000	\$10,000
182-215	Storage Tanks & Separation Equipment		\$8,000	\$8,000
182-230	Pumping Unit		\$23,000	\$23,000
182-235	Pump Engine		\$9,000	\$9,000
182-245	Busher Rods, Bottom Hole Pump, & Other		\$9,000	\$9,000
TOTAL TANGIBLE WELL COSTS		\$23,000	\$83,000	\$116,000
TOTAL WELL COST		\$168,332	\$180,500	\$347,232

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By:

R. K. Irani
R. K. Irani, Sr. Vice-President

Approved By: _____

Title: _____

Date:

9/30/96

Date: _____

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 next to the article number.

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:

Ms. Linda Buckner
 Dodge Jones Foundation
 P.O. Box 176
 Abilene, Texas 79604

4a. Article Number

P 192 883 195

4b. Service Type

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

7. Date of Delivery

NOV 21 1986

5. Signature (Addressee)

MEL HOLT

6. Signature (Agent)

Mel Holt

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

PS Form 3811, October 1990

U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

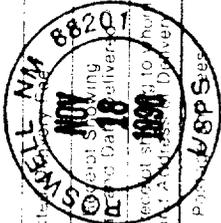
P 192 883 195

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Ms. Linda Buckner
Street and No	Dodge Jones Foundation
P.O. Box	176
P.O. State and ZIP Code	Abilene, TX 79604
Postage	\$ 5.50
Certified Fee	1.10
Special Delivery Fee	
Restricted	
Return Receipt to be delivered to	110
Return Receipt to be returned to you (Date and Address)	
TOTAL POSTAGE	275
Postmark or Date	



U.S.G.P.O. 1984-448-014

PS Form 3800, Feb 1982

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 18, 1996

Ms. Linda Buckner
Matt-Tex, L.L.P.
Post Office Box 176
Abilene, Texas 79604

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Ms. Buckner:

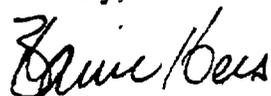
Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 9, 1996, as we anticipate commencing the well in the latter part of December 1996. Should you respond affirmatively, Louis Dreyfus Natural Gas Corp. will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996

cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

INTERNATIONAL GAS CORP

ESTIMATED WELL COST (100%)

Depth Revised 9/16/96

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ¹⁵⁰⁰ Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
181-102	Location & Roads, including Damages	\$10,000		\$10,000
181-110	Moving Rig			\$0
181-111	Drilling: 4,500 ft @ \$13.88	\$61,600		\$61,600
181-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
181-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
181-114	Drilling Bits	\$500		\$500
181-115	Drilling Water & Fuel, including Lines	\$8,000	\$3,000	\$11,000
181-116	Drilling Mud, Additives, Mud Oil, etc.	\$8,000		\$8,000
181-133	Drilling and Completion Insurance	\$350		\$350
181-183	Environmental Protection			\$0
181-180	Safety			\$0
181-128	Open Hole Logging	\$13,000		\$13,000
181-182	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
181-183	Open Hole Testing/Coring Rotary SWCs	\$5,000		\$5,000
181-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
181-122	Welding	\$1,000	\$1,000	\$2,000
181-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
181-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
181-180	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
181-184	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
181-185	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
181-186	CO2/Nitrogen			\$0
181-188	Non-Removable Equipment			\$0
181-125	Roundtrip Labor & Services		\$2,000	\$2,000
181-127	Casing Crews & Services			\$0
181-161	Prod. H. Liner, Water, & Disposal		\$5,000	\$5,000
181-129	Surface Casing Cementing	\$4,000		\$4,000
181-128	Intermediate Casing Cementing	\$7,000		\$7,000
181-130	Production Casing Cementing		\$13,000	\$13,000
181-131	Liner Cementing			\$0
181-172	Cementing Hardware	\$750	\$500	\$1,250
181-173	Other Cementing Related Services			\$0
181-180	Administrative Overhead	\$2,100	\$1,800	\$3,900
181-181	Supervision, including Consulting	\$4,900	\$2,800	\$7,700
181-108	Legal & Land Services	\$5,000	\$1,000	\$6,000
TOTAL INTANGIBLE WELL COST		\$141,332	\$87,800	\$229,132
TANGIBLE WELL COST				
182-235	Casing Amt. Size Cost/Ft			
182-235	Surface 350 ft. 13-3/8" \$18.00	\$6,300		\$6,300
182-237	Intermediate 1,650 ft. 8 5/8" \$8.00	\$13,200		\$13,200
182-237	Production 3,400 ft. 5 1/2" \$5.48		\$18,600	\$18,600
182-238	Liner R. 3 1/2" \$0		\$0	\$0
182-240	Tubing 3,380 ft. 2-7/8" \$3.10		\$10,400	\$10,400
182-240	Wellhead Equipment	\$3,000	\$3,000	\$6,000
182-240	Removable Equipment		\$2,000	\$2,000
182-211	Pipelines & Connections		\$10,000	\$10,000
182-215	Storage Tanks & Separation Equipment		\$8,000	\$8,000
182-220	Pumping Unit		\$23,000	\$23,000
182-225	Pump Engine		\$9,000	\$9,000
182-245	Hooker Rods, Bottom Hole Pump, & Other		\$9,000	\$9,000
TOTAL TANGIBLE WELL COSTS		\$23,000	\$83,000	\$116,000
TOTAL WELL COST		\$164,332	\$170,800	\$335,132

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams *[Signature]*

Date: 09/16/96

LONGC APPROVAL
[Signature]
 Approved By: R. K. Irani, Sr. Vice-President

NON-OPERATOR APPROVAL
 Approved By: _____
 Title: _____
 Date: _____

Date: 9/30/96

ILLEGIBLE

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 next to the article number.

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:

Ms. Linda Buckner
Dodge Jones Foundation
P.O. Box 176
Abilene, Texas 79604

4a. Article Number

P 192 883 195

4b. Service Type

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

7. Date of Delivery

NOV 21 1995

5. Signature (Addressee)

MEL HOLT

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

6. Signature (Agent)

Mel Holt

PS Form 3811, October 1990

U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

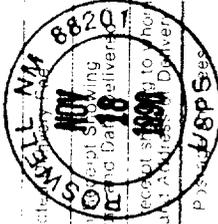
P 192 883 195

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Ms. Linda Buckner
Street and No	Dodge Jones Foundation
P.O. Box	P.O. Box 176
P.O. State and ZIP Code	Abilene, TX 79604
Postage	55
Certified Fee	1.10
Restricted Delivery Fee	
Return Receipt to be Delivered to	110
Date of Delivery	NOV 21 1995
Signature	MEL



U.S.G.P.O. 1984-448-014

PS Form 3800, Feb 1982

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 18, 1996

Ms. Linda Buckner
John A. Matthews, Jr.,
Mineral Interest
Post Office Box 176
Abilene, Texas 79604

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Ms. Buckner:

Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

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Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996
cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

LOUIS DREYFUS NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R28E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ^{4,500}~~2,500~~' Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
181-102	Location & Roads, including Damages	\$10,000		\$10,000
181-110	Moving Rig			\$0
181-111	Drilling: 4,500 ft. @ \$13.85	\$61,800		\$61,800
181-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
181-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
181-114	Drilling Bits	\$800		\$800
181-116	Drilling Water, Fuel, Including Lines	\$8,000	\$3,000	\$8,000
181-118	Drilling Mud, Additives, Mud Oil, Etc.	\$8,000		\$8,000
181-132	Drilling and Completion Insurance	\$350		\$350
181-133	Environmental Protection			\$0
181-180	Safety			\$0
181-128	Open Hole Logging	\$13,000		\$13,000
181-182	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
181-183	Open Hole Testing/Coring Rotary SWC's	\$5,000		\$5,000
181-121	Rigging and Trucking	\$1,000	\$1,000	\$2,000
181-122	Welding	\$1,000	\$1,000	\$2,000
181-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
181-134	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
181-180	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
181-184	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
181-188	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
181-188	CO2/Nitrogen			\$0
181-188	Non-Retrivable Equipment			\$0
181-125	Roughneck Labor & Services		\$2,000	\$2,000
181-127	Casing Crews & Service			\$0
181-161	Prod. PL, Liner, Water, & Disposal		\$5,000	\$5,000
181-128	Surface Casing Cementing	\$4,000		\$4,000
181-128	Intermediate Casing Cementing	\$7,000		\$7,000
181-130	Production Casing Cementing		\$13,000	\$13,000
181-131	Liner Cementing			\$0
181-172	Cementing Hardware	\$760	\$500	\$1,260
181-178	Other Cementing Related Services			\$0
181-180	Administrative Overhead	\$2,100	\$1,500	\$3,600
181-181	Supervision, Including Consulting	\$4,500	\$2,500	\$7,000
181-108	Legal & Land Services	\$8,000	\$1,000	\$9,000
	TOTAL INTANGIBLE WELL COST	\$143,832	\$87,500	\$231,332
	TANGIBLE WELL COST			
	Casing Amt. Size Cost/ft			
182-236	Surface 350 ft. 13-3/8" \$18.00	\$6,300		\$6,300
182-238	Intermediate 1,850 ft. 8 5/8" \$8.00	\$14,800		\$14,800
182-237	Production 3,400 ft. 8 1/2" \$5.45	\$18,530	\$18,800	\$37,330
182-238	Liner ft. 3 1/2" \$0			\$0
182-240	Tubing 3,360 ft. 2-7/8" \$3.10	\$10,416	\$10,400	\$20,816
182-280	Wellhead Equipment	\$3,000	\$3,000	\$6,000
182-280	Retrievable Equipment		\$2,000	\$2,000
182-211	Flowlines & Connections		\$10,000	\$10,000
182-218	Storage Tanks & Separation Equipment		\$8,000	\$8,000
182-220	Pumping Unit		\$23,000	\$23,000
182-225	Pump Intake		\$8,000	\$8,000
182-248	Bucket Rigs, Bottom Hole Pump, & Other		\$9,000	\$9,000
	TOTAL TANGIBLE WELL COSTS	\$23,000	\$89,000	\$112,000
	TOTAL WELL COST	\$166,832	\$186,500	\$353,332

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By:


R. K. Iran, Sr. Vice-President

Approved By: _____

Title: _____

Date:

9/30/96

Date: _____

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 next to the article number.		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: Ms. Linda Buckner Dodge Jones Foundation P.O. Box 176 Abilene, Texas 79604		4a. Article Number P 192 883 195	
		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	
		7. Date of Delivery NOV 21 1996	
5. Signature (Addressee) MEL HOLT		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) 			

PS Form 3811, October 1990 *U.S. GPO: 1990-273-861 **DOMESTIC RETURN RECEIPT**

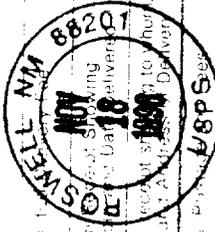
P 192 883 195

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Ms. Linda Buckner
Street and No.	Dodge Jones Foundation
P.O. Box No.	P.O. Box 176
State and ZIP Code	Abilene, TX 79604
Postage	\$ 5.25
Certified Fee	1.10
Restricted Delivery Fee	
Return Receipt Showing to Whom Delivered	110
Return Receipt Sent to (Date at Addressee's Delivery)	110
TOTAL POSTAGE & FEES	6.35



* U.S.G.P.O. 1964-448-014 PS Form 3800, Feb 1982

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 18, 1996

Ms. Linda Buckner
Julia Jones Matthews,
Trustee of the Julia
Jones Matthews Living Trust
Post Office Box 176
Abilene, Texas 79604

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Ms. Buckner:

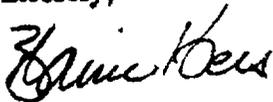
Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 9, 1996, as we anticipate commencing the well in the latter part of December 1996. Should you respond affirmatively, Louis Dreyfus Natural Gas Corp. will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996
cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

LOUIS DREYFUS NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ⁴⁵⁰⁰~~2500~~ Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
161-102	Location & Roads, Including Damages	\$10,000		\$10,000
161-110	Moving Rig			\$0
161-111	Drilling: 4,500 ft. @ \$13.65	\$61,800		\$61,800
161-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
161-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
161-114	Drilling Bits	\$500		\$500
161-115	Drilling Water & Fuel, including Lines	\$8,000	\$3,000	\$9,000
161-118	Drilling Mud, Additives, Mud Oil, Etc.	\$8,000		\$8,000
161-132	Drilling and Completion Insurance	\$350		\$350
161-133	Environmental Protection			\$0
161-180	Safety			\$0
161-128	Open Hole Logging	\$13,000		\$13,000
161-152	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
161-163	Open Hole Testing/Coring Rotary SWC's	\$5,000		\$5,000
161-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
161-122	Welding	\$1,000	\$1,000	\$2,000
161-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
161-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
161-180	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
161-164	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
161-166	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
161-166	CO2/Nitrogen			\$0
161-168	Non-Retrieveable Equipment			\$0
161-126	Roustabout Labor & Services		\$2,000	\$2,000
161-127	Casing Crews & Service			\$0
161-161	Frac Pit, Liner, Water, & Disposal		\$5,000	\$5,000
161-128	Surface Casing Cementing	\$4,000		\$4,000
161-129	Intermediate Casing Cementing	\$7,000		\$7,000
161-130	Production Casing Cementing		\$13,000	\$13,000
161-131	Liner Cementing			\$0
161-172	Cementing Hardware	\$750	\$500	\$1,250
161-173	Other Cementing Related Services			\$0
161-160	Administrative Overhead	\$2,100	\$1,500	\$3,600
161-161	Supervision, Including Consulting	\$4,500	\$2,500	\$7,000
161-103	Legal & Land Services	\$5,000	\$1,000	\$6,000
	TOTAL INTANGIBLE WELL COST	\$143,832	\$57,500	\$231,432
	TANGIBLE WELL COST			
	Casing Amt. Size Cost/Ft			
162-235	Surface 350 ft. 13-3/8" \$18.00	\$6,500		\$6,500
162-236	Intermediate 1,850 ft. 8 5/8" \$8.00	\$13,500		\$13,500
162-237	Production 3,400 ft. 5 1/2" \$5.45		\$18,600	\$18,600
162-238	Liner ft. 3 1/2" \$0		\$0	\$0
162-240	Tubing 3,350 ft. 2-7/8" \$3.10		\$10,400	\$10,400
162-260	Wellhead Equipment	\$3,000	\$3,000	\$8,000
162-260	Retrieveable Equipment		\$2,000	\$2,000
162-211	Flowlines & Connections		\$10,000	\$10,000
162-215	Storage Tanks & Separation Equipment		\$8,000	\$8,000
162-220	Pumping Unit		\$23,000	\$23,000
162-225	Pump Engine		\$9,000	\$9,000
162-245	Sucker Rods, Bottom Hole Pump, & Other		\$9,000	\$9,000
	TOTAL TANGIBLE WELL COSTS	\$23,000	\$83,000	\$116,000
	TOTAL WELL COST	\$186,832	\$180,500	\$347,432

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams *Kent Sams*

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By: *R. K. Iranli*
R. K. Iranli, Sr. Vice-President

Approved By: _____

Title: _____

Date: 9/30/96

Date: _____

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 next to the article number.

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

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

<p>3. Article Addressed to:</p> <p>Ms. Linda Buckner Dodge Jones Foundation P.O. Box 176 Abilene, Texas 79604</p>	<p>4a. Article Number</p> <p>P 192 883 195</p>
<p>5. Signature (Addressee)</p> <p>MEL HOLT</p>	<p>4b. Service Type</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p>
<p>6. Signature (Agent)</p> <p>Mel Holt</p>	<p>7. Date of Delivery</p> <p>NOV 21 1996</p> <p>8. Addressee's Address (Only if requested and fee is paid)</p>

PS Form 3811, October 1990

U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

P 192 883 195

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Ms. Linda Buckner
Street and No.	Dodge-Jones Foundation
P.O. Box No.	P.O. Box 176
P.O. State and ZIP Code	Abilene, TX 79604
Postage	\$ 5.50
Certified Fee	1.10
Special Delivery Fee	
Restricted	
Return Receipt Requested	110
Date of Delivery	NOV 21 1996
TOTAL POSTAGE	USPS 7.60
Postmark Date	



U.S.G.P.O. 1984-448-014

PS Form 3800, Feb 1982

Faxed 12/2/96

December 2, 1996

Mr. Blaine Hess
Oil Properties
P. O. Box 326
Roswell, New Mexico 88202-0326

Re: Lease Proposal
Dated November 18, 1996
SW/4 SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Mr. Hess:

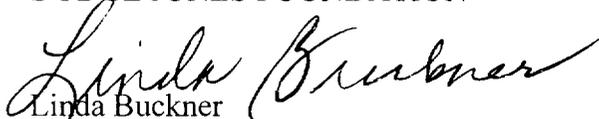
In reference to your proposal of November 18, 1996, the Dodge Jones Foundation; Matt-Tex, L.L.P.; Julia Jones Matthews Living Trust; and John A. Matthews, Jr. will not elect to participate in the drilling of the Happy Valley 29, Well No. 34, but will agree to lease its interest in the shallow rights. The deep rights have recently been leased to another company.

It is my understanding that Republic Royalty out of Dallas has also agreed to lease its shallow rights. The Dodge Jones Foundation, et al, will lease on the same terms and provisions as Republic Royalty.

You may reach me by phone at 915-673-6429, if you wish to discuss this counter.

Your s truly,

DODGE JONES FOUNDATION


Linda Buckner
Property Administrator

Blaine Hess
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202
(505) 623-5400

*3/16ths royalty 1/5 70%
50%*

214-559-0300

December 19, 1995

Mr. Casey McManemin
Republic Royalty Company
3738 Oak Lawn Avenue
Dallas, Texas 75219

*NENE OWN 4.64375%
SUNN OWN 9.2875%*

Re: Offer to Lease Mineral Interest
NE/4SW/4, SW/4SW/4, SW/4SE/4 of
Section 29, T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
containing 120.00 acres, more or less

Dear Mr. McManemin:

Per the instructions of your receptionist, I am mailing you this letter to inform you I am buying leases on behalf of Louis Dreyfus Natural Gas Corp. covering the captioned lands. The records of Eddy County show Republic Royalty Company owning a 9.2875% Mineral Interest and 11.145 net acres in and to the captioned lands. In this respect, on behalf of Louis Dreyfus Natural Gas Corp., I would like to extend an offer of \$50.00 bonus consideration per net mineral acre, 3/16ths royalty on production for a three (3) year oil and gas lease.

Please consider this proposal and feel free to call me collect at (505) 623-5400 with any questions or comments. Happy holidays and I look forward to hearing from you soon.

Very truly yours,



Blaine Hess

BH/arh

REPUBLIC ROYALTY COMPANY
3738 OAK LAWN AVENUE
SUITE 300
DALLAS, TEXAS 75219
TELEPHONE 214/559-0300
TELECOPY 214/559-0301

May 6, 1996

Mr. Blaine Hess
P.O. Box 326
Roswell, New Mexico 88202

RE: Oil and Gas Lease
Section 29, Township 22 South, Range 26 East
NE/4 SW/4, SW/4 SW/4, SW/4 SE/4, NE/4 NE/4 and SW/4 NW/4
File No.: FNMR-639

Dear Mr. Hess:

Pursuant to your lease request dated December 19, 1995, Republic Royalty Company offers to lease its interest in the lands referenced above subject to the following terms and conditions:

1. One-fourth (1/4) royalty.
2. One hundred fifty dollars (\$150.00) per acre bonus.
3. Twenty-four (24) months primary term.
4. Utilization of RRC's paid-up lease form (RRC296.LSE), a copy of which is enclosed.
5. Subject to prior sale or withdrawal without notice.

Should you find the foregoing to be acceptable, please arrange for the delivery of a check in the amount of \$2,507.63 to the letterhead address. Upon receipt of your check we will execute the lease and forward it to you.

Very truly yours,



Sherri R. Patton

/srp
Enclosures

1
2
3
4
5
6 OIL AND GAS LEASE
7
8
9

10 THIS OIL AND GAS LEASE (this "Lease") is made and entered into effective as of the ____ day of _____, 19
11 ____ (the "Effective Date"), and is by and between REPUBLIC ROYALTY COMPANY, a Texas General Partnership ("Lessor"),
12 having an address of 3738 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219-4379, and _____
13 _____ ("Lessee").
14

15 1. **Grant of Lease.** Lessor, for and in consideration of \$10.00 and other good and valuable consideration, the
16 receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby
17 lease, let and demise unto Lessee, its permitted successors-in-title and assigns, without warranties or covenants of title of any
18 nature, or any other warranties or representations, except as specifically contained in this Lease, the following:
19

20 a. **Lands Leased.** The lands described in Exhibit "A" hereto (the "Lands") for the purposes and with the
21 right of exploring, investigating, drilling for and operating for, producing, treating, storing and transporting
22 oil and gas;
23

24 b. **Geological Surveys.** To the extent that Lessor has the right so to do, the non-exclusive right to conduct
25 geological and geophysical surveys, by seismograph, gravity or magnetic methods or any other method
26 developed in the future;
27

28 c. **Easements and Other Rights.** To the extent that Lessor has the right so to do, the right to lay pipelines,
29 to construct roads, to dig canals, to build tanks, power stations and telephone lines, to the extent any of such
30 activities are necessary or useful in Lessee's operations in exploring, investigating, drilling for, producing,
31 treating, storing and transporting oil and gas produced from the land covered hereby, together with all
32 easements, rights of ingress and egress and all other rights incidental or necessary for the full enjoyment of
33 the estate herein granted.
34

35 For the purposes of determining payments due hereunder, unless a survey made by Lessee should otherwise determine,
36 the Lands shall be deemed to contain ____ acres, whether actually containing more or less.
37

38 2. **Term.** Subject to the other provisions contained in this Lease, this Lease shall remain in force for a term
39 commencing on the Effective Date and expiring at midnight local time, _____ calendar months after the Effective
40 Date (the "Expiration Date"), which term is referred to in this Lease as the "Primary Term", and for so long thereafter as oil
41 and gas or either of them is being produced in paying quantities from the Lands or lands with which the Lands or any part
42 thereof may be pooled as permitted herein and the royalties are paid thereon as herein provided.
43

44 3. **Royalty Share.** For the purposes of this Lease, the term "Royalty Share" shall mean a fraction equal to
45 _____
46

47 4. **Royalties.** In respect of oil and gas which may be produced from the Lands or lands with which the Lands
48 or any part thereof may be pooled as permitted herein, as royalty, Lessee covenants and agrees that Lessee shall comply with
49 each of the following provisions:
50

51 a. **Oil Royalty.** In respect of oil (for the purposes of this Lease, the term "oil" shall also include other
52 liquid hydrocarbons, other than as provided in Paragraph 4.c), Lessee shall deliver to the credit of Lessor,
53 as royalty, in the pipeline to which Lessee may connect Lessee's wells, the Royalty Share of all oil produced
54 and saved by Lessee from the Lands or lands with which the Lands or any part thereof may be pooled as
55 permitted herein; the delivery of such oil shall be made free and clear of costs and expenses and to the credit
56 of Lessor into the storage tanks or the pipeline to which the well or wells on the Lands may be connected.
57 At Lessor's option, which may be exercised from time to time and at any time, Lessor may purchase any
58 royalty oil in Lessee's possession, paying for such royalty oil the highest posted market price in the field for
59 such oil at the wells as of the day it is run to the storage tanks or pipeline.
60

61 b. **Gas Royalty.** In respect of gas (for the purposes of this Lease, term "gas" shall mean and include
62 natural gas, casinghead gas and all other gaseous or vaporous substances which are hydrocarbons as the same
63 may exist at the surface under normal atmospheric pressures and at normal ambient temperatures) produced,
64 saved and sold from or produced and used off of the Lands or lands with which the Lands or any part thereof
65 may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Royalty Share of the greater of
66 the market value or the amount realized by Lessee without deduction for any cost of transportation, treating
67 or compression. Except as provided in Paragraph 4.d, when any gas is produced, saved and sold from or
68 produced and used off of the Lands or lands with which the Lands or any part thereof may be pooled as
69 permitted herein, Lessee shall pay Lessor, as royalty, the Royalty Share of the greater amount of the market
70 value or the total amount realized by Lessee as a consequence of the production of such gas.
71

72 c. **Plant Products Royalty.** If gas is produced from the Lands and is thereafter processed in an absorption,
73 extraction, casinghead, stripping or other plant or plants, whether such plants are listed in the foregoing list
74 or not (a "processing plant"), then, in lieu of the royalties provided for in the immediately preceding
75 Paragraph 4.b, Lessee shall pay, as royalty, and Lessor shall receive, free and clear of all costs, the Royalty

76 Share of the greater of the market value or the amount realized by Lessee of all plant products extracted,
77 separated, absorbed or saved from such gas before the addition of treating or blending agents or substances
78 not derived from such gas and, in addition, Lessor shall be paid, as royalty, the Royalty Share of the greater
79 of the market value or the amount realized by Lessee from the sale of the residue gas remaining after the
80 extraction of the plant products therefrom. No royalty shall be paid on Lessor's proportionate share of
81 residue gas used for fuel in a processing plant where such residue gas is processed for the extraction or
82 removal of liquid hydrocarbons, and for the purposes of this Paragraph the term "Lessee" shall include an
83 affiliate, subsidiary, or parent of Lessee, regardless of percentage ownership.
84

85 **d. Shut In Royalty.** If at any time, whether before or after the Expiration Date, Lessee shall have
86 completed a well or wells on the Lands (or on land with which the Lands or any part thereof may be pooled)
87 which well or wells are capable of producing gas in paying quantities but are shut-in with the result that gas
88 is not produced, sold or used for 30 days, Lessee shall first promptly notify Lessor of the date such well is
89 shut in, and thereafter, Lessee may pay as shut-in royalty to Lessor for each such shut-in well, on or before
90 the later of (i) the Expiration Date or (ii) the 60th day after the date such gas ceases to be sold or used, an
91 amount equal to the greater of: (A) the product of \$10.00 times the total acreage (without reducing the same
92 by reason of any proportionate reduction as contemplated in Paragraph 11) then covered by this Lease or
93 (B) \$100.00, and upon the making of the greater payment specified in this Paragraph 4.d, it will be
94 considered that each such well or wells are producing gas in paying quantities within the meaning of this
95 Lease for a period of one year after such well is shut-in. In like manner and upon like payments being made
96 annually on or before the expiration of the last preceding year for which such shut-in royalty payment has
97 been made, it will be considered that said well or wells are producing gas in paying quantities for successive
98 periods of one year each for a total of two years, and not thereafter. The proper payment of shut-in royalties
99 under this Paragraph 4.d shall not perpetuate this Lease for a shut-in period in excess of two years.
100

101 If gas production is begun or resumed during the year following the payment of a shut-in royalty and the well
102 is subsequently shut-in with the result that gas is not then being produced during such year, the second
103 annual shut-in payment shall be due and payable on the first annual anniversary date of the first payment (the
104 "First Anniversary Date"). If there is production on the First Anniversary Date and the well is subsequently
105 shut-in with the result that gas is not then being produced then the second shut-in payment shall be made on
106 or before 60 days after such new shut-in date or the Lease shall terminate. Such second shut-in royalty
107 payment shall perpetuate this Lease only until the second annual anniversary date of the first shut-in royalty
108 payment. The Lease shall likewise terminate prior to one year after the payment of a shut-in payment if the
109 Lessee fails to timely pay shut-in royalty payments on each additional well which is shut-in. Should any
110 shut-in royalty payment not be made in a timely manner as this Paragraph 4.d provides, then, in that event,
111 it shall be considered for all purposes that there is no production or no excuse for delayed production of gas
112 from any such well or wells and unless there is then in effect other preservation provisions of this Lease,
113 this Lease shall terminate at midnight on the last day provided for the payment of such shut-in royalties, and
114 Lessee shall thereupon furnish to Lessor a release of all of Lessee's interest in and to this Lease.
115

116 **e. Compensatory Royalty.** If, during the term of this Lease, oil or gas should be produced and/or sold
117 in paying quantities from a well situated within 1,000 feet of the Lands, or where drainage is occurring from
118 lands not owned by Lessor (all such wells being referred to as "Offset Wells"), Lessee shall, at its option,
119 and subject to the requirements of any regulatory agency having jurisdiction in respect of the location of
120 wells, either drill a well to protect against such drainage, or pay to Lessor the greater of: (A) an amount
121 equal to the Royalty Share times the amount of production from the Offset Well, as reported to the
122 regulatory agency having jurisdiction and revenue payments for such Royalty Share shall be calculated
123 pursuant to the price provisions in Paragraphs 4.a, 4.b, 4.c and 4.h herein or (B) \$100.00 per year. Lessee
124 shall exercise such option within 120 days of the date production commences from the Offset Well.
125

126 **f. Place of Payment.**

127
128 **(1) Production Royalties.** Except as specifically provided above, all royalties due under the provisions of
129 Paragraphs 4.a, 4.b, 4.c, 4.d or 4.e shall be paid to Lessor free and clear of all costs and expenses of
130 making such oil, gas or gas products merchantable or otherwise treating or transporting the same at the
131 address specified below:
132

133 Republic Royalty Company
134 P. O. Box 840-127
135 Dallas, Texas 75284-0127
136

137 Lessee shall use Lessee's best efforts to cause all royalty payments due Lessor under the provisions of
138 Paragraphs 4.a, 4.b or 4.c to be paid to Lessor directly by the purchaser of the oil, gas and products.
139 Payment of royalties shall be made within 30 days of the end of the calendar month during which oil is sold
140 and within 60 days of the end of the calendar month during which gas is sold.
141

142 **(2) Shut-In Royalties and Compensatory Royalties.** In respect of any shut-in royalty due under Paragraph
143 4.d and the compensatory royalty due under Paragraph 4.e, Lessee shall tender and pay such royalties by
144 certified or cashier's check delivered in the same manner and at the same address as notices are required to
145 be delivered under the provisions of Paragraph 15 hereof.
146

147 **g. Division Orders.** The execution of a division order shall not be required as a condition or prerequisite
148 for royalty payments under this Lease.
149
150

151 h. **Product Prices.** It is expressly understood and agreed by, and is the intent of Lessor and Lessee that
152 Lessor's royalty payments shall include the total amount realized by Lessee and its affiliates for any and all
153 products produced pursuant to this Lease, including any and all marketing premiums and bonuses, litigation
154 settlements and awards, and all other payments received by Lessee and its affiliates as a consequence of the
155 production of any and all products produced pursuant to this Lease. Nothing contained in 4.a, 4.b, 4.c, and
156 4.h herein shall relieve Lessee of its express fiduciary obligation to market Lessor's share of production for
157 the maximum possible price.
158

159 5. **Pooling and Unitization.** Unless Lessee obtains the prior written consent of Lessor, which consent may be
160 withheld for any reason (or for no reason), at Lessor's sole discretion, Lessee shall not pool or unitize all or any portion of the
161 Lands with any other land, lease or leases. A unit validly created with Lessor's prior written consent, and otherwise created
162 pursuant to law, rule or regulation of any agency having jurisdiction, shall be valid and effective for all purposes of this Lease
163 even though there may be mineral, royalty or other interests in lands within the unit which are not effectively pooled or unitized.
164 Any operations conducted on any part of such unitized land shall be considered, for all purposes, operations conducted upon
165 the Lands under this Lease. There shall be allocated to the lands within each such unit (or to each separate tract within the
166 unit if this Lease covers separate tracts within the unit) that proportion of the total production of unitized oil or gas or both from
167 the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such
168 separate tract) covered by this Lease within the unit bears to the total number of surface acres in the unit, and the production
169 so allocated shall be considered for all purposes, including payment or delivery of royalty, to be the entire production of unitized
170 oil or gas from the land to which allocated in the same manner as though produced therefrom under the terms of this Lease.
171 The formation of any unit hereunder which includes land not covered by this Lease shall not have the effect of exchanging or
172 transferring any interest under this Lease (including, without limitation, any shut-in or compensatory royalty which may become
173 payable under this Lease) between parties owning interests in Lands covered by this Lease and parties owning interests in land
174 not covered by this Lease. Neither shall it impair the right or obligations of Lessee to release as provided in Paragraph 7, except
175 that Lessee may not so release as to Lands within a unit while there are operations thereon for unitized minerals unless all pooled
176 leases are released as to Lands within the unit. At any time while this Lease is in force, Lessee may dissolve any unit
177 established hereunder by filing for record in the public office where this Lease is recorded a declaration to that effect, if at that
178 time no operations are being conducted thereon for unitized minerals. Subject to the provision of this Paragraph 5., a unit once
179 established hereunder shall remain in force so long as any lease subject thereto shall remain in force.
180

181 6. **No Delay Rentals.** This Lease is a "paid-up" lease, and no delay rentals shall be required to be paid by Lessee.
182

183 7. **Releases.**
184

185 a. **Voluntary.** Lessee may at any time and from time to time execute and deliver to Lessor or file for
186 record a release or releases of this Lease as to any part or all of the Lands or of any horizon thereunder, and
187 thereby be relieved of all obligations as to the released acreage or interest. If this Lease is released as to
188 a portion of the Lands, any payments computed in accordance therewith shall thereupon be reduced in the
189 proportion that the acreage released bears to the acreage which was covered by this Lease immediately prior
190 to such release.
191

192 b. **Required.** After the cessation of Continuous Drilling Operations (hereinafter defined), all of the Lands
193 which are not included within a Retained Well Site shall be permanently released from the provisions of this
194 Lease as well as all depths from 100 feet below the stratigraphic equivalent of the deepest depth then
195 producing in any Retained Wellsite Tract, and Lessee shall file a written release thereof in the official
196 records of the county and state identified in Exhibit "A" within 30 days of the incident thereof.
197

198 If Lessee fails, for any reason, to furnish any release or releases required by this Lease within 30 calendar days of
199 the time required, then, if Lessor has determined in good faith that this Lease has terminated with respect to any part or all of
200 the Lands or that any unit has dissolved, Lessor may, at Lessor's option, prepare, execute and file an affidavit, release or other
201 recordable instrument to effect such release, and when recorded, such affidavit, release or instrument shall have the same force
202 and effect as if executed by Lessee. For this purpose, Lessor, in preparing, executing and filing such affidavit, release or other
203 instrument shall be deemed to be the agent of Lessee.
204

205 8. **Operations.** If oil or gas is not being produced in paying quantities from the Lands on the Expiration Date and
206 the Lessee is not conducting Operations on the Lands, this Lease shall immediately terminate. If oil or gas is not being produced
207 in paying quantities from the Lands on the Expiration Date, but Lessee is conducting Operations on the Lands, this Lease shall
208 remain in force and effect as to the Lands so long, and only so long, as Lessee shall conduct Continuous Drilling Operations
209 on the Lands. For the purposes of this Lease the term "Operations" shall mean operations for and any of the following: actual
210 drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an
211 endeavor to obtain production of oil or gas. For the purposes of this Lease, the term "Continuous Drilling Operations" shall
212 mean that not more than 90 days shall expire between the date of completion of a well or the abandonment as a dry hole of a
213 well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in
214 the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual
215 Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum
216 allowable production. For the purposes of this Lease, the commencement of "Actual Drilling Operations" shall mean the first
217 operation conducted after the conductor casing has been driven, spudding operations have been completed and the kelly has been
218 raised and the first joint of drill pipe has been secured on the drill stem. If Lessee commences Actual Drilling Operations on
219 a well within less than 90 days after the date of completion or abandonment of the previous well, the difference shall NOT be
220 credited towards the next period of time for the commencement of the next well nor carried forward or cumulated in any
221 manner.
222

223 If Lessee fails to conduct Continuous Drilling Operations on the Lands at any time after the Expiration Date, this Lease
224 shall thereupon terminate as to all Lands save and except (i) those tracts around wells then producing oil or gas in paying
225 quantities (the "Retained Wellsite Tracts") and (ii) such rights-of-way and easements across the remainder of the Lands for such

226 pipelines and roads as may be necessary for production and operations on the Retained Wellsite Tracts. A well upon which
227 shut-in royalty payments are being paid as provided in Paragraph 4.d shall be deemed as producing gas in paying quantities.
228 The Retained Wellsite Tracts shall be designated in strict compliance with the following:
229

230 a. **Shape of Retained Wellsite Tract.** Each Retained Wellsite Tract shall be in as nearly the form of a
231 square as possible, with the sides parallel to the sides of the Lands, with one side coinciding with one side
232 of the Lands, if possible, and with the well thereon located at, or as near as possible to, the center of such
233 area.

234 b. **Size of Retained Wellsite Tract.** The Retained Wellsite Tract shall for each well then producing oil or
235 gas consist of not more than the number of surface acres of contiguous land around each such well which
236 is the smallest size then prescribed or permitted by the Agency as the minimum proration unit for obtaining
237 the maximum allowable production of oil or gas from such well. For either oil or gas wells, a Retained
238 Wellsite Tract shall be limited to a depth 100 feet below the stratigraphic equivalent of the deepest depth then
239 producing by Lessee in such Retained Wellsite Tract. 100' below
D.16.04.04

241 c. **Boundaries of Retained Wellsite Tract.** The exact boundaries of each Retained Wellsite Tract shall be,
242 selected and designated by Lessee, in compliance with the foregoing requirements, and Lessee shall provide
243 Lessor with a description of Each Retained Wellsite tract as created.
244

245 If, at any time after the Expiration Date, Operations are conducted on any Retained Wellsite Tract and if all Operations
246 are discontinued on such Retained Wellsite Tract, this Lease shall terminate with respect to such Retained Wellsite Tract on the
247 30th day following such discontinuance unless on or before such date either (i) Lessee commences production or resumes
248 Operations on such Retained Wellsite Tract or (ii) the shut-in well provisions of Paragraph 4.d are applicable to such Retained
249 Wellsite Tract. Should any well or wells located on a Retained Wellsite Tract be recompleted to a lesser depth, the size and
250 shape of the Retained Wellsite Tract shall be modified to conform with the terms of this Lease.
251

252 9. **Removal of Casing.** Lessee shall have the right at any time to remove all machinery and fixtures placed
253 on the Lands by Lessee, including the right to draw and remove casing.
254

255 10. **Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in
256 part and as to any mineral or horizon, provided, however, that, due to the special relationship of trust and confidence between
257 Lessor and Lessee, any assignment of any interest (whether working, overriding royalty, production payment, mortgage, or deed
258 of trust) in this Lease by Lessee without the prior written consent of Lessor, which may be withheld for any reason (or for no
259 reason) at Lessor's sole discretion, shall be void, and such purported assignment of this Lease by the Lessee shall automatically
260 terminate this Lease. As an express condition to such approval as may be granted by Lessor, Lessee shall furnish to Lessor a
261 true or certified copy of all such assignments and fully inform Lessor of the identity and address of any such assignee. The
262 provisions of this Paragraph 10 shall be applicable to any type of assignment, sublease, conveyance or transfer of all or a portion
263 of this Lease or rights or interest thereunder. All of the covenants, obligations, and considerations of this Lease shall extend
264 to and be binding upon the parties hereto, their respective permitted successors-in-title and assigns.
265

266 11. **Proportionate Reduction.** If this Lease covers a less interest in the oil or gas in all or any part of the Lands
267 than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), then the royalties to be paid
268 to Lessor hereunder as to the Lands, shall be paid only in the proportion which the interest therein, if any, covered by this
269 Lease, bears to the whole and undivided fee simple estate therein. The provisions of this Paragraph 11 shall have no application
270 to the provisions of Paragraphs 4.d or 4.e.
271

272 12. **Substances Covered.** This Lease covers oil, gas, casinghead gas, other gaseous substances and associated
273 hydrocarbons in either a liquid or gaseous phase or state and such minerals as may be produced in association with the
274 production of oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons; provided, however, that nothing
275 in this Lease shall be deemed to authorize the gasification or in situ combustion of coal or lignite, and this Lease shall not be
276 deemed to cover either coal or lignite. The classification of a well as either a gas well or oil well by the Agency shall be
277 conclusive in respect of its classification under the terms of this Lease.
278

279 13. **Information Required.** As a further condition for this Lease and not a covenant only, Lessee agrees to
280 furnish to Lessor, at the address specified on the signature page hereof, within 48 hours of becoming available, unless stated
281 otherwise below, true and correct copies of the following information:
282

283 (1) When filed with the Agency, an official survey plat showing the location of any well proposed to be
284 drilled on the Lands or on lands pooled therewith if authorized by the Lease;

285 (2) Application to drill duly approved by the Agency, or if a separate drilling permit is issued, the drilling
287 permit;

288 (3) Written notification of commencement of any operations;

289 (4) Daily drilling report for each well, transmitted daily by telecopy;

290 (5) All logging surveys, wireline tests, drillstem test charts, core analyses or other third party information
291 as may be run or prepared in the drilling of such well;

292 (6) Potential test or completion report filed with the Agency;

293 (7) Notification of first sales of oil and/or gas from such well;

294 (8) Plugging record, if completed as a dry hole or if subsequently abandoned;
295
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300

301 (9) Any information Lessee obtains with respect to the Lands or any well or wells on the Lands (including,
302 without limitation, title opinions, information with respect to offset wells, copies of interpreted Three
303 Dimensional (3D) seismic data including original (thermal) time-slice maps on horizons to be selected by
304 Lessor, geologic and geophysical surveys, whether by seismograph, gravity, magnetic or other non-intrusive
305 activity).

306
307 (10) A fully executed and recorded copy of this Lease.
308

309 Lessee hereby acknowledges Lessor's right of access to all operations conducted on the leased premises, including the
310 drilling rig, wireline logging truck or trailer, mud logger's truck or trailer and the right to inspect all surveys, tests, cores and
311 cuttings obtained thereby. All books, accounts and other records pertaining to production, transportation, sale and marketing
312 of oil, gas or products from the Lands shall at any time during normal business hours be subject to inspection and examination
313 by Lessor and its representatives. Any harm or injury incurred by Lessor as a result of such access to operations shall be solely
314 at Lessor's risk.
315

316 14. **Force Majeure.** Lessee shall not be liable for any delays in Lessee's performance of any covenant or
317 condition hereunder, express or implied, or for total or partial non-performance thereof, due to force majeure. The term "force
318 majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including acts of God
319 and actions of the elements, acts of the public enemy, strikes, lockouts, accidents, laws, acts, rules, regulations and orders of
320 federal, state or municipal governments, or officers or agents thereof. If Lessee is required to cease drilling or reworking or
321 producing operations on the Lands (or lands properly pooled under provisions of this Lease) by force majeure, then until such
322 time as such force majeure is terminated, and for a period of 90 days after such termination, each and every provision of this
323 Lease that might operate to terminate it shall be suspended and this Lease shall continue in full force and effect during such
324 suspension period. If any period of suspension occurs before the Expiration Date, the term thereof shall be added to such
325 Primary Term. The provisions of this Paragraph 14 shall have no applicability in respect of any payments required to be made
326 under any provision of this Lease, it being expressly understood and agreed that the provisions of this Paragraph 14 shall not
327 override or modify any requirement of such payments.
328

329 15. **Notice.** All communications, notices and information required hereunder shall be in writing and shall be
330 deemed to have been properly served when received by mail, telegraph or teletype at the addresses set forth on the signature
331 page hereto. In respect of any payments required under the provisions of Paragraph 4.f.(2) no such payment shall be deemed
332 to be received until actually received by Lessor.
333

334 16. **Implied Covenants.** None of the covenants contained in this Lease shall negate or in any way limit or serve
335 in lieu of any implied covenant available to Lessor, including, without limitation, the implied covenants to further develop, to
336 market and to protect against drainage.
337

338 17. **Environmental Issues.** Lessee shall comply with all environmental laws and regulations in the conduct of
339 all drilling and producing operations on the Lands and agrees that Lessee shall not store nor dispose of toxic or hazardous
340 chemicals or wastes on the Lands. Lessee shall indemnify and hold Lessor harmless from any loss or damage Lessor may suffer
341 as a result of any environmental damage or pollution which shall occur as the direct result of the operations conducted by Lessee.
342

343 18. **Indemnification.** Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims
344 resulting from or arising out of or in connection with operations of or for Lessee hereunder, and from and against all costs and
345 expenses incurred by Lessor from and against any and all claims. Each assignee claiming hereunder agrees to indemnify and
346 hold harmless Lessor from and against any and all claims resulting from or arising out of or in connection with operations of
347 or for such assignee hereunder, and from and against all costs and expenses incurred by Lessor by reason of such claim or
348 claims.
349

350 19. **Remedy for Breach.** Due to the difficulty in ascertaining damages for Lessee's breach, default or non-
351 performance (collectively herein called "Default") of any covenant contained in this Lease, the parties hereto agree that in the
352 event of Lessee's Default, then Lessor may, at Lessor's sole option immediately (i) terminate this Lease, (ii) terminate this Lease
353 and collect from Lessee all monies due hereunder or (iii) collect from Lessee all monies due hereunder.
354

355 20. *Lessor and Lessee agree and acknowledge that the mineral interest owned by Lessor in the Lands is subject*
356 *to a Conveyance of Overriding Royalty Interest ("Conveyance") in favor of certain third parties which has been recorded in*
357 *Volume , Page of the Records of County, . Lessee hereby agrees and acknowledges that,*
358 *in accordance with Section 10.13 of said Conveyance, all payments due pursuant to Paragraphs 4 and 6 hereof shall be paid*
359 *directly to Lessor in the manner set forth in Paragraph 4 hereof. The Conveyance does not create an additional burden to*
360 *be borne by Lessee; all payments attributable to this interest are to be paid by Lessor and are payable out of the Royalty Share*
361 *retained herein by Lessor.*
362

363 IN WITNESS WHEREOF, this Lease is executed on the date of the acknowledgments attached hereto, but shall be effective
364 as of the Effective Date recited above. This Lease shall not be binding on any party until executed by all parties hereto.
365
366

367 LESSOR:

REPUBLIC ROYALTY COMPANY
(Tax I.D. No. 75-2497442)
3738 Oak Lawn Avenue, Suite 300
Dallas, Texas 75219-4379
Telephone Number: 214-559-0300
Teletype Number: 214-559-0301

By: SAM Partners, Inc., General Partner

374
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377 By: _____
378 Casey McManemin
379 Vice President

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LESSEE:

Address:

Telephone No.: _____

Telecopy No.: _____

By: _____

Name: _____

Title: _____

STATE OF TEXAS §

COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this _____ day of _____, 199____, by Casey McManemin, Vice President of SAM Partners, General Partner of Republic Royalty Company, a Texas General Partnership.

My Commission Expires:

Notary Public in and for the State of Texas

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 199____, by _____, as _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public in and for the State of Texas

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated _____ by and between Republic Royalty Company ("Lessor") and _____, ("Lessee"), covering _____ acres, more or less, in _____ County, _____.

Send GFE Letter

**KHL Incorporated
P.O. DRAWER 14668
ALBUQUERQUE, NM
87191-4668**

10/23/96

Republic Royalty Company
a Texas General Partnership
3738 Oak Lawn Ave, Suite 300
Dallas, TX. 75219
(214) 559-0300

Attn: **Casey McManemin**

Re: Lease acquisition
Louis Dreyfus Natural Gas Corp. prospect
Township 22 South, Range 26 East, NMPM
Section 29: NE4SW4, SW4SW4, SW4SE4, NE4NE4, SW4NW4

Republic file #FNMR-639

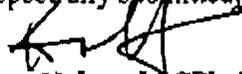
Dear Casey:

Louis Dreyfus accepts those terms countered by you of 1/4th royalty, 24 month term & \$250.00/ac. bonus; however, they respectfully want to use their own lease form unless you will allow the following alterations to yours.

- 1.) Change continuous drilling term to 120 days.
- 2.) Strike no deductions for compression, transportation, dehydration.
- 3.) Strike plants products section.
- 4.) Strike sections 4a, 4b, 4c, 4e.
- 5.) Strike certified check, Louis Dreyfus Co. check to suffice.
- 6.) Strike consent to assign.
- 7.) Strike horizontal Pugh clause.
- 8.) ¶ 13 to be proprietary & confidential.

Casey, please advise.

Respectfully submitted,



Knute H. Lee, Jr. CPL # 4255
P.O. Drawer 14668
Albuquerque, NM 87191-4668
1-505-294-2200/wk.

REPUBLIC
FAXED
10-24-96

L. DREYFUS
FAXED
10-24-96

D. HESS
FAXED
10-24-96

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 19, 1996

Mr. Casey McManemin
Republic Royalty Company
3738 Oak Lawn Avenue
Suite 300
Dallas, Texas 75219

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Mr. McManemin:

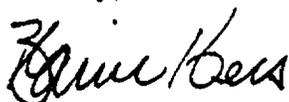
Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 9, 1996, as we anticipate commencing the well in the latter part of December 1996. Should you respond affirmatively, Louis Dreyfus Natural Gas Corp. will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996
cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

LOUIS DREYFUS NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ⁴⁵⁰⁰~~3000~~ Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
161-102	Location & Roads, Including Damages	\$10,000		\$10,000
161-110	Moving Rig			\$0
161-111	Drilling: 4,500 ft. @ \$13.65	\$61,500		\$61,500
161-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
161-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
161-114	Drilling Bits	\$500		\$500
161-115	Drilling Water & Fuel, Including Lines	\$8,000	\$3,000	\$9,000
161-118	Drilling Mud, Additives, Mud Oil, Etc.	\$8,000		\$8,000
161-132	Drilling and Completion Insurance	\$350		\$350
161-133	Environmental Protection			\$0
161-160	Safety			\$0
161-126	Open Hole Logging	\$13,000		\$13,000
161-152	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
161-163	Open Hole Testing/Coning Rotary SWC's	\$5,000		\$5,000
161-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
161-122	Welding	\$1,000	\$1,000	\$2,000
161-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
161-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
161-160	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
161-164	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
161-165	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
161-166	CO2/Nitrogen			\$0
161-168	Non-Retrieveable Equipment			\$0
161-125	Roustabout Labor & Services		\$2,000	\$2,000
161-127	Casing Crews & Service			\$0
161-161	Frac Pit, Liner, Water, & Disposal		\$5,000	\$5,000
161-128	Surface Casing Cementing	\$4,000		\$4,000
161-129	Intermediate Casing Cementing	\$7,000		\$7,000
161-130	Production Casing Cementing		\$13,000	\$13,000
161-131	Liner Cementing			\$0
161-172	Cementing Hardware	\$750	\$500	\$1,250
161-173	Other Cementing Related Services			\$0
161-150	Administrative Overhead	\$2,100	\$1,500	\$3,600
161-151	Supervision, Including Consulting	\$4,500	\$2,500	\$7,000
161-103	Legal & Land Services	\$5,000	\$1,000	\$6,000
	TOTAL INTANGIBLE WELL COST	\$143,932	\$87,500	\$231,432
	TANGIBLE WELL COST			
	Casing Amt. Size Cost/Ft			
162-235	Surface 350 ft. 13-3/8" \$18.00	\$6,500		\$6,500
162-236	Intermediate 1,650 ft. 8 5/8" \$8.00	\$13,500		\$13,500
162-237	Production 3,400 ft. 8 1/2" \$5.45		\$18,600	\$18,600
162-238	Liner ft. 3 1/2" \$0		\$0	\$0
162-240	Tubing 3,350 ft. 2-7/8" \$3.10		\$10,400	\$10,400
162-260	Wellhead Equipment	\$3,000	\$3,000	\$6,000
162-250	Retrieveable Equipment		\$2,000	\$2,000
162-211	Flowlines & Connections		\$10,000	\$10,000
162-218	Storage Tanks & Separation Equipment		\$8,000	\$8,000
162-220	Pumping Unit		\$23,000	\$23,000
162-225	Pump Engine		\$9,000	\$9,000
162-245	Sucker Rods, Bottom Hole Pump, & Other		\$9,000	\$9,000
	TOTAL TANGIBLE WELL COSTS	\$23,000	\$93,000	\$116,000
	TOTAL WELL COST	\$166,932	\$180,500	\$347,432

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams *Kent Sams*

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By: *R. K. Irani*
R. K. Irani, Sr. Vice-President

Approved By: _____

Title: _____

Date: 9/30/96

Date: _____

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- 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.

<p>3. Article Addressed to: Mr. Casey McManemin Republic Royalty Company 3738 Oak Lawn Avenue Suite 300 Dallas, TX 75219</p>	<p>4a. Article Number P 192 883 198</p> <p>4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD</p> <p>7. Date of Delivery NOV 27 1988</p>
<p>5. Received By: (Print Name)</p>	<p>8. Addressee's Address (Only if requested and fee is paid)</p>
<p>6. Signature (Addressee or Agent) X <i>Casey McManemin</i></p>	

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 192 883 198

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Mr. Casey McManemin		
Street and No.	Republic Royalty Company		
	3738 Oak Lawn Ave., Suite 800		
P.O. State and ZIP Code	Dallas, TX 75219		
Postage	\$	32	
Certified Fee		110	
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to whom and Date Delivered		110	
Return receipt showing to whom, Date, and Address of Delivery			
TOTAL Postage and Fees			142.00
Postmark or Date			NOV 27 1988

* U.S.G.P.O. 1984-446-014

PS Form 3800, Feb. 1982



ANDREWS ROYALTY, INC.

FAX TRANSMITTAL MEMO

Date: 11/4/96
To: Blaine Hiss
Company:
Fax Number: 505-623-4916
From: Kathy Conaway

Fax Number: (214) 691-3428
Phone Number: (214) 692-7052

No. of Pages (including this page): 5

MESSAGE:
1/4 Royalty - 2yr Lease - Bonus consideration of \$5000.
(which comes to approx \$300/ac)

BEFORE THE OIL CONSERVATION DIVISION
Case No. 11687 Exhibit No. 7
Submitted By: Nearburg Producing
Hearing Date: January 9, 1997

OIL AND GAS LEASE

THIS AGREEMENT is made the _____ day of _____, 19____, between ANDREWS ROYALTY, INC., (the "LESSOR", whether one or more, and _____, whose address is _____, (the "LESSEE"), as follows:

WITNESSETH

1. Lessor, in consideration of TEN DOLLARS and other valuable consideration, of the royalties herein provided, and of Lessee's agreements herein, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling for and producing oil, gas and other hydrocarbons, laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, the following described land in _____ County, _____.

For determining the amount of any payment hereinafter provided for, said land is estimated to comprise _____ acres, whether there be more or less. Each tract, if more than one shall be presumed to cover the number of acres shown for that tract.

2. Subject to the other provisions hereof, this lease shall be for a term to expire on _____ (the "primary term") and as long thereafter as oil or gas is produced in paying quantities from said land or from land pooled therewith, or for as long as the lease is kept in force under some other provisions hereof.

3. The royalties to be paid by Lessee are:

(a) On oil 1/4th of that produced and saved from said land, the same to be delivered monthly free and clear of costs and expenses to Lessor at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected.

(b) On gas, casinghead gas all their derivatives, elements, component parts, and marketable attributes, 1/4th of the market value at the place where the gas or the element involved is sold or utilized, payable monthly, provided, however that there shall be no deductions from the value of Lessor's royalty by reason of any processing, cost of dehydration, compression, transportation, or other matter to market such gas. If the gas or gas and condensate is discovered on said land, Lessee shall promptly notify Lessor of such discovery, and Lessor shall have the option to take in kind and separately market its said royalty share of all gas and condensate produced in lieu of receiving its stated fractions of market value of said products.

(c) While there is a gas well on this lease (classified as such by appropriate government authority) but gas is not being sold or used, and this lease is not then otherwise being held in force, Lessee may pay or tender as royalty to the owner of such royalty, at the addresses set out below, on or before thirty (30) days after the date on which such well is shut in, and annually thereafter, the sum of \$1,000.00 per well for each shut in gas well, and if such payment is made, it will be considered that gas is being produced within the meaning of paragraph 2 hereof, provided, that this lease may not be extended by payment of such annual shut in gas well payment in excess of two (2) annual periods.

4. Lessee may, at any time, execute and deliver to Lessor and place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

5. If prior to discovery of oil or gas on said land Lessee should drill a dry hole or dry holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty days thereafter or (if it be within the primary term), commences or resumes the payment or tender of rentals, on or before the rental paying date next ensuing after the expiration of three months from date of completion of dry hole or cessation of production. If at the expiration of the primary term oil or gas is not being produced on said land but Lessee is then engaged in drilling or reworking any well, this lease shall remain in force so long as such drilling or reworking is prosecuted continuously and with due diligence; and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land in paying quantities.

6. Lessee may at any time during the term of or within 6 months after the expiration of this lease, remove all property and fixtures, including casing placed by Lessee on said land

7. If the estate of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. No change in the ownership of the land or assignment of rentals or royalties shall be binding on Lessee until after Lessee has been furnished with a written transfer or assignment or a copy thereof.

8. After the discovery of oil, gas or other hydrocarbons in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder.

9. All expressed and implied covenants of this lease shall be subject to all otherwise applicable federal and state laws, executive orders, and rules or regulations, and this lease shall not be terminated in whole or in part nor Lessee held liable for damages for failure to comply therewith if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation.

10. The lease is granted without warranty of title, either express or implied, and covers only Lessor's present interest in said land. If Lessor owns an interest in said land less than the entire fee simple estate, the royalties, shut-in gas well royalty and rentals to be paid Lessor shall be reduced proportionately.

11. Lessee is hereby granted the right to consolidate or unitize this lease, the land covered by it or any part of parts thereof as to all strata or any stratum with any other contiguous land, lease, leases or part thereof as to all strata or any stratum for the production of oil or gas. Consolidation in one or more instances shall not exhaust the right of Lessee to consolidate this lease or portion of the oil and gas estate into other or different units. Units consolidated for oil hereunder shall not exceed forty acres plus a tolerance of ten percent thereof, and units consolidated for gas hereunder shall not exceed three hundred twenty acres plus a tolerance of ten percent thereof, provided that if any Federal or State law, Executive Order, Rule or Regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable in whole or in part on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designation in the county in which said land is located. Such units shall be designated before the commencement of wells. Drilling or reworking operations and production on any part of the consolidated acreage shall be treated for all purposes hereof as if such drilling or reworking operations were upon or such production were from the land described in this lease, whether the well or wells be located on the land covered by this lease or not. The entire acreage consolidated into a unit shall be treated for all purposes, except the payment of royalties on production from the consolidated unit, as if it were included in this lease. In lieu of the royalties herein provided, Lessor shall receive on production from a unit so consolidated only such portion of the royalty stipulated herein as the amount of its acreage placed in the unit, or his or its royalty interest therein, or an acreage basis, bears to the total acreage so consolidated in the particular unit involved. Provided, however, that if in any such consolidation less than all of the land covered hereby is included in a unit created pursuant to this paragraph, and if this lease as to the leased land lying outside the boundary of such unit is not otherwise maintained in force by some other provision hereof, then this lease will terminate as to all land not included in such consolidated unit, effective at the end of the primary term hereof.

12. Lessee agrees to furnish Lessor, free of charge, one legible copy of any and all well or lease data, information or reports concerning any well, proposed well or any transaction affecting the leased premises when such data, information or reports becomes available, including, but not limited to, acoustical, electrical, gamma ray, neutron, spectral or any other type log, drilling reports, completion reports, potential tests, drill stem tests, plugging and abandoning reports, drilling opinions, division order opinions, or any other title to said lands. All such data, information and reports shall, when available, be mailed to P.O. Box 7808, Dallas, Texas 75209.

13. As used herein the term "proration unit" means a tract as nearly in the form of a square as possible allocated by the appropriate governmental regulatory body to a well, which tract is of such size as to entitle the well to a full allowable. Anything herein to the contrary notwithstanding, this lease will terminate at the end of the primary term as to the following:

(a) Each proration unit on which a dry hole has been drilled, and each undrilled proration unit unless drilling operations are in the progress thereon, in which event the lease will remain in force as to such proration unit so long as such operations are prosecuted continuously and with due diligence; and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from such proration unit in paying quantities; and

(b) All depths located 100 feet below the deepest depth drilled on each producing proration unit.

14. See attached Rider "A" executed by Lessor and incorporated herein for additional provisions A through D.

ANDREWS ROYALTY, INC.

Lloyd W. Powell, Jr., President

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me this _____ day of _____, 19____, by Lloyd
W. Powell, Jr., President of ANDREWS ROYALTY, INC., a Texas Corporation on behalf of said corporation.

Notary Public in and for the State of Texas

RIDER "A"

ADDITIONAL LEASE PROVISIONS

A. Notwithstanding anything to the contract contained in paragraph 3(b) of this Agreement, the gas royalty to be paid or delivered by Lessee to Lessor, Lessor's successors and assigns, is as follows:

- (1) On all gas (including casinghead gas and other gaseous substances) produced from the leased premises or lands pooled therewith and sold or used (for other than production operations hereunder) for which no royalty is otherwise specified herein, and on all gas flared or vented to the atmosphere for any purpose other than testing or potentiating for which a pipeline connection exists on said land or within a reasonable distance therefrom, Lessor shall be paid as royalty one-fourth (1/4th) of the market value (as "market value" is herein after defined) at the well of all such gas so sold or used; however, such market value shall not be less than the full amount received by Lessee either directly or indirectly for such gas.
- (2) If gas (which term "gas" includes casinghead gas and all other gaseous substances produced under the terms hereof) produced from the leased premises or lands pooled therewith is processed in a plant or plants (as hereinafter defined) owned in whole or in part by Lessee or by any subsidiary or affiliate of Lessee, or in which Lessee owns any interest of any kind, directly or indirectly (and ownership by Lessee or any subsidiary or affiliate of more than ten percent (10%) of the outstanding stock of any entity owning or operating any such plant shall be considered as owning an interest in part), or plant owned by a company in which Lessee is a subsidiary or affiliate (all hereinafter for convenience referred to as "subsidiary or affiliate of Lessee"), for the recovery of liquid or liquefiable hydrocarbons or other products therefrom, Lessor shall have and be entitled to a royalty of one-fourth (1/4th) of all such products of whatever nature, derived from or attributable to gas produced from the leased premises, or lands pooled therewith, the same to be delivered free of all costs, at Lessor's election, either at the plant or plants or to the credit of Lessor into the pipelines to which the plant or plants may be connected; and in addition thereto, Lessor shall be paid as royalty, the market value of one-fourth (1/4th) of all residue gas derived from or attributable to the leased premises, or lands pooled therewith, and sold or used, which residue gas is understood to be the gas at the outlet side of the plant or plants after the same has been processed for the extraction of the liquid or liquids therefrom. It is provided and agreed that, as used in this Agreement and for all purposes hereof, the term "plant" shall mean an absorption plant, extraction or recycling plant, or any other plant of plants.
- (3) If the residue gas, as defined above, or gas which has passed through a hydrocarbon liquid extraction devise or low temperature extraction unit (herein sometimes called "Liquid Extraction Unit"), separator system or other facility and not further processed, shall be used by or sold to any subsidiary or affiliate of Lessee, or any person or company of which Lessee is a subsidiary or affiliate, as above defined, then Lessor's royalty on such gas so sold or used shall be one-fourth (1/4th) of the market value thereof, but in no event less than one-fourth (1/4th) of the full amount realized by Lessee, either directly or indirectly, for the sale of such gas.
- (4) If Lessee enters into a bona fide contract or arrangement with any person, firm, corporation, or any other entity in which Lessee owns no interest of any kind, in whole or in part, as defined above, either directly or indirectly, and in which no interest is owned by a subsidiary or affiliate, for the sale or delivery of gas from the leased premises or lands pooled therewith for processing in a plant or plants for the extraction, absorption, separation or recovery of liquids and/or liquefiable hydrocarbons therefrom, Lessor shall have and be entitled to a royalty of one-fourth (1/4th) of all products, monies, and other things of value of any kind and character, received by Lessee, or to which Lessee is entitled under such contract or arrangement, for the liquid and liquefiable hydrocarbons so recovered and all residue gas attributable to the leased premises or lands pooled therewith.
- (5) For the purpose of computing Lessor's royalty on gas under Subparagraphs (1), (2), (3) and (4) immediately above, "market value" is defined as being the highest price reasonably attainable for the quantity of gas available for sale, through good faith negotiations for gas produced from the leased premises or land pooled therewith (or for residue gas as above defined) at the place where such gas is available for sale on the date of such sale.

B. Notwithstanding anything to the contrary contained in this Agreement, if Lessee enters in to a contract or agreement with any third party, or with any subsidiary or affiliate of Lessee, or with any entity in which Lessee owns any interest of any kind, directly or indirectly, for the sale or marketing of oil or condensate produced from the leased premises or lands pooled therewith, which contract provides for the payment of

money or any other thing of value, whether by way of a Disbursement fee, Bonus, or Premium, or otherwise, for so selling and/or marketing said oil or condensate, Lessor shall receive one-fourth (1/4th) of any such payments of money or other things of value received by Lessee as a result of such third party's, subsidiary's, affiliate's, or interested party's purchasing and/or marketing of said oil or condensate produced from the leased premises, or lands, pooled therewith.

RIDER "A"

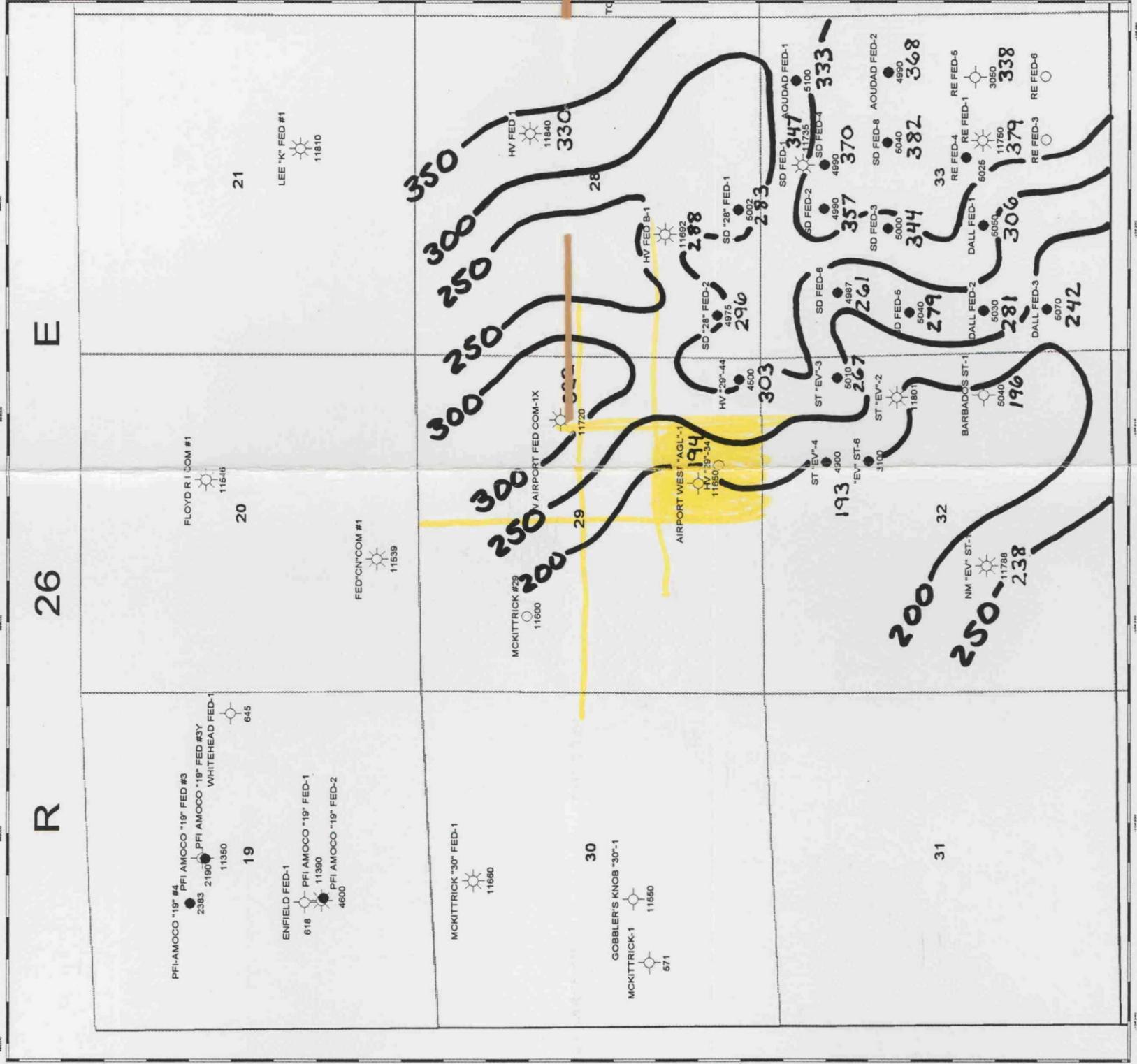
PAGE 1

C. Notwithstanding anything to the contrary contained in this Agreement, Lessor's royalty shall never bear, either directly or indirectly, any costs whatsoever, except its attributable share of taxes. All royalties that may become due hereunder shall be paid to Lessor promptly after the sale of such production and in no event later than the periods of time allowed under the Natural Resources Code of the State of Texas, as amended from time to time, for the payment of proceeds of production. Lessor shall have the right at all reasonable times, personally or by representative, to inspect the books, accounts, contracts, records and data of Lessee pertaining to the development, production, saving, transportation, sale and marketing of the oil and/or from the leased premises, or lands pooled therewith, including, but not limited to, copies of gas metering charts and oil run tickets, and shall be furnished a copy of any such information upon requesting same in writing.

D. Notwithstanding anything to the contrary contained in this Agreement, if production is obtained by Lessee hereunder, Lessee agrees, at its sole cost and expense, to care for, preserve, compress, dehydrate, deliquify, desulphurize, separate, treat, transport, or otherwise make or render the product or products marketable, and transport Lessor's part of such production from the reservoir to the pipeline provided by the purchasers thereof ("point of sale") in the same manner as Lessee cares for, preserves, compresses, dehydrates, deliquifies, desulphurizes, separates, treats, transports, or otherwise makes or renders the product or products marketable, its part of said production, at all times utilizing and following its best practices as recognized in the industry for all of such purposes; and if Lessee is the purchaser of said production, Lessee will furnish Lessor a monthly statement reflecting the delivery of all such production and the price for which Lessee's portion thereof was sold.

ANDREWS ROYALTY, INC.

Lloyd W. Powell, Jr., President



BEFORE THE
 OIL CONSERVATION DIVISION
 Case No. 11687 Exhibit No. 9
 Submitted By:
 Nearburg Producing
 Hearing Date: January 9, 1997

ISOPACH: MANZANITO TO THREE AMIGOS

Task of Principal Mr. [Signature]

LOUIS DREYFUS NATURAL GAS	
NMOCD CASE 11687	
SW/4 SE/4 Section 29-T22S-R26E - Happy	
Eddy County, New Mexico	
C.W. Stephenson	1" = 200'
	Scale 1:24000
	1/7/97

LOUIS DREYFUS NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 29-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ^{4,500}~~2,500~~' Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
151-102	Location & Roads, Including Damages	\$10,000		\$10,000
151-110	Moving Rig			\$0
151-111	Drilling: 4,500 ft. @ \$13.65	\$61,500		\$61,500
151-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
151-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
151-114	Drilling Bits	\$500		\$500
151-115	Drilling Water & Fuel, Including Lines	\$6,000	\$3,000	\$9,000
151-118	Drilling Mud, Additives, Mud Oil, Etc.	\$6,000		\$6,000
151-132	Drilling and Completion Insurance	\$350		\$350
151-133	Environmental Protection			\$0
151-180	Safety			\$0
151-126	Open Hole Logging	\$13,000		\$13,000
151-152	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
151-153	Open Hole Testing/Coring Rotary SWC's	\$5,000		\$5,000
151-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
151-122	Welding	\$1,000	\$1,000	\$2,000
151-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
151-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
151-160	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
151-164	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
151-165	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
151-166	CO2/Nitrogen			\$0
151-168	Non-Retrievable Equipment			\$0
151-125	Roustabout Labor & Services		\$2,000	\$2,000
151-127	Casing Crews & Service			\$0
151-161	Frac Pit, Liner, Water, & Disposal		\$5,000	\$5,000
151-128	Surface Casing Cementing	\$4,000		\$4,000
151-129	Intermediate Casing Cementing	\$7,000		\$7,000
151-130	Production Casing Cementing		\$13,000	\$13,000
151-131	Liner Cementing			\$0
151-172	Cementing Hardware	\$750	\$500	\$1,250
151-173	Other Cementing Related Services			\$0
151-150	Administrative Overhead	\$2,100	\$1,500	\$3,600
151-151	Supervision, Including Consulting	\$4,500	\$2,500	\$7,000
151-103	Legal & Land Services	\$5,000	\$1,000	\$6,000
	TOTAL INTANGIBLE WELL COST	\$143,932	\$87,500	\$231,432
	TANGIBLE WELL COST			
	Casing Amt. Size Cost/Ft			
152-235	Surface 350 ft. 13-3/8" \$18.00	\$6,500		\$6,500
152-236	Intermediate 1,650 ft. 8 5/8" \$8.00	\$13,500		\$13,500
152-237	Production 3,400 ft. 5 1/2" \$5.45		\$18,600	\$18,600
152-238	Liner ft. 3 1/2" \$0		\$0	\$0
152-240	Tubing 3,350 ft. 2-7/8" \$3.10		\$10,400	\$10,400
152-260	Wellhead Equipment	\$3,000	\$3,000	\$6,000
152-250	Retrievable Equipment		\$2,000	\$2,000
152-211	Flowlines & Connections		\$10,000	\$10,000
152-215	Storage Tanks & Separation Equipment		\$8,000	\$8,000
152-220	Pumping Unit		\$23,000	\$23,000
152-225	Pump Engine		\$9,000	\$9,000
152-245	Sucker Rods, Bottom Hole Pump, & Other		\$9,000	\$9,000
	TOTAL TANGIBLE WELL COSTS	\$23,000	\$93,000	\$116,000
	TOTAL WELL COST	\$166,932	\$180,500	\$347,432

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By:

R. K. Irani, Sr. Vice-President

Approved By: _____

Title: _____

Date: _____

Date: 9/30/96

BEFORE THE

OIL CONSERVATION DIVISION

Case No. 11687 Exhibit No. 10

Submitted By:

Nearburg Producing

Hearing Date: January 9, 1997

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

December 18, 1996

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:

*Re: Application of Louis Dreyfus Natural Gas Corp.
for Compulsory Pooling, Eddy County, New Mexico*

On behalf of Louis Dreyfus Natural Gas Corp., please find enclosed our application for an compulsory pooling for its Happy Valley "29" Well No. 34 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for January 9, 1997. The hearing will be held at the Division hearing room located in Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, January 3, 1997, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

1. Article Addressed to: John A. Matthews, Jr.
 P.O. Box 176
 Abilene, TX 79604
 Attn: Linda Buckner

5. Received By: (Print Name) MEL HOLT
 6. Signature: (Addressee or Agent) MEL HOLT

PS Form 3811, December 1994
 Domestic Return Receipt

Thank you for using Return Receipt Service.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number P 551 0Y3 163
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery DEC 24 1996
 8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name) MEL HOLT
 6. Signature: (Addressee or Agent) MEL HOLT

PS Form 3811, December 1994
 Domestic Return Receipt

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PS Form 3811, December 1994
 Domestic Return Receipt

Thank you for using Return Receipt Service.

SE Louis Dryfus
 12/18/96

SE Louis Dryfus
 12/18/96

Thank you for using Return Receipt Service.

odge Jones Foundation
 O. Box 176
 Abilene, TX 79604
 Attn: Linda Buckner

Republic Royalty Company
 373B Oak Lawn Ave
 Suite 300
 Dallas, TX 75219
 Attn: Casey McManemin

Thank you for using Return Receipt Service.

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SENF Louis Dryfus
 12/18/96

3. Article Addressed to:

MATT-TEX, L.L.P.
 P.O. Box 176
 Abilene, TX 79604
 Attn: Linda Buckner

5. Received By: (Print Name)
MEL HOLT

6. Signature: (Address or Agent)
MEL HOLT

PS Form 3811, December 1994

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number
 4b. Service Type
 Registered
 Express Mail
 Return Receipt for Merchandise
 COD
 Date of Delivery
DEC 24 1996

Thank you for using Return Receipt Service.

Domestic Return Receipt

Comp
 Comp
 Print
 card
 Attach
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 Write
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SENF Louis Dryfus
 12/18/96

3. Article Addressed to:

Andrews Royalty, Inc.
 P.O. Box 7808
 Dallas, TX 75209-0808
 Attn: Kathy Conaway

5. Received By: (Print Name)
30

6. Signature: (Address or Agent)
Kathy Conaway

PS Form 3811, December 1994

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number
 4b. Service Type
 Registered
 Express Mail
 Return Receipt for Merchandise
 COD
 Date of Delivery
DEC 24 1996

Thank you for using Return Receipt Service.

Domestic Return Receipt

Louis Dryfus
 12/18/96

Attach this form to the front of the mailpiece, or on the back if space does not permit, to the Erma Lowe Trust for the Erma Lowe Trust for Clayton Lowe Yost, Marson R. Yost and Samantha Adelaide Yost c/o Maralo, Inc. 5151 San Felipe Suite 400 Houston, TX 77056-3607 Attn: Joe Pulido

6. Signature: (Address or Agent)
Joe Pulido

PS Form 3811, December 1994

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

4a. Article Number
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