

GENERAL OFFICES  
120 BROADWAY NEW YORK



**AMERADA PETROLEUM CORPORATION**

BEACON BUILDING  
P. O. BOX 2040

**TULSA 2, OKLA.**

September 30, 1955

Mr. J. C. Williamson  
Box 1445  
Midland, Texas

Re: Farmout, Lea County, New Mexico  
Our File NM-1091

Dear Sir:

This letter sets out the terms and conditions under which we are willing to assign to you our interest in the following described lease:

Dated November 7, 1945; recorded Book 60, page  
334, Lea County, New Mexico; Boon Hardin et al,  
lessors;

insofar as such lease covers the following described land in Lea County, New Mexico:

North Half of the Northeast Quarter (N/2 NE/4)  
Section 24, Township 17 South, Range 36 East.

In consideration of this agreement on our part you agree, at your sole risk, cost and expense, to begin the actual drilling of a well on or before 30 days from the date of your acceptance of this letter at a location of your choosing on the above described land, to drill such well with due diligence to a depth of 12,500 feet or to conclusive fluid in the Devonian, whichever is the lesser, and to complete such well within 100 days from the date of commencement.

To complete a well means that such well shall be equipped and put to producing, if capable, or shall be plugged in compliance with all applicable laws and regulations, if a dry hole. Your failure either to commence said well or to prosecute such drilling or to complete said well, as herein provided, shall terminate this agreement and all your rights and privileges hereunder.

Our representative shall have the freedom of the derrick floor at all times.

**ILLEGIBLE**

9-30-55  
Mr. J. C. Williamson  
Box 1445  
Midland, Texas

You shall notify our geologist, John A. Veeder, P. O. Box 591, Midland, Texas, at least three days in advance of the date upon which actual operations shall commence. You shall also notify our geologist, in sufficient time to permit us to have a representative present, of your intention to take a core, to make a drill stem test or any other type test and to make a steel line measurement to the total depth drilled. You agree to promptly furnish to our geologist daily drilling reports and all information in connection with or obtained from the drilling of the well, including surveys of the hole of any character, representative cuts of all cores and samples of all formations drilled. All formations in which there may be showings of oil or gas shall be thoroughly tested and, upon our request, you shall make such tests of any other formations encountered as a prudent operator would make. Unless waived by us in writing, our geologist shall be furnished a copy of an electrical log of the well, from the bottom of the surface casing to its total depth, and upon completion of the well, a certified copy of the complete log and, if a dry hole, a certified copy of the official plugging record, all in such numbers of copies as our geologist may request.

Prior to abandonment we may, at our risk and expense, including payment to you for shutdown time, lower a geophone in the hole and make seismographic observations around it, or make any other type of special survey.

Upon your completion of the well as herein provided, we shall execute and deliver to you an assignment of the lease to the land as above agreed. Such assignment shall be made without warranty of title, express or implied. We shall have no obligation to furnish title information, other than such as may be in our files, or to perform any curative work.

In our assignment to you we shall except and reserve to ourselves, as an overriding royalty,  $1/8$ th of  $8/8$ ths of all oil, gas and other hydrocarbons produced and saved, free and clear of all costs and expenses except production or severance taxes, under the above described leases or any extensions or renewals thereof. In the event the above described lease covers less than a full mineral interest, this overriding royalty shall be proportionately reduced.

As to the well you are required to drill under this agreement or any subsequent well you may drill on the above described land under the above described lease or any extensions or renewals thereof, you will with respect to each such well give us written notice when you have recovered out of production from such well, after payment of the landowner's one-eighth royalty, our above reserved overriding royalty, gross production taxes and direct operating expenses (no overhead charges), the cost of drilling, completing and equipping that well or the sum of \$250,000.00, whichever is lesser. We may then, at our option, to be exercised within 30 days after receipt of such notice, assign to you our overriding royalty as to that well and the acreage

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Box 1445  
Midland, Texas

attributable thereto by any drilling pattern or spacing order and in consideration therefor you will assign to us a 1/4th of 7/8ths working interest in such well under the above described lease as to the acreage attributable thereto by any drilling pattern or spacing order, and we shall thereafter share in the costs and income from such well and the attributable acreage as joint working interest owners.

In the event you drill more than one well on the above described land you will not be required to set separate tarrage in order to make the computations necessitated by the preceding paragraph; credit for production will be allocated to each well in the proportion that the allowable of such well bears to the total allowable for the above described land. If all or some portion of the above land is included with other land in a unit established for spacing or proration purposes, our reserved overriding royalty shall be paid on the basis of the total production of the unit well or wells, rather than on just that proportion of the unit production allocated to the above described land or some portion thereof.

You are to comply with all obligations under said lease affecting the premises to be assigned to you and are to hold Amerada harmless from all claims for breach thereof. You are also to carry public liability, employer's liability and workmen's compensation insurance in amounts sufficient to protect the parties hereto, or, at Amerada's election, in such amounts as Amerada may require, and are to hold Amerada harmless from all claims for personal injury and property damage arising in connection with your operations hereunder.

It is understood that time shall be the essence of this agreement and that no provision hereof shall be modified or waived except in writing. This agreement shall not be assigned by you in whole or in part without our written consent.

Upon acceptance by you by signing in the space below and returning one signed copy of this letter to us within ten (10) days, this shall be a binding contract between us and shall inure to the benefit of and be binding upon the heirs, successors and assigns of each of us.

Very truly yours,

AMERADA PETROLEUM CORPORATION

By   
J. E. Lynch

JEL:MT  
Mc

ACCEPTED this 27th day of  
October, 1955:

  
J. C. Williamson

**ILLEGIBLE**

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

December 30, 1955

Mr. Jason Kellahin  
P.O. Box 597  
Santa Fe, New Mexico

Dear Sir:

In behalf of your client, J. C. Williamson, we enclose two copies of Order R-735 issued December 14, 1955, by the Oil Conservation Commission in Case 981, which was heard on November 21st.

Very truly yours,

W. B. Macey  
Secretary - Director

WBM:brp  
Encls.

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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 18, 1955

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Y

Mr. Clarence Hinkle  
P.O. Box 614  
Roswell, New Mexico

Dear Sir:

Enclosed please find a copy of the application of J. C. Williamson in Case 981 for a non-standard proration unit in the South Knowles-Devonian Oil Pool. This case is set for hearing on November 21st.

Very truly yours,

W. B. Macey  
Secretary - Director

WBM:brp  
Encl.