

HAND DELIVER TO

Jeff Taylor at the Oil
Commission

FIFTH JUDICIAL DISTRICT

COUNTY OF LEA

STATE OF NEW MEXICO

No. CV 85-407

ROBERT M. EDSEL and JAMES H.
EDSEL,

Plaintiffs,

vs.

UNION TEXAS PETROLEUM
CORPORATION,

Defendant,

and

WILTON E. SCOTT, FRANK M.
LATE, LORADEAN A. SCOTT,
LOIS A. BURDICK, and
MAXINE WITCHER,

Plaintiffs in
Intervention,

vs.

UNION TEXAS PETROLEUM
CORPORATION, APC OPERATING
PARTNERSHIP, APACHE CORPORATION,

Defendants in
Intervention.



Judge Johnson

393-6101

Chris

FIRST AMENDED COMPLAINT
IN INTERVENTION FOR
DAMAGES AND OTHER RELIEF

COME NOW Wilton E. Scott, Frank M. Late, Loradean A. Scott, Lois A. Burdick, and Maxine Witcher, by their undersigned counsel, and for their Amended Complaint in Intervention state:

General Statement of Facts

1. Wilton E. Scott, Frank M. Late, and Loradean A. Scott are residents of Texas.

2. Lois A. Burdick and Maxine Witcher are residents of California.

3. Wilton E. Scott and Frank M. Late are owners of working interests in an oil and gas well located in Lea County, New Mexico and known as the Scott No. 1 Well (hereafter the Scott Well) in the following percentages:

a. Wilton E. Scott - 16.66667% of 81.25% (Net Revenue Interest).

b. Frank M. Late - 8.33333% of 81.25% (Net Revenue Interest).

4. Loradean A. Scott, Lois A. Burdick, and Maxine Witcher are lessors of certain lands for which they are entitled to and receive a three-sixteenths (3/16) royalty interest in the Scott Well.

5. Enstar Petroleum, Inc. (hereafter Enstar) is the entity with whom Plaintiffs originally contracted to operate the Scott Well. Union Texas Petroleum Corporation (hereafter Union Texas) merged with Enstar on or about October 10, 1984 and acquired its 25.78125% working interest in the Scott Well.

6. APC Operating Partnership (hereafter APC) is, upon information and belief, a Texas limited partnership, doing business in New Mexico.

7. Apache Corporation (hereafter Apache) is, upon information and belief, a Delaware Corporation, doing business in

WPK
WPK

XV +
admit

admit
undercover
state data
from 17 28
Edual
Reany
recomp

WPK

WPK

New Mexico, and is the general partner of APC Operating Partnership.

8. On or about December 6, 1982 Plaintiffs in Intervention Wilton E. Scott and Frank M. Late entered into a Farmout Agreement with Plaintiff Robert M. Edsel, a true and correct copy of which is attached hereto and incorporated herein as Exhibit A, (hereafter the Farmout Agreement), by which Edsel acquired the operating rights to the prospect, pursuant to the terms of the Farmout Agreement.

9. R.M. Edsel and other non-operators, who are the Plaintiffs herein, contracted with Enstar to operate the prospect on May 23, 1983 pursuant to the agreement attached to the Complaint in the main action herein as Exhibit A and incorporated herein (the "Operating Agreement"), as amended by a Letter Agreement also dated as of May 23, 1983, which is attached to Exhibit A of said Complaint and is also incorporated herein. Said agreement was at all relevant times subject to the terms and conditions of the Farmout Agreement.

10. Among other representations in the Operating Agreement, Enstar agreed to "conduct all such operations in a good and workmanlike manner" but sought to limit its liability "except such as may result from gross negligence or willful misconduct." (Operating Agreement, p. 3.) Enstar further agreed that it "may be removed if it fails or refuses to carry out its duties." (Operating Agreement, p. 4.)

11. The Scott Well was drilled and completed in June and July of 1983 and began producing in September 1983 at approximately 300 barrels of oil per day. It declined soon thereafter to

respond by stating 9. Agreement speaks for itself

about undersized material - long narrow

90 barrels a day. [After repeated requests to acidize] the Scott Well, Enstar finally ~~did so~~ ^{acidized} and the Scott Well again began producing at the rate of 300 barrels a day.

12. Production remained at that level through ^{June} August 1984. At ~~that time~~ ^{In July}, small amounts of water appeared. Production began to decline, ~~gradually at first and then precipitously~~. By September, production of oil had decreased to 200 barrels daily and water had increased to 120 barrels per day.

13. Individuals associated with Enstar were contacted in order to run a production test. Although formally requested to do so on or about September 11, 1984, Enstar failed and refused to run this test at that time, nor did Enstar take any other steps which prudence dictated to preserve production at previous levels.

14. Concurrently with this failure to conduct the necessary production test, Enstar, on information and belief, ceased and refused to furnish daily production reports, although required to do so under the Operating Agreement. Enstar thereby withheld information necessary for the working interest owners to know the consequences of Enstar's, and later Union Texas' actions.

15. On information and belief, at and before this time, Enstar was negotiating the sale of its assets to Union Texas and in fact completed this transaction on or about October 10, 1984.

16. During the pendency of these negotiations and into the fall of 1984, Enstar failed and refused to conduct necessary tests on the Scott Well requested by certain non-operator owners.

amount w/ corrections noted

amount underscored state when test run. deny remainder

deny

see answer to TP 5 supra

deny

*see answer to P 5
re corporate structure of UTD - Enstar
admit under cover*

17. On or about October 10, 1984, Defendant Union Texas merged with Enstar. Union Texas then contacted certain Plaintiffs in the main action and informed them that the Scott Well had "loaded up and died", thereby precluding an effective production test and other measures necessary to restore the Scott Well to full production. Defendant also improperly located a pump in the Scott Well and refused to relocate it, despite the said Plaintiffs' request to do so.

deny remainder

18. Despite repeated demands since that date, Union Texas has failed and refused to produce to the Plaintiffs in the main action, for the benefit of those Plaintiffs and the Plaintiffs herein, information concerning the Scott Well which it is required to produce under the Operating Agreement. Further, Union Texas has failed and refused to take measures necessary to protect the production of the Scott Well which is now and has been producing at a level greatly reduced by Union Texas' wrongful actions.

deny

19. By letter dated February 14, 1985, a true and correct copy of which is attached as Exhibit B to the main Complaint, Union Texas was removed as operator of the Scott Well effective February 20, 1985 by affirmative vote of the Plaintiffs in the main action and other non-operators, pursuant to the Operating Agreement. Union Texas has failed and refused to resign as operator.

deny →

admit under cover

COUNT I

20. Pursuant to the Farmout Agreement, Robert M. Edsel obligated himself:

". . . to conduct a continuous drilling program such that not more than 120 days shall elapse between the completion of one well (as a producer or as a dry hole) and the commencement of drilling operations for the next well. Your failure to meet such continuous drilling obligation shall constitute the termination of this agreement and you agree to immediately reassign to us all acreage not contained within a producing proration or spacing unit and further all depths below 50 feet below the deepest depth drilled with respect to each of said producing proration units." (Page 2)

Farmout speaks for itself

*- See answer to IP 5
- state UTD speaks for itself
- deny reassignment*

21. Said obligation was assumed by Union Texas pursuant to its purchase of Enstar.

22. The last well "completed" under the Farmout Agreement was completed on or before February 15, 1985.

23. Pursuant to the Farmout Agreement commencement of drilling operations had to occur on or before June 15, 1985 to avoid reassignment.

24. At all times prior to June 15, 1985, upon the information and belief of Plaintiffs in Intervention, the Scott Well was within a 40 acre proration unit, comprised of the NW/4 of the SW/4 of Section 1-T15S, R36E.

25. At all material times prior to June 15, 1985, Defendant APC and its general partner, Apache were the operators of the Gilliam #1 Well, which well was within a 40 acre proration unit comprised of the NE/4 of the SE/4 of Section 2 T15S, R36E, and was not a part of or subject to the terms of the Farmout

*N admit
agreement speaks for itself
WOK
state well had 40 dedicated to it.
XV admit*

Agreement. Union Texas owned, at all material times, a fifty percent interest in said Gilliam #1 Well.

26. The operators of the Gilliam #1 Well were at no time subject to continuous drilling requirements as were the operators of the Scott Well, as described in the Farmout Agreement.

27. In the 120 days prior to June 15, 1985 neither Union Texas nor Robert M. Edsel contemplated any additional drilling to fulfill the requirements of the Farmout Agreement.

28. Sometime prior to June 15, 1985 the previous operator under the Farmout Agreement, Robert M. Edsel, Inc. attempted to establish 80 acre spacing in the Wolfcamp formation in said Section 1 in Oil Conservation Division Case No. 8070. The attorney for Edsel in said case was W. Thomas Kellahin of Santa Fe, New Mexico.

29. Plaintiff in Intervention Wilton E. Scott opposed 80-acre spacing at that time, a fact well known to attorney Kellahin.

30. At all material times both the Gilliam #1 and Scott Wells were economical operations on 40 acre spacing.

31. Prior to May 1985, Union Texas determined that it could cut off any further drilling by Plaintiff in Intervention Wilton E. Scott on the SW/4 of the SW/4 of Section 1 upon reassignment, by obtaining an order for 80 acre spacing in the Wolfcamp formation in said Section 1, and other lands.

32. Union Texas, at all times, knew or had reason to believe, that it had no economic or geological basis for such a

w/o K / admit (?)
→

no - no.
plans to drill
no reworking
w/o K as to
Edsel

w/o K - deny

admit

deny

deny

request and could not withstand a challenge of said spacing request from Scott or any other interested party.

33. Union Texas also knew or had reason to believe that Plaintiff in Intervention Scott was watching for any such request to be made by Union Texas.

34. Union Texas therefore conspired with APC Operating Partnership and Apache Corporation, or alternatively appointed them it's agents to make application for 80 acre spacing, in the name of APC Operating Partnership, for the E/2 of the SE/4 of Section 2 and the W/2 of the SW 1/4 of Section 1, T15S, R36E, with the Oil Conservation Division of New Mexico.

35. In furtherance of said conspiracy APC and Apache filed said application and neither they nor Union Texas gave any notice of any kind to Plaintiffs in Intervention or any other interest owners in the Scott Well of said application even though the attorney for APC, Thomas Kellahin, knew full well Plaintiff in Intervention Scott's opposition to said application, and Union Texas knew full well that the property rights of Plaintiffs in Intervention would be seriously affected by the said application.

36. At the hearing on the said application, denominated as case no. 8595, APC and Apache as co-conspirators with Union Texas, or as agents of Union Taxes, knowingly presented false and perjurious testimony to the hearing officer of the Oil Conservation Division in order to gain approval of the said application.

37. Thereafter, APC and Apache as co-conspirators with and/or agents of Union Texas, and with the knowledge and consent of Union Texas, persuaded the hearing officer of the Oil

deny

*deny conspiracy
deny reasons*

*admit application filed
deny reasons*

*deny conspiracy
SPOK of what witness may or may not have known*

*Drop order
admit order
deny remainder*

Conservation Division to enter his order in Case No. 8595, retro-
active as of June 1, 1985, even though the actual order was not
entered until July 12, 1985.

deny

38. Said request was without basis in law, was
improper and was intended solely to deprive Plaintiffs in Inter-
vention of their reassignment rights under the Farmout Agreement,
and their right to drill on the SW/4 of the SW/4 of Section 1.

WOK - deny

39. There existed at no relevant time any proper,
practical or economical reason why APC should require 80 acre
spacing rather than the 40 acre existing spacing.

WOK deny

40. It was and is the opinion of Plaintiff in Inter-
vention Wilton Scott that the southern boundary of the Wolfcamp
reef, from which both the Gilliam #1 and Scott Wells produce, had
not been limited and could in fact extend into the SW/4 of the
SW/4 of said Section 1 and into the NW/4 of Section 12.

*WOK as to
when discovered
state notice
given in court
WOK*

41. At no time prior to the coincidental discovery by
Wilton Scott, on or about July 17, 1985, did any of the Plaintiffs
in Intervention nor any other interest holders in the Scott Well
have any actual knowledge of the application, hearing or order.

*WOK
deny*

42. In committing the acts alleged herein, APC and
Apache not only assisted Union Texas in its designs against the
Plaintiffs in Intervention, but also improperly advanced their own
interests since the Gilliam #1 Well is closer to the SW/4 of the
SW/4 of Section 1 than the Scott Well, and would therefore be
affected by the drilling contemplated by Plaintiff in Intervention
Scott.

43. Although Plaintiff in Intervention Scott has demanded reassignment of the leases pursuant to the Farmout Agreement, the interest owners have refused to do so on the basis that the Scott Well was subject to 80 acre spacing pursuant to the order entered in case no. 8595, referred to above.

44. Defendants have made the representations of untrue fact as alleged in paragraph 36 hereof knowing said representations to be false or making them recklessly, with the intent to deceive and induce reliance and did, in fact, induce reliance to the damage of the Plaintiffs in Intervention.

45. The Defendants, by their conduct as complained of herein acted fraudulently, and with constructive fraud, negligently, and with gross negligence, breached their fiduciary duty and duty of fair dealing to the Plaintiffs in Intervention and damaged their correlative rights.

46. As a proximate result of the actions of Defendants, Plaintiffs in Intervention have been delayed in drilling, thus risking the loss of important leases and have been prevented from drilling a prospect which Plaintiffs in Intervention have reason to believe is a producing location, all to their damage in the amount of 8 million dollars.

47. Defendants have acted intentionally, willfully, wantonly and in reckless disregard of the rights of Plaintiffs in Intervention.

48. Plaintiffs in Intervention are entitled to punitive damages in the amount of 8 million dollars.

w/p K

w/p K

deny - state who has acted as a prudent operator.

w/p K - of what Scotts believe deny act

deny

COUNT II

49. Plaintiffs in Intervention incorporate herein by reference all previous paragraphs of the General Statement of Facts and Count I.

50. Union Texas and its predecessor Enstar contracted to operate the Scott Well in a good and workmanlike manner, as well as to provide certain information to Plaintiffs in the main action for the benefit of those Plaintiffs and the Plaintiffs herein on a regular and periodic basis, but failed to do so. Further, Union Texas' and Enstar's actions alleged herein were taken in reckless disregard of all Plaintiffs' rights and constitute gross negligence. As such, the actions of Union Texas and its predecessor Enstar alleged herein constitute breaches of its contract with Plaintiffs herein, and breaches of express and implied warranties extending to Plaintiffs herein.

51. Union Texas and its predecessor Enstar failed reasonably to preserve and develop production on the Scott Well and to perform its other duties and obligations as operator of the Scott Well. The actions of Union Texas and its predecessor Enstar alleged herein violate its duty to operate the Scott Well prudently, violate its fiduciary duty to Plaintiffs herein and violate its duty of fair dealing with Plaintiffs herein.

52. Union Texas and its predecessor Enstar acted in reckless disregard of the rights of Plaintiffs herein in the Scott Well, deliberately and knowingly taking actions which harmed said Plaintiffs' interests and failing to take those actions necessary to protect those interests. The actions of Union Texas and its

predecessor Enstar as alleged herein constitute gross negligence and willful misconduct.

DAMAGES

53. As a direct and proximate result of the above described conduct by Defendants, Plaintiffs in Intervention herein have been damaged in an amount not less than \$8,800,000.00.

54. Further, as a proximate result of Defendants' actions as alleged herein, Plaintiffs in Intervention herein have been required to obtain the services of the undersigned legal counsel to represent their interest in bringing and prosecuting this action. Plaintiffs in Intervention herein are entitled to recovery of their reasonable attorney's fees for the filing, trial and possible appeal of this action.

55. Further, as a result of Defendants' willful, wanton misconduct and disregard of these Plaintiffs' rights, of Defendants' fraudulent actions as alleged herein, and Defendants' breach of its duty of fair dealing and fiduciary duty to these Plaintiffs, Plaintiffs in Intervention are entitled to punitive damages of not less than \$9,000,000.00.

OTHER RELIEF

56. The actions of Union Texas and its predecessor Enstar alleged herein warrant the imposition of a constructive trust on all profits derived from the Scott Well and Union Texas profits derived from the Gilliam Well, in favor of the working interest owners of the Scott Well.

57. Plaintiffs in Intervention herein are entitled to an accounting by Union Texas for all expenses and revenues from the Scott Well.

WHEREFORE, Plaintiffs herein pray that:

a. Union Texas render an accounting for all expenses and revenues from the Scott Well;

b. All profits derived from the Scott Well be placed in trust for the working interest owners of the Scott Well;

c. Actual damages be awarded to Plaintiffs in Intervention in an amount to be proved at trial but in no event less than \$8,800,000.00;

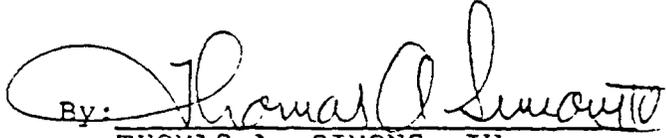
d. Punitive damages be awarded to Plaintiffs in Intervention in an amount of no less than \$9,000,000.00 for the wanton, wrongful, willful and malicious misconduct of Defendant;

e. Pre-judgment interest at the highest legal rate on all past due sums;

f. Post-judgment interest at the highest legal rate from judgment until paid; and

g. Such other relief as this Court finds appropriate be awarded to Plaintiffs in Intervention, including the award of attorneys' fees and costs.

SIMONS, CUDDY & FRIEDMAN

By: 

THOMAS A. SIMONS, IV
444 Galisteo - Suite B
Santa Fe, New Mexico 87501
(505) 988-4476

Certificate of Service

I HEREBY Certify that a copy of the foregoing was mailed to opposing counsel of record, postage pre-paid, this 19th day of August 1965.

Thomas A. Simons

AAPL FORM 635

FARMOUT AGREEMENT

DATE: December 6, 1982

TO: Robert M. Edsel
9400 North Central Expressway
Suite 1212
Dallas, Texas 75231

RE: Lea County, New Mexico

In consideration of the benefits to accrue to the parties hereto and the covenants and obligations to be kept by you, it is hereby mutually agreed as follows:

I ACREAGE:

We represent without Warranty of Title of any kind or character that we hold Oil and Gas Leases or Mineral Interests described as follows and covering the following lands:
Tract 1: NE/4 Section 1, T15S, R36E, containing 160 acres, Lea County, New Mexico.
Tract 2: E/2 NW/4 Section 1, T15S, R36E, containing 80 acres, Lea County, New Mexico.
Tract 3: SW/4 Section 1, T15S, R36E, containing 160 acres, Lea County, New Mexico.
Tract 4: W/2 NW/4 Section 12, T15S, R36E, containing 80 acres, Lea County, New Mexico.

Said Leases being more completely described on Exhibit "A" attached hereto and made a part hereof.

We agree to deliver to you such abstracts and other title papers as we have in our files at this time, and at your sole cost, risk and expense you agree to conduct such Title Examinations and secure such curative matter as is necessary to satisfy yourselves that Title is acceptable to you.

II OBLIGATIONS:

(A) TEST WELL: On or before the 6th day of April, 1983, you agree to commence, or cause to be commenced the actual drilling of a well for oil and/or gas at the following location:

A legal location of your choice located on the above described land.

and you further agree to drill said Test Well with due diligence in a workmanlike manner to a depth sufficient to thoroughly test the following:

A depth of your choice in search for oil or gas provided that if in the drilling of initial test well salt, cavity, heaving shale, abnormal pressure, blowout, failure of surface casing, or some other condition is encountered at a lesser depth making further drilling impossible or impractical with ordinary rotary drilling methods. If such conditions are encountered, you will have the right to commence a substitute test well within 60 days of your abandonment of the initial test well and still be in compliance with the terms of this agreement.

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO. 8678

(B) COMPLETION OR ABANDONMENT: When the depth, you agree:

- (1) That if the Well can be completed as a producer you will diligently prosecute the completion of said Well without
- (2) If you determine to abandon the Well you will run an appropriate electrical log acceptable to us and not abandon the Well as a dry hole until you have run a log to us and thereafter given us at least 48 hours notice of abandonment unless we consent to an earlier abandonment thereafter. If notice has been given, you agree to promptly plug and abandon the Well in accordance with all the requirements of any governmental body having jurisdiction.

its total
 diligently
 with an
 you will
 cal log to
 abandon,
 has been
 nce with

III FAILURE TO DRILL:

The only consequence of your failure to drill the proposed Well as above provided for shall be the ipso facto cancellation of this Agreement.

herein-
 cy.

IV COMMITMENT:

UPON WRITTEN REQUEST, and after completion of the Well as provided for hereinabove in accordance with all the terms and provisions of this Agreement, we agree:

provided
 or satis-

To assign all oil and gas leases owned by us covering the land and interest therein by assignment in recordable form, provided such assignments contain the following special provisions and reservations:

bed

- 1) We will reserve an overriding royalty equal to 1/16 of the gross production, subject to proportionate reduction, therefrom to you 100% of the working interest and a 75% net revenue interest in each of said leases.
- 2) Such overriding royalty shall be convertible, on a well-by-well basis at our option (collectively and not individually), to a royalty of 8/8 overriding royalty or a 1/4 working interest at the time when a well has reached payout; payout being defined as the time when you have recovered out of your 75% net revenue interest less production, severance, windfall profits and other benefits the direct costs and expenses incurred by you in drilling, completing and equipping for production each well drilled hereunder. You agree to furnish us with your cost base for each well within 30 days after the completion date of any well drilled or as soon as is reasonably practical after the completion date. Our option to convert said overriding royalty must be exercised within 30 days after you have advised us that payout has occurred. Your failure to respond within such time period shall constitute our election to convert said overriding royalty interest.
- 3) You agree to reassign to us any lease which does not have a well located thereon or pooled therewith within 180 days after the expiration date of such lease.
- 4) You agree to conduct a continuous drilling program such that no more than 120 days shall elapse between the completion of one well (whether as a producer or as a dry hole) and the commencement of drilling for the next well. Your failure to meet such continuous drilling obligation shall constitute the termination of this agreement. You agree to immediately reassign to us all acreage not contained in a producing proration or spacing unit and further all depth below the deepest depth drilled with respect to each of such proration units.

t
 basis,
 8
 in
 point
 est,
 of
 g,
 well
 under
 well(s).
 within 30
 sure to
 to
 being
 more
 a
 tions
 you
 in a
 10 feet
 being

V INFORMATION AND REPORTS:

As a further express Consideration for this Agreement, and not as a covenant only, you agree to furnish to:

Frank M. Late
P. O. Box 1239
Richardson, Texas 75080

Wilton E. Scott
107 Glynn Way Drive
Houston, Texas 77056

the following:

1. (a) DAILY DRILLING REPORTS on the progress of the well which shall include drilling depth, information on all tests including character, thickness, name of any formation penetrated, shows of oil, gas or water, and detailed reports on all drillstem tests.
 - (b) 1 ~~XXXXXX~~ Copies of all forms furnished to any governmental authority.
 - (c) 1 Copies of all electrical logging surveys.
 - (d) 1 ~~XXXXXX~~ Copies of the well log upon completion.
 - (e) 1 ~~XXXXXX~~ Copies of the plugging record, if any.
 - (f) Samples of all cores and cuttings, if so requested.
Said copies and samples to be furnished to each party above.
2. Other Information Required:

You agree to furnish to us copies of any seismograph work performed in the subject area if you do not drill any wells under the terms of this agreement.

VI PRODUCTION TESTS:

You agree to properly drillstem test any and all formations in which shows of oil and/or gas are encountered after notifying us of the proposed test and if we desire to be present during testing, you will delay such testing a reasonable amount of time in order to allow our representative to reach the well and witness the test, and you also agree to notify us immediately by telephone or telegraph as to the results of any such test. Notification shall be given to:

Frank M. Late
P. O. Box 1239, Richardson, TX 75080
(4) 234-0102

Name:
Address:
Telephone No.:
Night Telephone No.:

Wilton E. Scott
107 Glynn Way Drive, Houston, TX 77056
(713) 757-4251
(713) 622-5852

It is understood that our representatives shall have access to the rig floor at all times and to any and all information concerning the Test Well.

VII DELAY RENTALS:

It is agreed that from and after the date of this Agreement we will pay any delay rentals which may become due on the Oil and Gas Leases subject to this Agreement until such time as the Assignment provided for in Section IV above has been executed, and thereafter bill you for 100% of the delay rental paid by us. We agree to prudently make said payments, however, it is understood that we shall not be liable for any failure to so make said payments stemming from a mistake or cause beyond our control.

VIII CONSENT REQUIREMENT:

This Agreement is personal in nature and may not be assigned without our written consent being first obtained. When requesting consent to make an assignment of all or a portion of this Agreement you will advise the parties to whom the assignment will be made.

IX STATUS OF PARTIES:

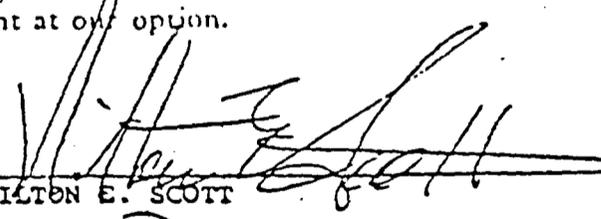
In the drilling of the Test Well and otherwise complying with the terms and provisions of this Agreement, you are acting independently of us and not as a partner in any capacity, mining or otherwise. We shall have no responsibility whatsoever in connection with the drilling of said well and it shall be drilled at your sole cost, risk and expense. You further agree to hold us harmless from any and all debts, claims or damages incurred in connection with the performance of this Agreement.

In regard to all provisions of this Agreement, it is understood and agreed that Time is of the Essence.

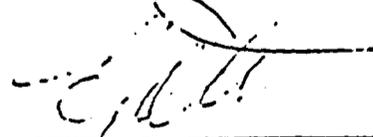
X OTHER PROVISIONS:

1. In the event we elect to convert our overriding royalty interest into a 1/4 working interest in any particular well, we agree to execute a mutually acceptable operating agreement (AAPL Standard Form) naming you or your nominee as Operator, and us as Non-Operators, as soon as practicable after making said election. Such operating agreement shall contain, among others, the following special provisions:
 - a) 400% penalty clause for non-consent on subsequent operations.
 - b) \$450 per well per month fixed overhead rate.

If the terms and provisions of this Agreement in its entirety are acceptable to you, will you kindly indicate your approval by signing below in the space provided and returning 1 executed copies of this Agreement to us within 15 days. Failure to do so will result in the cancellation of this Agreement at our option.

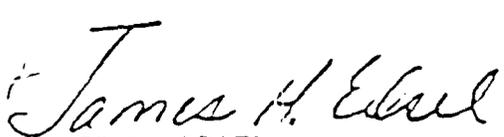


WILTON E. SCOTT



F. M. LATE

This Agreement is APPROVED
and ACCEPTED this 6th day
of December, 19 82.



JAMES H. EDSSEL

March 9, 1983

Wilton E. Scott and
Frank M. Late
107 Glynn Way Drive
Houston, Texas 77056

Re: Farmout Agreement dated
December 6, 1982, from Wilton E.
Scott and Frank M. Late to
Robert M. Edsel covering the
oil and gas leases described on
Exhibit "A" attached hereto
(hereinafter referred to as the
"Farmout Agreement".)

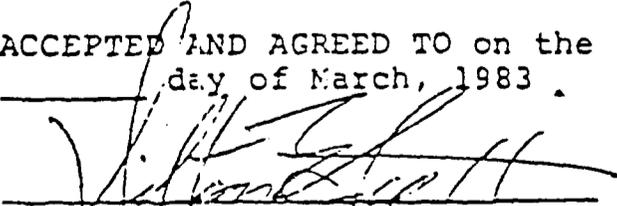
Gentlemen:

Please let this letter, when accepted by you in the
manner provided below, constitute our agreement to amend the
Farmout Agreement, as follows:

Paragraph II (A) is amended by changing
the commencement date of the Test Well
from April 6, 1983, to May 6, 1983.

Robert M. Edsel
9400 North Central Expressway
Suite 1212
Dallas, Texas 75231

ACCEPTED AND AGREED TO on the
day of March, 1983 .



Wilton E. Scott

Frank M. Late

EXHIBIT "A"

Attached hereto and made a part hereof that certain Farmout Agreement by and between WILTON E. SCOTT and F. M. LATE, Farmoutors, to ROBERT M. EDSEL, Farmoutee, dated December 6, 1982.

1. Oil and Gas Lease from Maxine A. Witcher and husband J. B. Witcher to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 897, Oil and Gas Deed Records, Lea County, New Mexico.
2. Oil and Gas Lease from Lois A. Burdick and husband Donald G. Burdick to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 899, Oil and Gas Deed Records, Lea County, New Mexico.
3. Oil and Gas Lease from Loradean A. Scott and husband Wilton E. Scott to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 937, Oil and Gas Deed Records, Lea County, New Mexico.
4. Oil and Gas Lease from Paul Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 538, Oil and Gas Deed Records, Lea County, New Mexico.
5. Oil and Gas Lease from Mary Crockett Reed to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 544, Oil and Gas Deed Records, Lea County, New Mexico.
6. Oil and Gas Lease from William M. Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 542, Oil and Gas Deed Records, Lea County, New Mexico.
7. Oil and Gas Lease from Catherine Crockett Legitt to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 546, Oil and Gas Deed Records, Lea County, New Mexico.
8. Oil and Gas Lease from Howard Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 534, Oil and Gas Deed Records, Lea County, New Mexico.
9. Oil and Gas Lease from David O. Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 540, Oil and Gas Deed Records, Lea County, New Mexico.
10. Oil and Gas Lease from Bruce Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 532, Oil and Gas Deed Records, Lea County, New Mexico.
11. Oil and Gas Lease from Hazel Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 536, Oil and Gas Deed Records, Lea County, New Mexico.
12. Oil and Gas Lease from Marjorie Crockett Hansen to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 548, Oil and Gas Deed Records, Lea County, New Mexico.

Wilton E. Scott
107 Glynn Way Drive
Houston, Texas 77056
May 11, 1983

Robert M. Edsel
1601 Elm Street
4200 Thanksgiving Tower
Dallas, Texas 75201

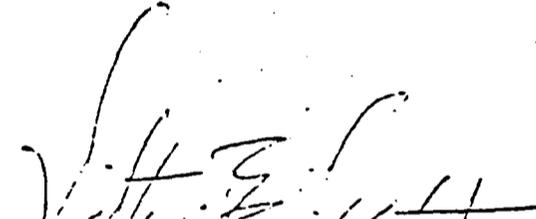
Re: Farmout Agreement dated
December 6, 1982, from Wilton E.
Scott and Frank M. Late to
Robert M. Edsel covering the Oil
and Gas leases described on
Exhibit "A" attached hereto
(hereinafter referred to as the
"Farmout Agreement").

Gentlemen:

Please let this letter, when accepted by you in the
manner provided below, constitute our agreement to amend
the Farmout Agreement, as follows:

Paragraph I is amended to include the SE/4
Section 1, T-15-S, R-36-E and E/2 NW/4
Section 12, T-15-S, R-36-E, thereby amending
the Farmout Agreement to include 680 total
acres (from 450 acres).

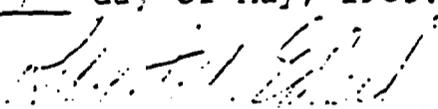
Paragraph II (A) is amended by changing the
commencement date of the Test Well from May 6,
1983, to June 6, 1983.



Wilton E. Scott

Frank M. Late

ACCEPTED AND AGREED TO on the
11th day of May, 1983.



Robert M. Edsel

12. Oil and Gas Lease from Marjorie Crockett Hansen to Ralph Nix dated
March 11, 1980, and being recorded in Volume 325, Page 548, Oil and
Gas Deed Records, Lea County, New Mexico.

EXHIBIT "A"

Attached hereto and made a part hereof that certain Farmout Agreement by and between WILTON E. SCOTT and F. M. LATE, Farmoutors, to ROBERT M. EDSEL, Farmoutee, dated December 6, 1982.

1. Oil and Gas Lease from Maxine A. Witcher and husband J. B. Witcher to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 897, Oil and Gas Deed Records, Lea County, New Mexico.
2. Oil and Gas Lease from Lois A. Burdick and husband Donald G. Burdick to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 899, Oil and Gas Deed Records, Lea County, New Mexico.
3. Oil and Gas Lease from Loradean A. Scott and husband Wilton E. Scott to Ralph Nix dated April 27, 1979, and being recorded in Volume 316, Page 937, Oil and Gas Deed Records, Lea County, New Mexico.
4. Oil and Gas Lease from Paul Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 538, Oil and Gas Deed Records, Lea County, New Mexico.
5. Oil and Gas Lease from Mary Crockett Reed to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 544, Oil and Gas Deed Records, Lea County, New Mexico.
6. Oil and Gas Lease from William M. Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 542, Oil and Gas Deed Records, Lea County, New Mexico.
7. Oil and Gas Lease from Catherine Crockett Legitt to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 546, Oil and Gas Deed Records, Lea County, New Mexico.
8. Oil and Gas Lease from Howard Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 534, Oil and Gas Deed Records, Lea County, New Mexico.
9. Oil and Gas Lease from David O. Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 540, Oil and Gas Deed Records, Lea County, New Mexico.
10. Oil and Gas Lease from Bruce Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 532, Oil and Gas Deed Records, Lea County, New Mexico.
11. Oil and Gas Lease from Hazel Crockett to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 536, Oil and Gas Deed Records, Lea County, New Mexico.
12. Oil and Gas Lease from Marjorie Crockett Hansen to Ralph Nix dated March 11, 1980, and being recorded in Volume 325, Page 548, Oil and Gas Deed Records, Lea County, New Mexico.