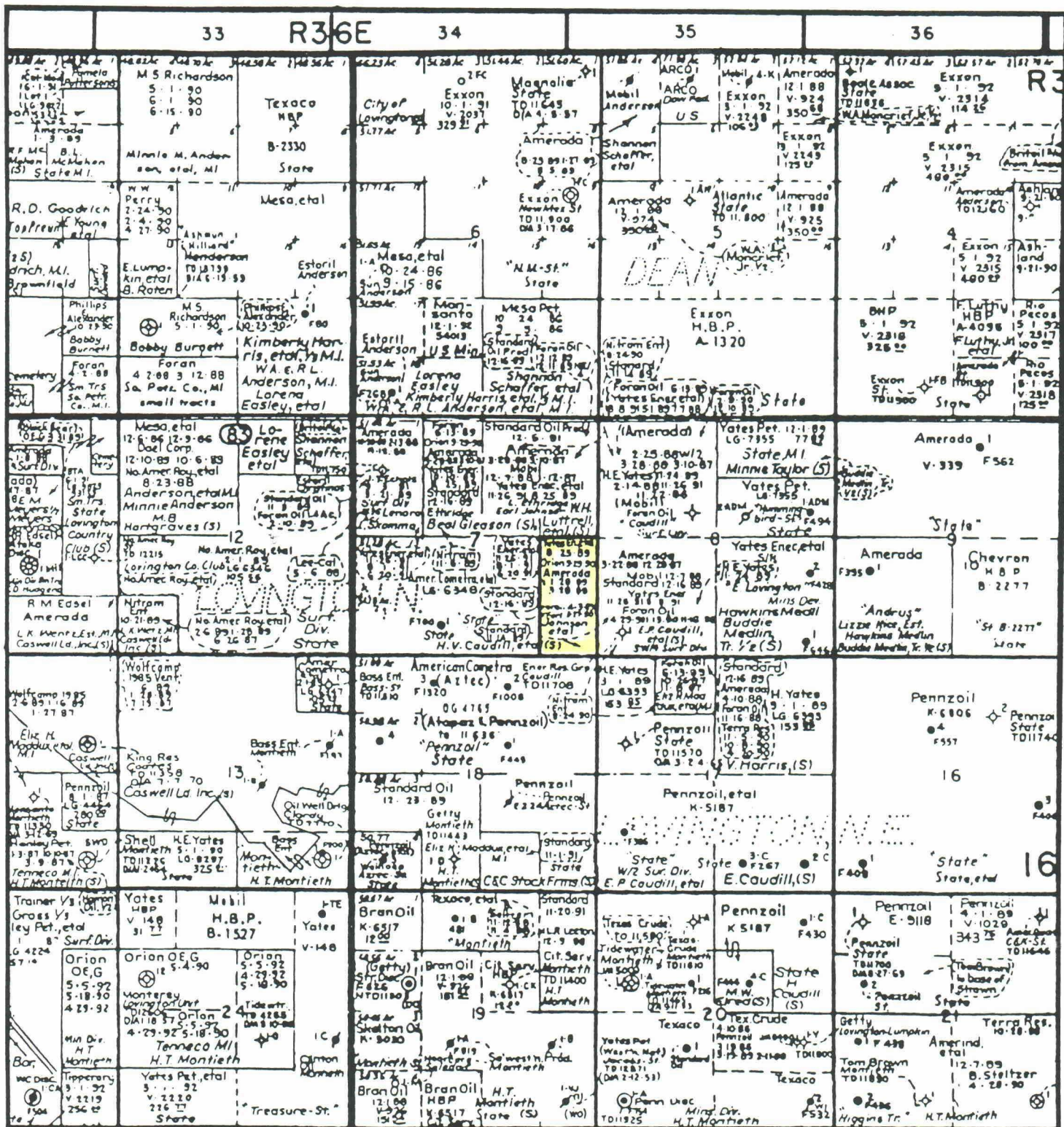


BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

FRAN EXHIBIT NO. 1
CASE NO: 9391-Roopen

Ethridge #1-7

Proposed 11,800' Strawn Test
Section 7: E/2 SE/4, T16S-R37E
Lea County, New Mexico

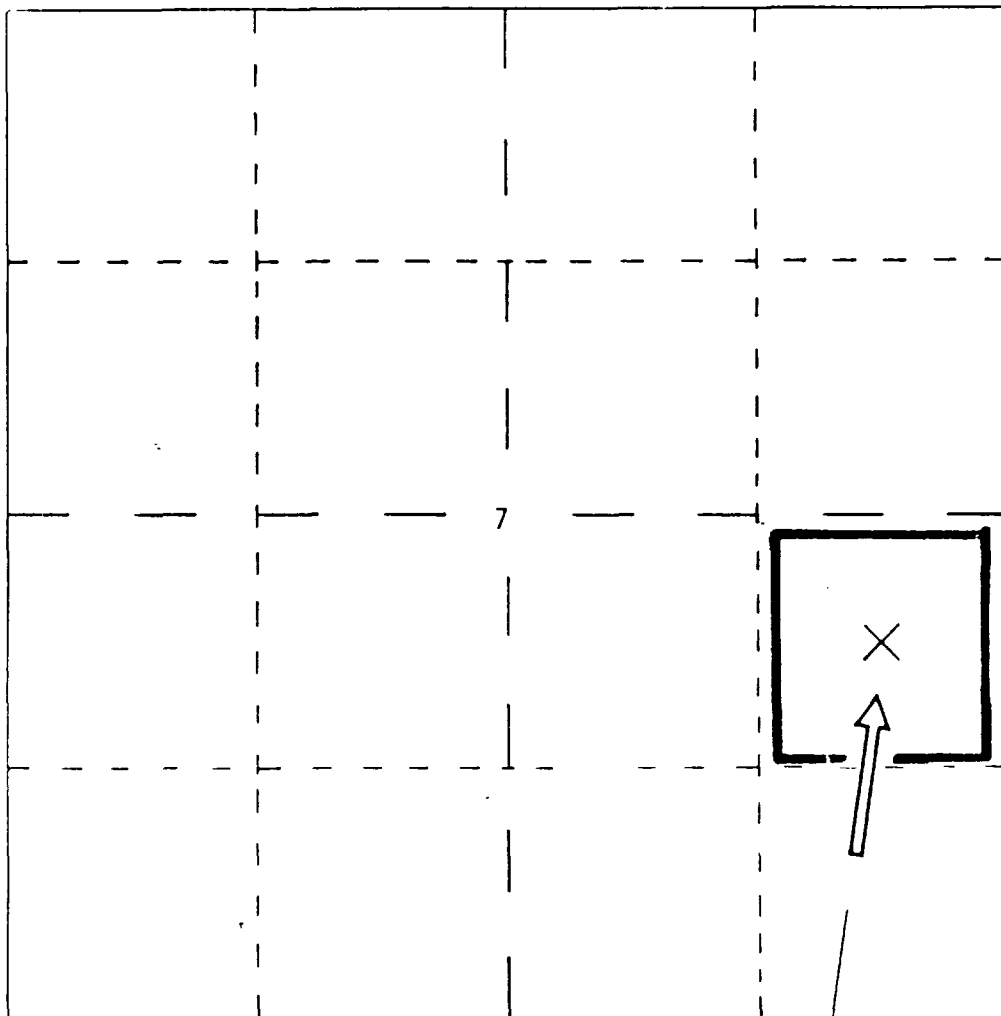




PROPOSED LOCATION

Ethridge 1-7
Section 7: NE/4 SE/4
T16S - R37E
Lea County, New Mexico

South Dean Prospect



at a legal location

1" = 1000 FT.

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Foran	EXHIBIT NO. 2
CASE NO.	9391-Roopen

26195

RECEIVED MAY 9 1988

O & G BOOK 422 PAGE 760

OIL AND GAS LEASE
PAID UP

AGREEMENT, Made and entered into this 23rd day of March, 19 88
by and between The Home-Stake Royalty Corporation, 2800 First National Tower, Tulsa, OK 74103
and Foran Oil Company, 8340 Meadow Road, Suite 158, Dallas, TX 75231 lessor (whether one or more)
lessee

WITNESSETH, That the said lessor, for and in consideration of TEN and no/100 (\$10.00) DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate) and gas (including but not limited to casinghead gas and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Lea State of Oklahoma, described as follows: New Mexico, described as follows, to wit:

Section 7: E/2 SE/4 (the East Half of the Southeast Quarter)Section 8: W/2 SW/4 (the West Half of the Southwest Quarter)

of Section see above Township 16 South Range 37 East and containing 160 acres, more or less

Subject to other provisions herein, this lease shall remain in force for a term of 90 days from date (primary term), and as long thereafter as oil or gas, or either of them, is produced in paying quantities from said land by the lessee

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect its wells, or at the option of the lessor to such pipe line as the lessor may direct, 25% of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To delivery to the credit of lessor, free of cost, in the pipe line to which lessee may connect its wells, or at the option of the lessor to such pipe line as the lessor may direct, 25% of all gas (including but not limited to casinghead gas and all other constituents) produced and saved from the leased premises. During any period (whether before or after the expiration of the primary term) when gas is not being sold or used and the well or wells are shut in and there is no current production of oil or other operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender to lessor a royalty of Twenty Five Dollars (\$25.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the expiration of ninety (90) days from the date such well is shut in and thereafter on the same date annually during the period such well is shut in, provided that lessee may not keep this lease in force by making such shut-in payments for more than three (3) consecutive years beyond the expiration of the primary term. When such payment or tender is so made it will be considered that gas is being produced within the meaning of this lease. Lessor shall have the privilege at its risk and expense of using gas from any well, producing gas only, on the leased premises for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder. Royalties on oil and gas payable to the lessor hereunder shall be free and clear of transportation, compression and processing costs provided that any extra transportation costs incurred by delivery, at the directions of lessor, of lessor's share of oil and/or gas to a pipe line other than the pipe line to which lessee connects its wells shall be charged to lessor.

This lease is a paid up lease for the primary term and shall require no rental payments during said term except as otherwise provided herein for shut-in payments. If the lessee shall commence to drill a well on the leased premises within the primary term it shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the primary term. "Commence to drill a well" shall be deemed to mean commencement of actual drilling of a hole with a drilling rig capable of drilling to the total depth of the proposed well.

Lessee, at its option, is hereby given the right to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgement it is necessary or advisable to do so in order to properly develop and operate said leased premises so as to promote the conservation of oil and gas in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units which shall not exceed 80 acres each in the event of an oil well, or into a unit or units which shall not exceed 640 acres each in the event of a gas well, plus a tolerance of ten percent (10%). Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit of his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Production at the end of the primary term on a drilling or spacing or production unit established by the governmental regulatory agency having jurisdiction shall not hold this lease as to acreage covered hereby not included in such unit. Further, production from such unit or units will maintain this lease in force only as to the strata or stratum from which production of oil, liquid hydrocarbon, gas or their respective constituent products is obtained by the unit well or wells.

If any State, U.S., or other governmental agency or authority shall grant or create a unit, or units, of which this leasehold acreage may be a part and which has an acre-per-well ratio in excess of 80 acres per well for an oil unit or 640 acres per well for a gas unit, plus a tolerance of ten percent (10%), Lessor and Lessee agree, as part of the consideration for this lease, that Lessor's interest shall nevertheless be calculated as if said unit, or units, contained the number of acres calculated by using an acre-per-well ratio of 80 acres per well for an oil unit or 640 acres per well for a gas unit, regardless of the actual acres contained in said unit or units.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to the lessor only in the proportion its interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth, or below 30", whichever is deeper.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstance. If oil or gas is discovered on the land covered by this lease, or on land pooled therewith, Lessee agrees to further develop the land covered by this lease as a reasonable and prudent operator would under the same or similar circumstances.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time before or within six months after the expiration of this lease to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee agrees that in the event Lessee desires to assign this lease that within 30 days after such assignment Lessee will furnish to Lessor by registered mail a true and correct copy of said assignment which shall contain the name and address of assignee and the interest assigned.

All expressed or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

It is understood that this lease is executed without warranty of title, either express or implied.

The undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made as recited herein.

Lessor hereby agrees that the lessee shall have the right at any time to redeem from lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

IN TESTIMONY WHEREOF, we sign this the 24th day of March, 19 88

ATTEST:

D. G. Seal
D. G. Seal, Secretary

THE HOME-STAKE ROYALTY CORPORATION (Seal)

BY: Robert C. Simpson (Seal)

Robert C. Simpson, President (Seal)

BEFORE EXAMINER TEX ID #73-0288040 (Seal)

OIL & GAS DIVISION

Foran 3Case No. 9391-Regen

FORAN OIL COMPANY

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

June 20, 1988

The Home-Stake Royalty Corporation
2800 First National Tower
Tulsa, Oklahoma 74103

Attention: Ms. Barbara Courtney
Manager, Land Department

RE: Extension of Oil and Gas Lease
Sec. 7: E/2 SE/4
Sec. 8: W/2 SW/4
T16S-R37E
Lea County, New Mexico
MO417001R and MO413001R

Gentlemen:

Whereas The Home-Stake Royalty Corporation is the Lessor in a certain oil and gas lease dated March 23, 1988 executed in favor of Foran Oil Company, as Lessee, recorded in Book 422 at Page 760 of the records of Lea County, New Mexico, and covering the above referenced lands; and

Whereas the parties to said lease desire to amend the same to the extent hereinafter set forth;

Now, therefore, for good and valuable consideration in hand paid the undersigned by Foran Oil Company, the receipt and sufficiency of which is hereby acknowledged, the undersigned do hereby amend the above described oil and gas lease by substituting a primary term of 100 days in place of the primary term of 90 days therein contained.

Foran Oil Company agrees to provide The Home-Stake Royalty Corporation with the well information obtained from the drilling of any wells under said lease.

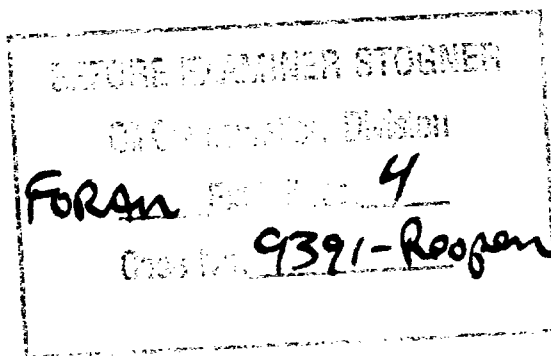
With respect to the invoices from Foran Oil Company for the plugging costs of the Caudill #1-8 well located in Section 8: NW/4, T16S-R37E, Lea County, New Mexico, please be advised that The Home-Stake Royalty Corporation should hold said invoices until credit has been issued for the equipment and should expect to recover 80-85% of the original costs of the salvaged equipment. Once the equipment has been sold, you will be issued credit against the prior invoices.

Very truly yours,



FORAN OIL COMPANY

Joseph Wm. Foran, President



Page -2-

Dated: June 20, 1988

RE: Extension of Oil & Gas Lease

Agreed to and accepted this 22nd day of June, 1988.

ATTEST:

THE HOME-STAKE ROYALTY CORPORATION

By: W. G. Seal
William G. Seal, Vice President
RC/meh

By: Chris K. Corcoran
Chris K. Corcoran, Vice President

Attachments: Copy of Lease
Well Reporting Requirements



The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company
2800 First National Tower
Tulsa, Oklahoma 74103

918-583-0178

RECEIVED JUN 24 1988

June 22, 1988

Mr. Joseph Wm. Foran, President
Foran Oil Company
Suite 158, Pecan Creek
8340 Meadow Road
Dallas, TX 75231

RE: Extension of Oil and Gas Lease
Section 7-16S-37E, E/2 SE/4
Section 8-16S-37E, W/2 SW/4
Lea County, NM
M0417001R and M0418001R

Dear Mr. Foran:

Enclosed please find a copy of the letter agreement dated June 20, 1988, which has been executed on behalf of our corporation. Also enclosed is a Well Requirement Sheet which indicates what information we require on your well.

Thank you.

Very truly yours,

THE HOME-STAKE ROYALTY CORPORATION
THE HOME-STAKE OIL & GAS COMPANY

Barbara Courtney

Barbara Courtney
Manager, Land Department

BC/rr
Enclosures

BEFORE EXAMINER STOP HERE
Oil & Gas Division
FORAN <i>5</i>
Case No. <i>9391- Roopen</i>

THE HOME-STAKE ROYALTY CORPORATION
THE HOME-STAKE OIL & GAS COMPANY

- WELL REQUIREMENT SHEET -

Date: June 22, 1988

Re: Section 7-16S-37E, E/2 SE/4
Section 8-16S-37E, W/2 SW/4
Lea County, NM
M0417001R and M0418001R

Gentlemen:

We have an interest in the above well of which you will be the operator. Indicated below are the number of copies required by our organizations and the address where the data should be mailed when available.

<u>COPIES</u>	<u>ITEM</u>
<u>2</u>	Daily Drilling reports and completion report.
<u>2</u>	Approved Notice of Intent to Drill (State form).
<u>2</u>	State Completion Report.
<u>2</u>	State P&A Report, if applicable.
<u>2</u>	Mud Logging Report (daily), if used.
<u>2</u>	Mud Logging Report (final).
<u>2</u>	Drill Stem Tests, if taken.
<u>2</u>	Core Analysis, if cored.
<u>2</u>	Electrical & Other Surveys and logs (field - multi-shot surveys)
<u>2</u>	Electrical & Other Surveys and logs (final).
<u>2</u>	First Month's Daily Production.
<u>2</u>	Bottom Hole Pressure Surveys.

NAME & ADDRESS: The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company
2800 First National Tower
Tulsa, OK 74103

Attention: Harry V. Tucei

Indicated below are the personnel whom we wish to be notified prior to any testing, coring, logging or DST operations, etc. on this well.

	<u>First Choice</u>	<u>Second Choice</u>
Name	<u>Harry V. Tucei</u>	<u>Bruce E. Galbierz</u>
Telephone No. (Office)	<u>918/583-0178</u>	<u>918/583-0178</u>
Telephone No. (Residence)	<u>918/663-7743</u>	<u>918/492-9397</u>

Checked below are those operations on which we desire to be notified, and when to contact.

<u>X</u>	Coring Operations	<u> </u>	Contact only during office hours
<u>X</u>	DST Operations	<u>X</u>	Contact at all times
<u>X</u>	Logging Operations		
<u> </u>	NONE OF THE ABOVE		

PLEASE SEND COPIES OF FIELD REPORTS BY FEDERAL EXPRESS



The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company
2800 First National Tower
Tulsa, Oklahoma 74103

RECEIVED SEP - 8 1988

918-583-0178

September 2, 1988

Mr. Joe Foran
Foran Oil Company
Suite 158
Pecan Creek
8340 Meadow Road
Dallas, TX 75231

RE: E/2 SE/4 - Sec. 7-16S-37E
Lea County, NM
M0417001R

Dear Mr. Foran:

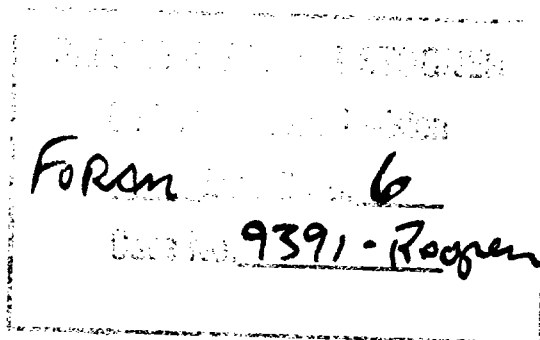
On March 23, 1988, we leased to your company two requested well sites, E/2 SE/4 - Section 7 and W/2 SW/4 - Section 8. Said leases were for a term of ninety (90) days. In addition, in June of this year we complied with a request from your office and extended the term of the leases from ninety days to one hundred days. Our agreement has now expired. Our corporations are currently evaluating the above acreage in light of your completion of the Caudill #2 well located in the W/2 SW/4 - Section 8-16S-37E, Lea County, New Mexico. When we have completed our evaluation, we will advise as to our decision in the above acreage.

Very truly yours,

THE HOME-STAKE ROYALTY CORPORATION
THE HOME-STAKE OIL & GAS COMPANY

Barbara Courtney
Manager, Land Department

BAC/mai



FORAN PRODUCTION COMPANY

FIRST NATIONAL PLACE I

801 S. FILLMORE

SUITE 450

AMARILLO, TEXAS 79101

(806) 376-6584

September 20, 1988

Ms. Barbara Courtney
Home-Stake Companies
2800 First National Tower
Tulsa, OK 74103

Dear Ms. Courtney:

RE: Proposed Oil & Gas Lease
covering your interest in the
E/2 SE/4 Section 7-T16S-R37E,
Lea County, New Mexico, and
proposed A.M.I Letter Agreement
FOC Prospect #NM-002

Pursuant to our discussion Friday, September 16, 1988, we would like to make the following offer covering the above referenced:

Foran Oil Company would lease one-half (1/2) of your interest in the E/2 SE/4 Section 7-T16S-R37E, Lea County, New Mexico (7.5 acres x 50% = 3.75 acres) on the following terms and conditions:

Term: Six (6) months
Royalty: 1/4th

Home-Stake shall participate with the remaining one-half (1/2) of its interest.

If Home-Stake accepts the above offer, the following Letter Agreement, which shall define an Area of Mutual Interest (A.M.I.), terms, conditions and other relevant information, shall be effective.

This Letter Agreement shall be between Foran Oil Company, hereinafter referred to as "Foran," and The Home-Stake Oil & Gas Company and The Home-Stake Royalty Corporation, hereinafter referred to as "Home-Stake."

The A.M.I. shall cover all of Sections 7, 8, 17 and 18, T16S-R37E, Lea County, New Mexico (see Exhibit "A" for a map).



FORAN

7

0000 10

9391-Reopen

The term shall be for two (2) years, effective as of the date of execution by Home-Stake.

During the term of this Letter Agreement, the following terms and conditions shall apply:

Foran shall receive the right to lease 3.75 acres of Home-Stake's interest in the A.M.I. on the terms listed below:

Consideration: \$100.00 per acre
Term: 6 months
Royalty: 1/5

Home-Stake shall receive the right to participate in any well in an 80-acre proration unit in which they do not own an interest. The following shall govern this right:

- * Home-Stake shall be able to participate with 3.75/80, or 4.6875% W.I., with a 75% N.R.I.
- * Election shall be on a well-by-well basis
- * On the first well in which Home-Stake participates, Home-Stake shall pay cost plus 20% on drilling and acreage (if any) to the point of running casing. If an election is made to run casing, Home-Stake shall pay its pro rata share of cost thereafter. This promote shall be on the first well in a quarter section in which Home-Stake elects to participate. Home-Stake shall pay its pro rata share of all costs for additional wells in the quarter section.
- * Operations shall be governed by a Joint Operating Agreement, AAPL Form 610-1982, naming Foran Oil Company as operator and providing, among other things, 400% non-consent penalty, a drilling well rate of \$5,000 per well, and a producing well rate of \$500 per well.

Also, Foran agrees to provide Home-Stake with the opportunity to review all geological data Foran acquires in the A.M.I. However, for this privilege, Foran shall have an Exclusive Option to lease Home-Stake's interest in the A.M.I., less and except the 3.75 acres heretofore covered under separate terms. If during the term of this Letter Agreement Home-Stake receives an offer to lease any of its interest in the A.M.I., and Home-Stake would accept the offer, Home-Stake shall send Foran a copy of the offer by receipt mail; and upon receipt of said letter, Foran shall have 10 days, excluding Saturday and Sunday, to meet the offer and must confirm acceptance by telegram or receipt mail.



Home-Stake Companies
September 20, 1988
Page three

This offer shall remain open for your acceptance until the earlier of (i) October 7, 1988 at 5:00 p.m. Central Standard Time (ii) withdrawn prior to the aforementioned date.

If the above clearly sets forth your understanding of our agreement, please indicate same by executing the attached copy of this letter and returning to the attention of the undersigned.

Yours very truly,



Mark R. Stewart

MRS/cc

AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 1988.

THE HOME-STAKE OIL & GAS COMPANY
THE HOME-STAKE ROYALTY CORPORATION

By: _____





The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company
2800 First National Tower
Tulsa, Oklahoma 74103

918-583-0178

October 7, 1988

RECEIVED OCT 12 1988

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Joseph William Foran
President
Foran Oil Company
Suite 158, Pecan Creek
8340 Meadow Road
Dallas, Texas 75231

RE: Ethridge No. 1-7
E/2 SE/4 - Sec. 7-16S-37E
Lea County, New Mexico
M0417001R

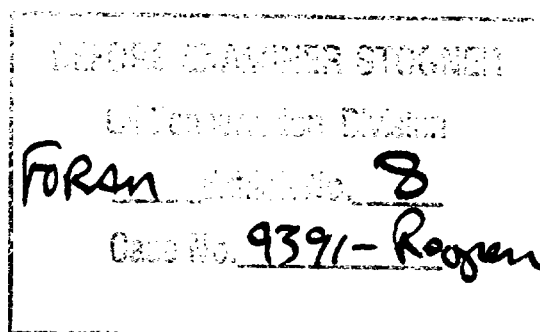
Dear Mr. Foran:

Our corporation is in receipt of your letter advising that you are instigating pooling proceedings to pool our interest in the above unit.

Again, we would like to point out that our prior agreement (lease) expired in early July of this year.

Pursuant to my phone conversation last week with Mark Stewart, The Home-Stake Royalty Corporation offered to lease our interest in the above unit for \$750.00 per net acre, 1/4 royalty, six month term with a 35% back-in after payout. This offer was not accepted by your company.

We hereby elect to participate in the drilling of the Ethridge No. 1-7 well. We are enclosing an AFE which has been executed on behalf of The Home-Stake Royalty Corporation. We hereby agree to pay dry hole costs five days before spud date.





Mr. Joseph William Foran
October 7, 1988
Page Two

(contd.)

Also enclosed is our well requirement sheet which indicates the type of information and data that we request from you pertaining to this well (number of logs, daily reports, etc.). Please be advised that this information needs to be sent individually and separately to each of our two corporations to the attention of Harry V. Tucei at 2800 First National Tower, Tulsa, Oklahoma, 74103.

Very truly yours,

THE HOME-STAKE ROYALTY CORPORATION

Barbara Courtney
Manager, Land Department

BAC/mai
Enclosures:
AFE
Well Requirement Sheet

FORAN OIL COMPANY
SUITE 158, PECAN CREEK
8140 MEADOW ROAD
DALLAS, TEXAS 75211
(214) 373-8792

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Foran EXHIBIT NO. 15

CASE NO. 9391

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE February 26, 1988

WELL NO. _____ LEASE NAME ETHRIDGE 1-7

PROSPECT
NAME South Dean

DESCRIPTION Drill & Equip A 11,800' Strawn Test

COUNTY Lea STATE New Mexico

LOCATION SEC 7: ESE,
T16S-R37E

OPERATOR Foran Oil Company

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
LOCATION & DAMAGES	23,100	24,500
FOOTAGE/WIRE-TO 11,800' @ \$12.70/Ft.	149,860	149,860
CONTRACT DRILLING DAYWORK \$4200/Day	12,600	16,800
CEMENTING & SERVICES	14,000	22,000
DRILL STEM TEST & CORING	5,600	5,600
LOGGING	24,000	24,000
GEOLOGICAL	7,500	7,500
MUD MATERIALS	18,400	18,400
TRUCKING & LABOR	7,500	10,000
SUPERVISION	10,500	14,700
BITS & EQUIPMENT RENTAL	11,000	13,500
FUEL/WATER	2,000	3,000
COMBINED FIXED RATE	6,000	8,000
PLUGGING & ABANDONMENT	-	-
WELL SURVEYS/TEST SERVICES	-	-
COMPLETION UNIT	-	7,500
CENTRALIZERS & SCRATCHERS	-	-
PERFORATING/LOGGING	-	2,500
FRAC AND/OR ACID	-	5,500
OTHER	-	-
CONTINGENCY	20,000	25,000
TOTAL INTANGIBLE	312,060	363,360

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
CASING-CONDUCTOR	-	-
CASING-SURFACE 450' 13-3/8" @ \$24.50/Ft.	11,025	11,025
CASING-INTERMEDIATE 4600' 8-5/8" @ \$14.60/Ft.	67,160	67,160
LINER-DRILLING	-	-
CASING-PRODUCTION 11800' 5 1/2" @ \$ 9.95/Ft.	-	117,410
LINER-PRODUCTION	-	-
TUBING 11700' 2-3/8" @ \$ 3.25/Ft.	-	38,025
WELL HEAD	4,000	7,000
OTHER SUB-SURFACE EQUIP	-	-
TANKS	-	-
SEPARATORS & HEATERS	-	7,500
FLOW LINES	-	3,000
RODS	-	3,000
PUMP UNIT & ENGINE	-	-
INSTALLATION COSTS	2,500	10,500
NON-CONTROLLABLE EQUIP	-	3,000
TOTAL EQUIPMENT	84,685	282,120
TOTAL WELL COSTS	396,745	645,480

APPROVALS
FORAN OIL COMPANY

WORKING INTEREST _____ % BY Joe Foran DATE 2/26/88
NON-OPERATOR _____
WORKING INTEREST _____ % BY Robert L. Foran President DATE 10/6/88
THE HOME-STAKE ROYALTY CORPORATION

FORAN PRODUCTION COMPANY
FIRST NATIONAL PLACE I
801 S. FILLMORE
SUITE 450
AMARILLO, TEXAS 79101
(806) 376-6584

October 14, 1988

Ms. Barbara Courtney
The Home-Stake Companies
2800 First National Tower
Tulsa, OK 74103

Dear Ms. Courtney:

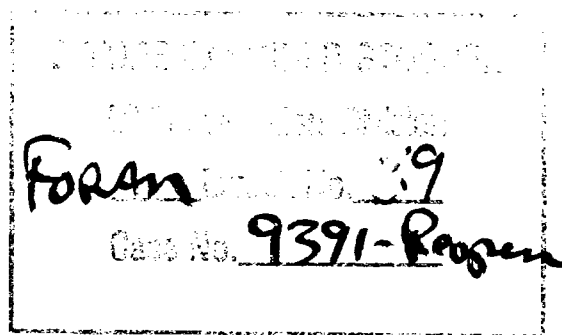
RE: Letter of October 7, 1988, concerning
participation in the Ethridge #1-7,
E/2 SE/4, Section 7-T16S-R37E
Lea County, New Mexico

After reviewing the above-referenced letter, Foran Oil Company is proceeding with the force pooling procedures scheduled for October 26, 1988. Foran is willing to drop said proceedings if The Home-Stake Companies will participate in the Ethridge #1-7 under the terms of Pooling Order #R-8674, dated June 24, 1988 (a copy of which is attached). Foran is agreeable to the following modifications of that Order:

1. The Home-Stake Companies shall pay their proportionate share of the dry hole cost five (5) days before commencement of operations (commencement of operations shall be defined as building location). Completion cost, if any, will be payable within five (5) days of the commencement of any completion operations.

However, if Foran has not received The Home-Stake Companies' share of dry hole costs, as described above, by receipt mail, their interests shall be considered leased on the following terms:

1. No cash consideration,
2. 3/16ths royalty, and
3. One-year term, with a 90-day rework, recompletion, redrilling term.



The Home-Stake Companies
October 14, 1988
Page two

Acceptance of this offer in no way shall relieve The Home-Stake Companies of their prior agreements with or representations to Foran, whether verbal or written.

If these terms and conditions are acceptable, please indicate your acceptance in the space below, sign and date the attached AFE and return one of each to the undersigned. Thank you for your consideration and time in this matter.

Yours very truly,



Mark R. Stewart

AGREED AND ACCEPTED THIS _____
DAY OF _____, 1988.

THE HOME-STAKE ROYALTY CORPORATION

BY: _____

THE HOME-STAKE OIL & GAS COMPANY

BY: _____

MRS/cc

Enclosures

OIL CONSERVATION DIVISION

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

CASE NO. 9391
Order No. R-8674

APPLICATION OF FORAN OIL COMPANY
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 8, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of June, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Foran Oil Company, seeks an order pooling all mineral interests in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 7.

(3) The applicant has the right to drill and proposes to drill a well at a standard location as described above.

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) \$5000.00 per month while drilling and \$500.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-

consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before September 15, 1988, the order pooling said unit should become null and void and of no effect whatsoever.

(14) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit within the Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 7.

PROVIDED HOWEVER, the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1988, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1988, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Foran Oil Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5000.00 per month while drilling and \$500.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

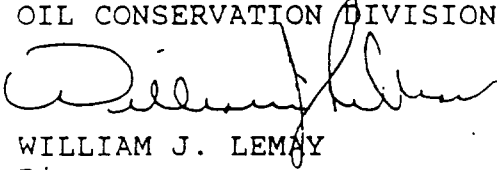
(13) Should all parties to this forced-pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

FORAN OIL COMPANY
SUITE 15X, PECAN CREEK
13411 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

BEFORE EXAMINER CATHACH
OIL CONSERVATION DIVISION

FORAN EXHIBIT NO. 15

CASE NO. 9391

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE February 26, 1988

WELL NO. _____ LEASE NAME ETHRIDGE 1-7

PROSPECT NAME South Dean

DESCRIPTION Drill & Equip A 11,800' Strawn Test

COUNTY Lea STATE New Mexico

LOCATION SEC 7: ESE,
T16S-R37E

OPERATOR Foran Oil Company

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
LOCATION & DAMAGES	23,100	24,500
FOOTAGE/MIN. RPT. TO <u>11,800' @ \$12.70/Ft.</u>	149,860	149,860
CONTRACT DRILLING DAYWORK <u>\$4200/Day</u>	12,600	16,800
CEMENTING & SERVICES	14,000	22,000
DRILL STEM TEST & CORING	5,600	5,600
LOGGING	24,000	24,000
GEOLOGICAL	7,500	7,500
MUD MATERIALS	18,400	18,400
TRUCKING & LABOR	7,500	10,000
SUPERVISION	10,500	14,700
BITS & EQUIPMENT RENTAL	11,000	13,500
FUEL/WATER	2,000	3,000
COMBINED FIXED RATE	6,000	8,000
PLUGGING & ABANDONMENT	-	-
WELL SURVEYS/TEST SERVICES	-	-
COMPLETION UNIT	-	7,500
CENTRALIZERS & SCRATCHERS	-	-
PERFORATING/LOGGING	-	7,500
FRAC AND/OR ACID	-	5,500
OTHER	-	-
CONTINGENCY	20,000	25,000
TOTAL INTANGIBLE	312,060	363,360

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
CASING CONDUCTOR	-	-
CASING SURFACE <u>450' 13-3/8" @ \$24.50/Ft.</u>	11,025	11,025
CASING INTERMEDIATE <u>4600' 8-5/8" @ \$14.60/Ft.</u>	67,160	67,160
LINER DRILLING	-	-
CASING PRODUCTION <u>11800' 5 1/2" @ \$ 9.95/Ft.</u>	-	117,410
LINER PRODUCTION	-	-
TUBING <u>11700' 2-3/8" @ \$ 3.25/Ft.</u>	-	38,025
WELL HEAD	4,000	7,000
OTHER SUB-SURFACE EQUIP	-	-
TANKS	-	7,500
SEPARATORS & HEATERS	-	14,500
FLOW LINES	-	3,000
RODS	-	3,000
PUMP UNIT & ENGINE	-	-
INSTALLATION COSTS	2,500	10,500
NON-CONTROLLABLE EQUIP	-	3,000
TOTAL EQUIPMENT	84,685	282,120
TOTAL WELL COSTS	396,745	645,480

APPROVALS
FORAN OIL COMPANY

WORKING INTEREST _____ % by Joe Foran DATE 2/26/88

NON-OPERATOR _____ DATE _____

WORKING INTEREST _____ % by _____ DATE _____

FORAN PRODUCTION COMPANY

FIRST NATIONAL PLACE I

801 S. FILLMORE

SUITE 450

AMARILLO, TEXAS 79101

(806) 376-6584

October 24, 1988

Ms. Barbara Courtney/
The Home-Stake Companies
2800 First National Tower
Tulsa, OK 74105

Dear Ms. Courtney:

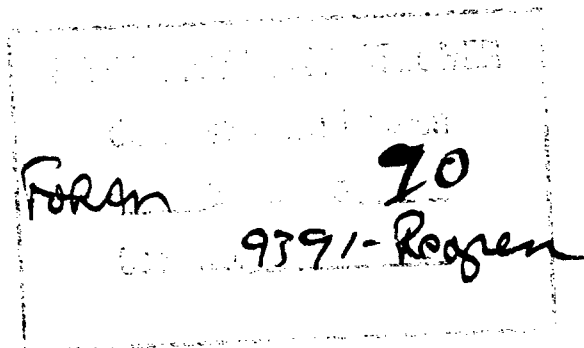
RE: Letter of October 14, 1988,
concerning the Ethridge #1-7
E/2 SE/4 Section 7-T16S-R37E
Lea County, New Mexico
FPC Prospect NM-002

This letter is to notify you that Foran Oil Company is withdrawing the offer in the above-referenced letter. We will continue with the force pooling proceedings, scheduled for October 26, 1988.

Yours very truly,

Mark R. Stewart

MRS/cc



KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

October 4, 1988

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Room 206
Santa Fe, NM 87503

BEFORE EXAMINER STOGNER
Oil Conservation Division
FORAN Case No. <u>1-2-11</u>
Case No. <u>9391-Reopen</u>

Re: Foran Oil Company
Ethridge 1-7 Well
South Dean Prospect
NMOCD Case 9391, Order R-8674
Lea County, New Mexico

HAND DELIVERED

Dear Mr. LeMay:

Our firm represents Foran Oil company and has obtained Compulsory Pooling Order R-8674, which was issued June 24, 1988 and requires the commencement of drilling on or before November 15, 1988.

At the original hearing held on June 8, 1988, we had the interests of the Home-Stake Royalty Corporation and the Home-Stake Oil & Gas Company committed to a lease, and therefore they were not named as parties to be pooled.

Since the issuance of the order, Home-Stake has taken the position that their interest is not committed to the well. Therefore, we are requesting that the referenced case be reopened and set for hearing on October 26, 1988 in order to pool the Home-Stake interest.

The following is suggested as an advertisement for the docket and newspaper publication:

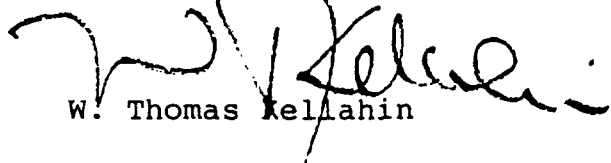
Application of Foran Oil Company to reopen Case 9391 and Compulsory Pooling Order R-8674, Lea County, New Mexico. Applicant, in the above styled cause, seeks to reopen Case 9391 and Order R-8674 in order to pool the interests of the Home-Stake Royalty Corporation and the Home-Stake Oil and Gas Company in the Ethridge 1-7 well to be drilled in the E/2SE/4 of Section 7, T16S, R37E, NMPM, Lea County, New Mexico and to be dedicated to the Northeast Lovington Pennsylvanian Pool.

KELLAHIN, KELLAHIN and AUBREY

Mr. William J. LeMay
October 4, 1988
Page Two

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production from the subject well.

Very truly yours,



W. Thomas Kellahin

WTK:lh

cc: Foran Oil Company
Mr. David Frye
The Home-Stake Royalty Corporation
(certified-return receipt)
The Home-Stake Oil & Gas Company
(certified-return receipt)

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

APPLICATION OF FORAN OIL COMPANY
TO REOPEN CASE 9391 TO ADD
ADDITIONAL PARTIES TO COMPULSORY
POOLING ORDER R-8674,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now FORAN OIL COMPANY, by and through its attorneys, Kellahin, Kellahin and Aubrey and in accordance with Section 70-2-17(c) NMSA 1978, applies to the New Mexico Oil Conservation Division to reopen Division Case 9391 and to add additional parties to Division Order R-8674, which was an order pooling all mineral interests in the Strawn formation underlying the E/2SE/4 of Section 7, T16S, R37E, Northeast Lovington-Pennsylvanian Pool for the drilling completion and production from the Edridge 1-7 Well, and in support thereof would show:

1. Applicant, Foran Oil Company, after notice and hearing requested and obtained from the Oil Conservation Division Order R-8674 issued effective June 24, 1988 which pooled the above described acreage all as shown on Exhibit A attached hereto and incorporated by reference herein.

2. Thereafter the applicant obtained from the Division an extension of the commencement date for the drilling of the subject well which date will now expire on November 15, 1988.

3. At the time of the hearing held on June 8, 1988, Foran Oil Company had obtained a voluntary agreement for the commitment of The Home-Stake Royalty Corporation and The Home-Stake Oil & Gas Company interest in this spacing and proration unit and therefore did not name these parties in its original pooling application.


4. Thereafter, The Home-Stake Royalty Corporation and The Home-Stake Oil & Gas Company has taken the position that their approximately 7.8125% interest in this well and its proposed spacing unit are not now voluntarily committed to the well.

5. Pursuant to the Division notice requirements, applicant has notified these companies of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on October 26, 1988.

6. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,

By 
W. Thomas Kellahin
Kellahin, Kellahin &
Aubrey
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285