



BRIAN K. MURPHY
PETROLEUM LANDMAN
506 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 682-6472

COPY

July 10, 1984

Mr. W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

RE: Robert E. Chandler
Forced Pooling Order
NMOCD Case No. 8243
1/4th Mineral Interest in NW/4NW/4
Section 12, T-20-S, R-38-E,
Lea County, New Mexico

Tom:

Please note the following is a revised list of owners of the "Dreessen" interests covered by the Application you have filed:

1. Priscilla A. Kyte, Individually and as Conservator of the Estate of David Bond Kyte, NCM
P. O. Box 30036
Santa Barbara, California 93103
1/8th ✓
2. Betty M. Dreessen, Trustee of the Betty M. Dreessen Revocable Living Trust u/a/d 10.17.77
27447 Edgerton Road
Los Altos Hills, California
1/16th
3. Edward Dreessen, Jr.
c/o Betty M. Dreessen
Last Address: P. O. Box 416
Los Altos Hills, CA
12% x 1/16th

415-

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION
Chandler EXHIBIT NO. 1
CASE NO. 8243

Mr. W. Thomas Kellahin
July 10, 1984
Page 2.

(415) 941-9353

4. The Craig and Ingrid Powell Revocable Living Trust u/a/d 6.18.78 / 12% x 1/16th
c/o Betty M. Dreessen (No other address known) *P.O. Box 749 Los Altos Calif 94022*
5. The Bank of California, Trustee of the Betty Kyte Dreessen Trusts / 76% x 1/16th
No. 12120108
No. 12120135
P. O. Box 45000
San Francisco, California 94145

Total

1/4th mineral interest.

Priscilla Kyte called me on the 5th, as she had only the day before learned from Mrs. Dreessen about our proposal.

I have sent her a lease for signature on our proposed terms and expect that she will sign it.

Sincerely,

BRIAN K. MURPHY

BKM/gw

ACTIVITY SUMMARY

JANUARY 13/84 CALLED MRS. DREESSEN IN CALIFORNIA TO DISCUSS LEASE.
Mrs. Dreessen explained the following :

1. She represented all of the owners of the "KYTE" mineral interests.
2. She employed the Bank of California as her agent or Trustee to screen these types of proposals and what I needed to do was to submit this proposal to them. They would in turn submit my offer to some consultant in Roswell for evaluation. Mrs Dreessen would not tell me the name of the consultant. If the Bank received a favorable review from Roswell they would send their recommendation to Mrs Dreessen for her approval, which once secured would then get us the names of the owners for our Lease papers.
3. Mrs. Dreessen suggested that I call Mr Ken Cronin at the Bank of California for mailing address.

JANUARY 13/84 CALLED THE BANK OF CALIFORNIA IN SAN FRANCISCO AND CONFIRMED ALL THAT MRS. DREESSEN HAD EXPLAINED TO ME

JANUARY 20/84 SAMPLE LEASE AND LETTER FORWARDED TO MR KEN CRONIN OF THE BANK OF CALIFORNIA-TRUST DEPARTMENT.

FEBRUARY 22/84 CALLED KEN CRONIN FOR STATUS REPORT. HE SAID THERE WAS NO PROGRESS YET.

MARCH 15/84 CALLED KEN CRONIN. HE WAS OUT LEFT MESSAGE. NO REPLY

APRIL 12/84 CALLED KEN CRONIN: No answer from Roswell yet.
Promised to check on delay;
NO REPLY

APRIL 25/84 CALLED KEN CRONIN: Asked help in speeding up Roswell
He promised to look into delay.
NO REPLY

MAY 03/84 CALLED KEN CRONIN: He said Roswell had not answered.
Asked him to apply pressure if possible to speed up program.
NO REPLY

MAY 17/84 CALLED KEN CRONIN: Left message-PLEASE help.
NO REPLY

MAY 18/84 CALLED KEN CRONIN: He said Roswell was the problem
but he would see what was wrong.
NO REPLY

MAY 29/84 CALLED KEN CRONIN: Left message; PLEASE speed up our proposal.

JUNE 04/84 CALLED KEN CRONIN: Left message NO REPLY
Explained to secretary about our option to Force Pool and asked that she convey this to Cronin.

JUNE 05/84 CALLED KEN CRONIN: Spoke to Joe Santoyo of the Trust Department. Explained our position and our frustration and our Force Pool Option. He said he would talk to Ken Cronin who was out. I said a confirming letter would be sent.

JUNE 05/84 SENT CERTIFIED LETTERS REQUESTING A REPLY TO OUR OFFER OF \$100/ac for a 3 yr 3/16ths Lease, BY 6/15

JUNE 6 or 7th KEN CRONIN CALLED: He said that they understood that we could Force Pool them and he promised an answer quickly.

JUNE 11 or 12th KEN CRONIN CALLED: He said the consultant recommends a no Money 6month 1/4th Lease. I explained reasons why these were impossible terms to accept. I asked him to consider a 2yr 1/5th Lease for which we could pay \$75/ac.

JUNE 15/85 CALLED KEN CRONIN: I explained once again that our offer of \$75/ac for a 2yr 1/5th Lease was fair and that we hoped he would agree since we had to make a decision about Force Pooling.

JUNE 18/84 CALLED KEN CRONIN: he was on vacation; I spoke to Joe Santoyo and explained that since we did not hear from them we were applying to the OCCNM for Forced Pooled actions.
RECEIVED A LETTER FROM KEN CRONIN: Reiterates demand for a 6 month 1/4th lease.

JUNE 19/84 RECEIVED A LETTER FROM KEN CRONIN: Confirmed the details of our June 14th telephone conversation (15th KEN CRONIN CALLED: I was out of town.

APPLICATION FOR FORCED POOL ACTION FILED
July 11/84 date set.

JUNE 28/84 SENT CERTIFIED LETTER TO KEN CRONIN: Offered a final proposal of \$100/ac for a 2yr 1/5th royalty Lease. It was received in San Francisco 7/3/84.

JULY 05/84 RECEIVED CALL FROM PRISCILLA KYTE : She had just been sent the certified letter by Mrs Dreessen and she wondered what it was all about. After explaining she wondered if this was the only time Mrs Dreessen had not kept her informed.

JULY 06/84 CALLED SANTA FE TO POSTPONE HEARING UNTIL WE COULD
SEND LEASE TO Priscilla Kyte and David Kyte NCM.
NEXT DATE July 25th set

JULY 10/84 SENT LEASE TO PRISCILLA KYTE et vir certified mail

JULY 17/84 CALLED MRS KYTE Left Message NO REPLY

JULY 19/84 CALLED MRS KYTE Left message NO REPLY

JULY 20/84 CALLED KEN CRONIN: They have decided not to accept
our proposal.
CALLED PRISCILLA KYTE: Left message NO REPLY
CALLED PRISCILLA KYTE: No answer at her office.
CALLED PRISCILLA KYTE: No answer at her office.

JULY 22/84 CALLED PRISCILLA KYTE: Left message on her machine.

JULY 23/84 PRISCILLA KYTE CALLED: Lease was signed and going in
the bank today
She suggested we call Ingrid Powell to see if she
was aware of what was happening. She gave me the new
address.

JULY 23/84 CALLED MRS INGRID POWELL: she was not aware of any
of this.



BRIAN K. MURPHY
PETROLEUM LANDMAN
506 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 682-6472

COPY

June 5, 1984

CERTIFIED MAIL (458 478 581)
RETURN RECEIPT REQUESTED

Mr. Joe Santoyo, Trust Officer
Betty Kyte Dreessen Trust No. 2-2010/13
Bank of California N. A.
P. O. Box 7629
San Francisco California 94120

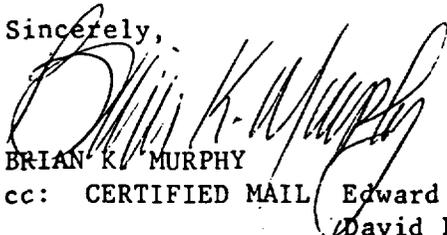
RE: Oil and Gas Lease Proposal
Betty M. Dreessen Trust Properties
NW/4NW/4 SECTION 12
T-20-S, R-38-E, NMPM
Lea County, New Mexico

Mr. Santoyo:

Further to my telephone conversation with you this morning, and my dozen previous phone calls to your bank, I wish to reiterate that my client wishes to purchase an Oil and Gas Lease covering the "Dreessen" interests in the above captioned lands under the following terms: three-years, 3/16ths royalty, \$100 per net mineral acre bonus plus pre-paid rentals of \$1.00 per acre, paid-up. It is our understanding that the Bank of California, N. A. is Trustee of the Betty Kyte Dreessen Trust No. 2-2010/13 and acts on an agency basis for Betty M. Dreessen, Trustee of the Betty M. Dreessen Revocable Living Trust, Edward Dreessen, Jr., David Bond Kyte, Priscilla A. Kyte. This proposal is a duplicate of our proposal made January 23, 1984, by letter sent to Mr. Ken Cronin of your bank.

We wish to have a reply on this proposal no later than the 15th of June either by certified mail or telegram; otherwise, we must proceed with Forced Pooling procedures and set a hearing date for said action.

Sincerely,


BRIAN K. MURPHY

cc: CERTIFIED MAIL Edward Dreessen, Jr. ✓
David Bond Kyte ✓
Priscilla A. Kyte ✓
Betty M. Dreessen ✓



BRIAN K. MURPHY
PETROLEUM LANDMAN
506 PETROLEUM BUILDING
MIDLAND, TEXAS 79701

COPY

January 23, 1984

Bank of California N. A.
Trust Division - Oil & Gas Properties
P. O. Box 7629
San Francisco California 94120

Attention: ~~Mr. Ken Kenkrowin~~

RE: Oil & Gas Lease Proposal → (415)
Betty M. Dreessen Trust Properties → 765-2653
5/20ths net interest being 10.000 net acres in
NW/4NW/4 SECTION 12
T-20-S R-38-E
Lea County, New Mexico

~~Mr. Kenkrowin:~~ → KEN
CRONIN

In recent conversation with Mrs. Dreessen in Los Altos Hills concerning a proposed oil and gas lease on the above described properties, she asked me to write to you with my proposal for your consideration and evaluation.

I propose to purchase a three-year, paid-up 3/16ths royalty lease from Mrs. Dreessen, and pay \$100.00 per net acre with \$1.00 pre-paid rentals.

Mrs. Dreessen further told me that you will probably seek the considered opinion of someone in Roswell, New Mexico, and that this process sometimes is lengthy.

Please, call me collect or have your advisor call me with any questions on any of this. I will appreciate your attention and evaluation of this proposal.

Thank you,

BRIAN K. MURPHY

BKM/gw
Encl.

January 23, 1984
DATE

HOUSE
PROSPECT

30 DAYS after sight and subject to approval of title for OGL RATIF/RDO

COVERING: a 5/20th (10.00 net acres) net mineral interest in the NW/4NW/4 SECTION 12
T-20-S, R-38-E

COUNTY LEA STATE NEW MEXICO

PAY TO THE ORDER OF:

\$ 1020.00

One Thousand Twenty and no/100 DOLLARS

TO: RepublicBank First National of Midland
Midland, Texas
Attention: Collections Department
6472

BRIAN K. MURPHY 682-6472

PURCHASE REPORT

LESSOR:

LESSEE: Brian K. Murphy

for Savage/Chandler

LEASE DATED : January 23, 1984

TERM : three year

PAID-UP : YES ~~XXX~~

LAND DESCRIPTION

5/20ths (10.000 net acres) X NW/4NW/4 SECTION 12
T20S R38E
Lea County, New Mexico

GROSS ACRES: 40.00

NET ACRES : 10.00

NET INTEREST : 5/20ths

BONUS/ACRE \$ 100.00

BONUS PAID \$ 1000.00

ROYALTY : 3/16ths

RENT / ACRE \$ 1.00

PRE-PAID RENT \$ 20.00

2/22/84 - called SURFACE OWNER

3/15/84 - called

4/12/84 - called Cronin

3/15/84 - called Stan Cronin

4/25/84 - called - please look into delay

5/03/84 - called - hoped for hurry up.

5/17/84 - called - left msg
5/18/84 - called - he would check
5/29/84 - called Cronin - left msg

REMARKS:

Mrs. Dreessen told me to send proposal to Bank for their approval.

Mrs. Dreessen = (415) 948-4220

Bank = (415) 493-8822

= (415) 765-0400

= (415) 765-3124 Trust Div.

9/22/84

called - left msg for Mr. Cronin

(415) 765-2653

(over)

No answer get from New Mexico

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of January 19 84, between __________ of _____
(Post Office Address)herein called lessor (whether one or more) and Brian K. Murphy, 506 Petroleum Bldg., Midland, Texas 79701, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

Township 20 South, Range 38 East N.M.P.M.
SECTION 12: Northwest Quarter Northwest Quarter (NW/4NW/4)

Said land is estimated to comprise 40.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16ths of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced

from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16ths of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 3/16ths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

LESSOR:

Betty M. Dreesen
TRUSTEE
The Bank of Calif. NA
(415) 493-8822

PHONE No. (415) 948-4220

Social Security No. _____

DEPOSITORY BANK _____

LAND DESCRIPTION
5/20th X NN¹/₄NW¹/₄
SECTION 12
T-20-S R-38-E
LEA Co
New Mexico

GROSS ACRES: 40 NET ACRES: 20 NET INTEREST: 5/20ths.

DATE

VERBAL OFFER REPORT

1/13/84

called Mrs. Dreesen after speaking with the Bank of California 1/11/84
She said that I should mail my proposal to the Bank, who would then send our proposal to their consultant in Roswell
If the consultant gave them an OK, they intend to advise Mrs. Dreesen who in turn will let us know the names of all the people involved.

1-20-84

case & letter sent.



THE BANK OF CALIFORNIA

RECEIVED

JUN 18 1984

J. ROBERT CREECH
Midland, TX

Trust Real Estate Operations
Post Office Box 7629
San Francisco, Ca. 94120
June 14, 1984

Mr. Brian K. Murphy
Petroleum Landman
506 Petroleum Building
Midland, Texas 79701

Regarding: The Betty Kyte Dreessen Trusts: 12120108 & 12120135
Oil & Gas Lease for the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 12,
T20S, R38E, NMPM, Lea County, New Mexico

Dear Mr. Murphy:

We have contacted the consultant for the Betty Kyte Dreessen Trusts in New Mexico. We have been advised to reject your original proposal of a 3/16ths royalty with a \$100 net mineral acre bonus plus prepaid rentals of \$1.00 per acre, paid up. We have been advised to counter offer with an offer of a twenty-five percent (25%) royalty with no money up front and a short term, six month lease. Your office representative on June 13 gave us tentative verbal approval via telephone.

In light of the urgency of your letter of June 5, 1984 to discuss this lease, it is interesting to note that two phone calls to your office each day with messages left to return a call to us on June 12, 13 & 14th have resulted in no reply from you. We would ask that you reply to us in writing as to the counter proposal. We await your response.

Yours truly,
Kenneth R. Cronin
Kenneth R. Cronin
Trust Real Estate Officer

CERTIFIED MAIL
cc: Joseph Santoyo, Trust Officer

"Advised him of intent to Pool"
6-18 - *2600 Ken Cronin regarding this proposal being unaccepted*
we will pay \$75 - 240 - 15th
He said he would consider this & discuss with
their consultant in Roswell.

BANKCAL

THE BANK OF CALIFORNIA

RECEIVED

JUN 19 1984

J. ROBERT CREECH
Midland, TX

Trust Real Estate Operations
Post Office Box 7629
San Francisco, California 94120
June 15, 1984

Mr. Brian K. Murphy
Petroleum Landman
506 Petroleum Building
Midland, Texas 79701

Regarding: The Betty Kyte Dressen Trusts: 12120108 & 12120135
Oil & Gas Lease for NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 12,
T20S, R38E, NMPM, Lea County, New Mexico

Dear Mr. Murphy:

Following our discussion by telephone this morning, I was able to contact the trust consultant regarding your minimum term of a two year lease. We were advised to continue with our offer of a six month lease. The consultant states that the proposed well is offset by four other producing wells.

We will await your written reply to the term of the lease and also the acceptability of the 25% royalty. If we can be of any further assistance please let us know.

Since I will be on vacation through June 25, 1984, please contact Mr. Neil Blenderman if you need any assistance next week at 415-765-3358.

Yours truly,

Kenneth R Cronin

Kenneth R. Cronin
Trust Real Estate Officer

KRC:kc

cc: Joseph Santoyo

IF YOU WANT TO GUARANTEE YOUR COPY

COPY



BRIAN K. MURPHY
PETROLEUM LANDMAN
506 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 682-6472

June 28, 1984

Mr. Kenneth R. Cronin
Trust Real Estate Operations
P. O. Box 7629
San Francisco California 94120

RE: THE BETTY KYTE DREESSEN TRUSTS
No. 12120108
No. 12120135
Oil & Gas Lease Proposal
NW/4NW/4 SECTION 12
T-20S R-38E NMPM
LEA COUNTY NM

Dear Mr. Cronin:

I greatly appreciate your returning my telephone call regarding this proposal, especially in light of the fact that you were in the midst of your vacation. I apologize for the situation which causes one's holiday plans to be interrupted.

Mr. Harris of this office advised me that he has conveyed to you the essence of our position regarding this Lease proposal, that being:

1. We will pay \$100.00 per net acre for a two year Lease.
2. The maximum Royalty that can be paid is 20% (1/5th).
3. The rentals should be \$1.00 per acre per year, and would be paid in advance with the Bonus.

Certainly we hope that you will find this proposal acceptable and that you will let me know as soon as is possible.

Yours sincerely,

BRIAN K. MURPHY
BKM/gw
Certified Mail No. 652 019 956

7-20 - Called Saul 1040 Cronin. Cronin said they will not accept our terms.



BRIAN K. MURPHY
PETROLEUM LANDMAN
506 PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 682-6472

July 10, 1984

Mrs. Priscilla A. Kyte
P. O. Box 30036
Santa Barbara, California 93103

RE: NW/4NW/4 SECTION 12,
T-20-S, R-38-E, NMPM
Lea County, New Mexico

Dear Mrs. Kyte:

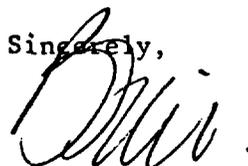
Please find enclosed the paid-up Oil and Gas Lease about which our recent telephone conversations have centered.

You will need to sign the Lease and the Rental Division Order before a Notary Public and endorse the back of the Draft. Please add your Social Security number on the bottom of the lease.

For Title Curative purposes we will be needing a copy of the instrument appointing you as Conservator of the Estate of David Bond Kyte, NCM. Please include this with the rest of the lease papers and ask your bank to forward all papers to RepublicBank First National of Midland for collection and payment.

Please call me if you have any questions. Thank you.

Sincerely,



BRIAN K. MURPHY

BKM/gw
Encl.

CERTIFIED MAIL (652 019 957)
RETURN RECEIPT REQUESTED

OIL & GAS LEASE

THIS AGREEMENT made this 10th day of July, 1984, between _____

PRISCILLA A. KYTE, Individually and as Conservator of the Estate of David Bond Kyte, NCM
P. O. Box 30036, Santa Barbara, California 93103

_____ of _____
 (Post Office Address)

herein called lessor (whether one or more) and BRIAN K. MURPHY, 403 Petroleum Bldg., Midland, Texas 79701, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in _____ Lea County, New Mexico, to-wit:

Township 20 South, Range 38 East, N.M.P.M.
SECTION 12: Northwest Quarter Northwest Quarter (NW/4NW/4)

Said land is estimated to comprise 40.000 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of two years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/5th of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/5th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/5th of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 80 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

PRISCILLA A. KYTE, Individually and as
Conservator of the Estate of David Bond Kyte, NCM
 Social Security No. _____

JULY 10, 1984
DATE

PROSPECT

30 DAYS after sight and subject to approval of title for OGL RATIF/RDO

COVERING: a 1/8th net mineral interest in NW/4NW/4 Section 12, T20S, R38E

COUNTY Lea STATE NM

PAY TO THE ORDER OF: **PRISCILLA A. KYTE, Individually and as Conservator of the Estate of David Bond Kyte, NCM** \$505.00

Five Hundred Five and no/100 DOLLARS

TO: RepublicBank First National of Midland
P. O. Box 1599, Midland, Texas 79702
Attn: Collections Department (682-6472)

BRIAN K. MURPHY

PURCHASE REPORT

LESSOR: Priscilla A. Kyte, Individually and as Conservator of the Estate of David Bond Kyte, NCM
P. O. Box 30036
Santa Barbara, California 93103

(805) 687-5540 (o)
(805) 966-5560 (h)

IN

LESSEE: Brian K. Murphy

for Savage and Chandler

LEASE DATED : July 10, 1984

TERM : two years

PAID-UP : YES

LAND DESCRIPTION
NW/4NW/4 SECTION 12
T-20-S, R-38-E, NMPM
Lea County, New Mexico

GROSS ACRES : 40.000

NET ACRES : 5.000

NET INTEREST : 1/8th

BONUS/ACRE \$ 100.00

BONUS PAID \$ 500.00

ROYALTY : 1/5th

RENT / ACRE \$ 1.00

PRE-PAID RENT \$ 5.00

SURFACE OWNER

7-05 Mrs Kyte called - said she had just received letter from Mrs Dresser
7-10 - called Mrs. Kyte - discussed lease at length
7-10 - sent lease by certified mail.

REMARKS:

7-17 - called Mrs. Kyte - left msg at her office
7-19 - received receipt back from certified mail
7-19 - called Mrs Kyte - left msg with her office
7-20 - called Mrs. Kyte - left msg with her home answering machine. No answer at office # Three times.
7-22 - called Mrs. Kyte - left msg on answering machine.